

TESTIMONY AS A PROPONENT

SENATE BILL 144

2-15-1758. Board of real estate appraisers. (1) There is a board of real estate appraisers.

(2) The board consists of seven members appointed by the governor with the consent of the senate.

(3) Five members must be licensed or certified real estate appraisers for a minimum of 3 years, and two members must be representatives of the public who are not engaged in the occupation of real estate appraisal.

(4) A screening panel of the board, established pursuant to 37-1-307, must be composed of at least three members and ~~shall~~ must include one member of the board who represents the public and is not engaged in the occupation of real estate appraisal. Any determination that a licensee has violated a statute or rule in a manner that justifies disciplinary proceedings must be concurred in by a majority of the members of the screening panel.

(5) Members shall serve staggered 3-year terms. A member may not serve for more than three consecutive terms.

(6) The board is allocated to the department for administrative purposes only, as prescribed in 2-15-121.

(7) A board member may be removed from the board by the governor for neglect or cause.

(8) The board shall meet at least once each calendar quarter to transact its business.

(9) The board shall elect a presiding officer from among its members.

(10) A board member must receive compensation and travel expenses, as provided in 37-1-133.

History: En. Sec. 3, Ch. 409, L. 1991; amd. Sec. 3, Ch. 492, L. 2001; Sec. 2-15-1868, MCA 1999; redes. 2-15-1758 by Sec. 221(2), Ch. 483, L. 2001; amd. Sec. 1, Ch. 87, L. 2013.

Provided by Montana Legislative Services

Justification & History for Removing Term Limits

The Montana Board of Real Estate Appraisers (Board) is the only Montana Professional Licensing Board that has Federal Oversight. The Board is under federal regulatory review by the Appraisal Subcommittee (ASC). The appraisal Subcommittee oversees the real estate appraisal process as it relates to federally related transactions in the areas of regulatory compliance, temporary practice, and enforcement. The ASC was established within the Federal Financial Institutions Examination Council (FFIEC) pursuant to title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). The ASC oversees The Appraisal Foundation, whose work is accomplished by two independent boards, the Appraiser Qualification Board (AQB), the Appraisal Standards Board (ASB), who collectively set the standards, minimum qualifications for licensure and regulate real estate appraisal practice in the United States. For more detailed information on the ASC please visit this hyperlink;

<https://www.asc.gov/About-the-ASC/ASCHistory.aspx>

The Board has been in the process of a reorganization for the past 3-5 years. The goals of the reorganization were as follows:

1. Increase efficiencies in the overall business model and provide a more customer and consumer friendly process
2. Reduce operating expenses by exploring more cost effective ways of doing business
3. Receive an excellent rating ASC on our compliance review. This goal was achieved during our 2019 on-site audit by the ASC.

Increase efficiencies in the overall business model – The process of documenting, application and approval for licensure was archaic and was not consumer friendly. We developed digital formats for our licensees to record their experience and educational logs, rather than having to fill out in long hand. Furthermore, the board streamlined the time frame for an applicant to receive their license once they submitted the application documents to the Board. Applicants who turn in a complete application, pass the national certification exam and receive an acceptable review of their work product by an independent peer, now receive their license to practice immediately and not have to wait until the next regularly scheduled board meeting. This efficiency will allow new licensees to get to work faster and provide a much needed service to the citizens of Montana.

Reduce operating expenses – In the past the Board maintained a full time employee who was a Certified General Appraiser, to conduct our compliance reviews. The cost of maintaining this dedicated board employee approached \$80,000 to 100,000 per year. The Board engaged the services of a professional consultant to examine the overall appraisal review process and conducted an in-depth job analysis to determine if the cost to maintain a full time staff reviewer was appropriate. The results of the review were two fold, one, is it prudent to only have one reviewer rather than multiple reviewers and secondly, what is the cost savings in contracting out the reviews. The board determined it is more beneficial to have multiple reviewers to reduce bias and increase efficiency (timeliness). Furthermore, the board determined that we could save \$50,000 to \$60,000 on an annual basis by using contracted appraisers. This figure is based on historical data that indicates the need 10-20 appraisal reviews on an annual basis. The average cost is calculated at approximately \$500 per appraisal review, resulting in an annual cost between \$5,000 and \$10,000 per year.

Receive an excellent (highest rating) on our ASC compliance review - The current Board was extremely concerned about the past ASC ratings and made it their primary goal to improve the overall audit rating. The Board and the State of Montana received acceptable reviews, but not an excellent rating, over the past 10 years and were placed on an annual audit cycle with the ASC. As part of our Board reorganization over the

past few years they have worked with leadership and staff at the Department of Labor to improve the most current rating to “Excellent” and are now on a two-year audit cycle.

Conclusion – In order to keep up with the changing federal regulations in the financial services arena, providing customers with the best overall public protection and ensuring the licensees are treated fairly and with the utmost respect, it is necessary for the Board members to be the subject matter experts. In doing so it is necessary for a member to be able to serve more than 3 terms on the board. **This does not diminish the authority and right of the Governor to appoint members as he/she chooses nor does it reduce the authority of the Senate to confirm or deny a member.** This simply allows the members the ability to become subject matter experts and not rely on the agency for policy decisions relating to the complex field of federal financial transaction regulation. Furthermore, the appraisal field is very diverse in its subject matter. It is imperative that the board have a broad mix of members that understand each appraisal discipline, such as residential, commercial, industrial, agricultural and Ad Valorem tax appraisals. Historically the board has had a limited number of applicants, both from industry members and public members. It is imperative that the leadership of the Board work closely with the Governors office to fill vacancies with practitioners whom possess the expertise in a specific discipline. Similarly, it is equally important that consideration be made for the public member participants who have a basic understanding of the importance of federal and state law as it relates to banking regulations, rules.

I stand as a proponent for SB144 and ask the committee to look favorably on this bill and give it a do pass.

Peter J. Fontana

Certified Residential Appraiser #479