

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To require the Department of Insurance, Securities, and Banking to provide for the licensing of certain entities providing appraisal management services in the District of Columbia and to require an annual registration fee to be paid by those entities.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this act may be cited as the “Appraisal Management Company Regulation Congressional Review Emergency Amendment Act of 2019”.

TITLE I. APPRAISAL MANAGEMENT COMPANY REGULATIONS

Sec. 101. Definitions.

For purposes of this act, the term:

“(1) “Affiliate” means any company that controls, is controlled by, or is under common control of another company.

“(2) “AMC National Registry” means the registry of state-registered appraisal management companies and federally regulated appraisal management companies maintained by the Appraisal Subcommittee.

31 “(3) “Appraisal Foundation” means the Appraisal Foundation established on
32 November 30, 1987, as a not-for-profit corporation under the laws of Illinois.

33 “(4) “Appraisal management company” means a person, not including a
34 department or division of an entity that provides appraisal management services only to that
35 entity, that:

36 “(A)(i) Provides appraisal management services to creditors or to
37 secondary mortgage market participants, including affiliates; or

38 “(ii) Provides appraisal management services in connection with
39 valuing a consumer's principal dwelling as security for a consumer credit transaction or
40 incorporating such transactions into securitizations; and

41 “(B) At any time in a 12-calendar month period oversees an appraiser
42 panel of more than 15 state-certified or state-licensed appraisers in a state or 25 or more state-
43 certified or state-licensed appraisers in 2 or more states, as described in section 103.

44 “(5) “Appraisal management services” means one or more of the following:

45 “(A) Recruiting, selecting, and retaining appraisers;

46 “(B) Contracting with state-certified or state-licensed appraisers to
47 perform appraisal assignments;

48 “(C) Managing the process of having an appraisal performed, including
49 providing administrative services such as receiving appraisal orders and appraisal reports,
50 submitting completed appraisal reports to creditors and secondary market participants, collecting
51 fees from creditors and secondary market participants for services provided, and paying
52 appraisers for services performed; and

53 “(D) Reviewing and verifying the work of appraisers.

54 “(6) “Appraisal panel” means a network, list, or roster of licensed or certified
55 appraisers approved by an appraisal management company to perform appraisals as independent
56 contractors for the appraisal management company. Appraisers on an appraiser panel include
57 both appraisers accepted by the appraisal management company for consideration for future
58 appraisal assignments in covered transactions or for secondary mortgage market participants in
59 connection with covered transactions, and appraisers engaged by the appraisal management
60 company to perform one or more appraisals in covered transactions or for secondary mortgage
61 market participants in connection with covered transactions. An appraiser is an independent
62 contractor if the appraiser is treated as an independent contractor by the appraisal management
63 company for purposes of federal income taxation.

64 “(7) “Appraisal review” means the act or process of developing and
65 communicating an opinion about the quality of another appraiser's work that was performed as
66 part of an appraisal assignment and is related to the appraiser's data collection, analysis,
67 opinions, conclusions, estimate of value, or compliance with the uniform standards of
68 professional appraisal practice. This term does not include:

69 “(A) A general examination for grammatical, typographical, or other
70 similar errors;

71 “(B) A general examination for completeness, including regulatory and/or
72 client requirements as specified in the agreement process that does not communicate an opinion
73 of value.

74 “(8) “Appraisal Subcommittee” means the Appraisal Subcommittee of the Federal
75 Financial Institutions Examination Council.

76 “(9) “Consumer credit” means credit offered or extended to a consumer primarily
77 for personal, family, or household purposes.

78 “(10) “Controlling person” means:

79 “(A) An officer, director, or owner of greater than a 10 percent interest of
80 a corporation, partnership, or other business entity seeking to act as an appraisal management
81 company;

82 “(B) An individual employed, appointed or authorized by an appraisal
83 management company that has the authority to enter a contractual relationship with other persons
84 for the performance of services requiring registration as an appraisal management company and
85 has the authority to enter agreements with appraisers for the performance of appraisals; or

86 “(C) An individual who possesses, directly or indirectly, the power to
87 direct or cause the direction of the management of policies of an appraisal management
88 company.

89 “(11) “Covered transaction” means any consumer credit transaction secured by
90 the consumer's principal dwelling.

91 “(12) “Creditor” means a person who regularly extends consumer credit that is
92 subject to a finance charge or is payable by written agreement in more than four installments (not
93 including a down payment), and to whom the obligation is initially payable, either on the face of
94 the note or contract, or by agreement when there is no note or contract. A person regularly

95 extends consumer credit if, in any 12-month period, the person originates more than one credit
96 extension for transactions secured by a dwelling.

97 “(13) “Department” means the Department of Insurance, Securities, and Banking.

98 “(14) “District” means the District of Columbia.

99 “(15) “Dwelling” means a residential structure that contains one to four units,
100 regardless of whether that structure is attached to real property. The term includes an individual
101 condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

102 “(16) “Federal financial institutions regulatory agency” includes the Consumer
103 Financial Protection Bureau, the Federal Housing Finance Agency, the Board of Governors of
104 the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the
105 Comptroller of the Currency, and the National Credit Union Administration.

106 “(17) “Federally regulated appraisal management company” means an appraisal
107 management company that is owned and controlled by an insured depository institution, as
108 defined in section 3(c)(2) of the Federal Deposit Insurance Act, approved September 21, 1950
109 (64 Stat. 873; 12 U.S.C. § 1813(c)(2)), and regulated by the Office of the Comptroller of the
110 Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit
111 Insurance Corporation, or National Credit Union Administration.

112 “(18) “Federally regulated transaction regulations” means regulations established
113 by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve
114 System, the Federal Deposit Insurance Corporation, or the National Credit Union
115 Administration, pursuant to sections 1112, 1113, and 1114 of the Financial Institutions Reform,

116 Recovery, and Enforcement Act of 1989, approved August 9, 1989 (103 Stat. 183; 12 U.S.C. §§
117 3341-3343).

118 “(19) “Federally related transaction” means any real-estate-related financial
119 transaction that involves an insured depository institution regulated by the Office of the
120 Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal
121 Deposit Insurance Corporation, or National Credit Union Administration and that requires the
122 services of an appraiser under the interagency appraisal rules.

123 “(20) “Person” means a natural person or an organization, including a
124 corporation, partnership, proprietorship, association, cooperative, estate, trust, or government
125 unit.

126 “(21) “Principal dwelling” means the primary residence of a consumer. For
127 purposes of this act, a consumer may only have one principal dwelling. A vacation or other
128 second home shall not be considered a principal dwelling. However, if a consumer buys or
129 builds a new dwelling that will become the consumer’s primary residence within a year or upon
130 completion of the construction, the new residence is considered the principal dwelling for
131 purposes of this act.

132 “(22) “Real-estate-related financial transaction” means any transaction involving
133 the sale, lease, purchase, investment in, or exchange of real property, including interests in
134 property or the financing thereof; the refinancing of real property or interests in real property; or
135 the use of real property or interests in property as security for a loan or investment, including
136 mortgage-backed securities.

137 “(23) “Secondary mortgage market participant” means a guarantor or insurer of
138 mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. The term
139 includes an individual investor in a mortgage-backed security only if that investor also serves in
140 the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

141 “(24) “State” includes the District of Columbia.

142 “(25) “Uniform Standards of Professional Appraisal Practice” or “USPAP” means
143 the appraisal standards as promulgated by the Appraisal Standards Board of the Appraisal
144 Foundation.

145 Sec. 102. Administration.

146 “(a) The Department shall have the authority to adopt rules that are reasonably necessary
147 to establish an appraisal management company licensing program and implement, administer,
148 and enforce the provisions set forth under this act.

149 “(b) The Department shall charge appraisal management companies operating in the
150 District reasonable fees to administer this act. The Department's fees shall be established by
151 rule.

152 “(c) The Department shall perform the following functions:

153 “(1) Review and approve or deny an appraisal management company’s
154 application for initial registration in the District;

155 “(2) Periodically review and renew or review and deny an appraisal management
156 company’s registration;

157 “(3) Examine the books and records of an appraisal management company
158 operating in the District and require the appraisal management company to submit reports,
159 information, and documents;

160 “(4) Verify that the appraisers on the appraiser panel of an appraisal management
161 company operating in the District hold valid District certifications or licenses, as applicable;

162 “(5) Conduct investigations of appraisal management companies operating in the
163 District to assess potential violations of applicable appraisal-related laws, regulations, or orders;
164 and

165 “(6) Report an appraisal management company's violation of applicable appraisal-
166 related laws, regulations, or orders, as well as disciplinary and enforcement actions and other
167 relevant information about the operations of an appraisal management company operating in the
168 District.

169 “(d) The Department shall impose requirements on appraisal management companies
170 operating in the District that are not owned and controlled by an insured depository institution
171 and not regulated by a federal financial institutions regulatory agency to:

172 “(1) Register with and be subject to supervision by the Department;

173 “(2) Engage only state-certified or state-licensed appraisers for federally related
174 transactions in conformity with any federally regulated transaction regulations;

175 “(3) Establish and comply with processes and controls reasonably designed to
176 ensure that the appraisal management company, in engaging an appraiser, selects an appraiser
177 who is independent of the transaction and who has the requisite education, expertise, and

178 experience necessary to competently complete the appraisal assignment for the particular market
179 and property type;

180 “(4) Direct appraisers to perform assignments in accordance with Uniform
181 Standards of Professional Appraisal Practices; and

182 “(5) Establish and comply with processes and controls reasonably designed to
183 ensure that the appraisal management company conducts its appraisal management services in
184 accordance with the requirements of section 129E(a)-(i) of the Truth in Lending Act, approved
185 July 21, 2010 (124 Stat. 2187; 15 U.S.C. § 1639e(a)-(i)), and regulations thereunder.

186 “(e) The Department shall maintain a list of the appraisal management companies that are
187 registered in the District.

188 “(f) The Department shall issue a unique registration number to each appraisal
189 management company that is registered in the District pursuant to regulations or guidance
190 promulgated by the Department.

191 “(g) The Department shall require an appraisal management company registered in the
192 District to place its registration number on engagement documents utilized by the appraisal
193 management company to procure appraisal services in the District.

194 Sec. 103. Appraisal panel size and calculation.

195 “(a) For purposes of determining whether a person is an appraisal management company
196 within the meaning of section 101(4), an appraiser is deemed part of an appraiser panel as of the
197 earliest date on which the person overseeing the appraisal panel:

198 “(1) Accepts the appraiser for consideration for future appraisal assignments in
199 covered transactions or for secondary mortgage market participants in connection with covered
200 transactions; or

201 “(2) Engages the appraiser to perform one or more appraisals on behalf of a
202 creditor for covered transactions or secondary mortgage market participant in connection with
203 covered transactions.

204 “(b) An appraiser who is deemed part of an appraiser panel pursuant to
205 subsection (a) of this section is deemed to remain on the panel until the date on which the person
206 overseeing the appraisal panel:

207 “(1) Sends written notice to the appraiser removing the appraiser from the
208 appraiser panel, with an explanation of its action; or

209 “(2) Receives written notice from the appraiser asking to be removed from the
210 appraiser panel or notice of the death or incapacity of the appraiser.

211 “(c) If an appraiser is removed from an appraiser panel pursuant to subsection (b)(2) of
212 this section, but the person overseeing the appraisal panel subsequently accepts the appraiser for
213 consideration for future assignments or engages the appraiser at any time during the 12 months
214 after the appraiser’s removal, the removal will be deemed not to have occurred, and the appraiser
215 will be deemed to have been part of the appraiser panel without interruption.

216 Sec. 104. Registration.

217 “(a) It shall be unlawful for a person to directly or indirectly engage or to attempt to
218 engage in business as an appraisal management company in the District, or to advertise or hold

219 itself out as engaging in or conducting business as an appraisal management company in the
220 District without first obtaining a registration issued by the Department.

221 “(b) An applicant for registration as an appraisal management company in the District
222 shall submit to the Department an application on forms prescribed by the Department and pay a
223 fee established by the Department. The forms shall require information necessary to determine
224 eligibility for registration.

225 “(c) Upon registration of an appraisal management company in the District, the
226 Department may require a surety bond of not more than \$25,000.

227 Sec. 105. Reporting requirements.

228 “(a) The Department shall collect from each appraisal management company registered
229 or seeking to be registered in the District the information and fees that the Department requires to
230 be submitted to it pursuant to regulations or guidance promulgated by the Department.

231 “(b) A federally regulated appraisal management company operating in the District must
232 report to the Department the information required to be submitted by the District to the Appraisal
233 Subcommittee, pursuant to the Appraisal Subcommittee’s policies regarding the determination of
234 the appraisal management company National Registry fee. These reporting requirements will be
235 set forth by the Department by rule, and will include:

236 “(1) A report to the Department on a form prescribed by the Department of intent
237 to operate in the District of Columbia;

238 “(2) Information related to whether the appraisal management company is owned
239 in whole or in part, directly or indirectly, by any person who has had an appraiser license or

240 certificate refused, denied, canceled, surrendered in lieu of revocation, or revoked in any state for
241 a substantive cause, as determined by the Appraisal Subcommittee; and

242 “(3) If such a person has had such action taken on his or her appraisal license,
243 information related to whether the license was revoked for a substantive cause and whether it has
244 been reinstated by the state or states in which the appraiser was licensed or certified.

245 Sec. 106. Appraisal management company requirements.

246 “(a) An appraisal management company operating in the District shall meet the following
247 requirements at all times:

248 “(1) At the time of applying for registration or renewing registration in the
249 District, the appraisal management company shall designate one of its controlling persons to
250 serve as the main contact for all communication between the Department and the company. The
251 designated controlling person shall:

252 “(A) Remain in good standing in the District and in any other state that has
253 issued the controlling person an appraiser license or certification; however, nothing in this act
254 shall require that a designated controlling person hold or continue to hold an appraiser license or
255 certification in any jurisdiction;

256 “(B) Never have had an appraiser license or certification in the District or
257 any other state refused, denied, canceled, revoked or surrendered in lieu of a pending disciplinary
258 proceeding in any jurisdiction and not subsequently reinstated or granted;

259 “(C) Be of good moral character;

260 “(2) Before or at the time of placing an assignment to appraise real property in the
261 District with an appraiser on the appraiser panel of the appraisal management company, the

262 appraisal management company shall verify that the appraiser receiving the assignment holds an
263 appraiser license or certification in good standing in the District;

264 “(3) Any employee of or independent contractor to the appraisal management
265 company who performs an appraisal review for a property located in the District must be a
266 certified or licensed appraiser in good standing in the District; and

267 “(4) An appraisal management company registered in the District shall place its
268 registration number on engagement documents utilized by the appraisal management company to
269 procure appraisal services in the District of Columbia.

270 “(b) An appraisal management company that has a reasonable basis to believe an
271 appraiser has materially failed to comply with applicable laws or rules or has materially
272 violated the USPAP shall refer the matter to the Department in conformance with applicable
273 federal laws and regulations.

274 Sec. 107. Verification of licensure or certification.

275 “(a) An appraisal management company registered in the District may not enter into any
276 contract or agreement with an appraiser for the performance of appraisals in the District unless
277 the company verifies that the appraiser is licensed or certified in good standing in the District.

278 “(b) An appraisal management company seeking to be registered to renew a
279 registration in the District shall certify to the Department on a form prescribed by the
280 Department that the company has a system and process in place to verify that an individual being
281 added to the appraiser panel of the company for appraisal services holds an appraiser license or
282 certification in good standing in the District.

283 Sec. 108. Retention of records.

284 “(a) Each appraisal management company seeking to be registered or to renew an
285 existing registration in the District shall certify to the Department on a form prescribed by the
286 Department that the company maintains a detailed record of each service request that the
287 company receives for appraisals of real property located in the District.

288 “(b) An appraisal management company registered in the District shall retain all records
289 required to be maintained under this act for at least 5 years after the file is submitted to the
290 appraisal management company or for at least 2 years after final disposition of any related
291 judicial proceeding of which the appraisal management company is provided notice, whichever
292 period expires later.

293 “(c) All records required to be maintained by the registered appraisal management
294 company shall be made available for inspection by the Department on reasonable notice to the
295 appraisal management company.

296 Sec. 109. Payment to appraisers.

297 “(a) An appraisal management company shall, except in bona fide cases of breach of
298 contract or substandard performance of services, make payment to an independent appraiser for
299 the completion of an appraisal or valuation assignment no later than 45 days after the date on
300 which the appraiser transmits or otherwise provides the completed appraisal or valuation
301 assignment to the company or its assignee unless a mutually agreed-upon alternate arrangement
302 previously has been established.

303 “(b) An appraisal management company seeking to be registered or to renew an existing
304 registration in the District shall certify that the company will require appraisals to be conducted
305 independently as required by the appraisal independence standards under section 129E of the

306 Truth in Lending Act, approved July 21, 2010 (124 Stat. 2187; 15 U.S.C. § 1639e), including the
307 requirement that a customary and reasonable fee be paid to an independent appraiser who
308 completes an appraisal in connection with a consumer credit transaction secured by a principal
309 dwelling.

310 Sec. 110. Prohibited conduct.

311 “A violation of this section may constitute grounds for discipline against an appraisal
312 management company registered in the District. However, nothing in this act shall prevent an
313 appraisal management company from requesting that an appraiser provide additional information
314 about the basis for a valuation, correct objective factual errors in an appraisal report, or consider
315 additional appropriate property information. No employee, director, officer, agent, independent
316 contractor, or other third party acting on behalf of an appraisal management company may do
317 any of the following:

318 “(a) Procure or attempt to procure a registration or renewal by knowingly making a
319 false statement, submitting false information or refusing to provide complete information in
320 response to a question in an application for registration or renewal;

321 “(b) Willfully violate this act or rules of the Department pertaining to this act;

322 “(c) Improperly influence or attempt to improperly influence the development,
323 reporting, result, or review of an appraisal through intimidation, coercion, extortion, bribery, or
324 any other manner, including:

325 “(1) Withholding payment for appraisal services;

326 “(2) Threatening to exclude an appraiser from future work or threatening to
327 demote or terminate the appraiser in order to improperly obtain a desired result;

328 “(3) Conditioning payment of an appraisal fee upon the opinion, conclusion, or
329 valuation to be reached by the appraiser; or

330 “(4) Requesting that an appraiser report a predetermined opinion, conclusion, or
331 valuation, or the desired valuation of any person or entity;

332 “(d) Alter, amend, or change an appraisal report submitted by an appraiser without the
333 appraiser's knowledge and written consent;

334 “(e) Except within the first 90 days after an independent appraiser is added to
335 an appraiser panel, remove an independent appraiser from an appraiser panel without prior
336 written notice to the appraiser, with the prior written notice including evidence of the following,
337 if applicable:

338 “(1) The appraiser's illegal conduct;

339 “(2) A violation of USPAP, this act, or the rules adopted by the Department
340 pursuant to this act;

341 “(3) Improper or unprofessional conduct; or

342 “(4) Substandard performance or other substantive deficiencies;

343 “(f) Require an appraiser to sign any indemnification agreement that would require the
344 appraiser to defend and hold harmless the appraisal management company or any of its agents
345 or employees for any liability, damage, losses, or claims arising out of the services performed
346 by the appraisal management company or its agents, employees, or independent contractors and
347 not the services performed by the appraiser;

348 “(g) Prohibit lawful communications between the appraiser and any other person whom
349 the appraiser, in the appraiser’s professional judgment, believes possesses information that

350 would be relevant;

351 “(h) Fail to timely respond to any subpoena or any other request for information;

352 “(i) Fail to timely obey an administrative order of the Department; or

353 “(j) Fail to fully cooperate in any investigation.

354 Sec. 111. Disciplinary proceedings.

355 “The Department may deny, suspend, or revoke the registration of an appraisal
356 management company; impose a monetary penalty of an amount not to exceed \$5,000 per
357 violation; issue a letter of reprimand; refuse to issue or renew the registration of an appraisal
358 management company; or take other disciplinary action against an appraisal management
359 company when an appraisal management company engages in conduct prohibited under section
360 110.

361 Sec. 112. Criminal history checks.

362 “The Department shall require any controlling person or persons to submit to a criminal
363 history record check. All costs associated with obtaining a background check are the
364 responsibility of the appraisal management company.”

365 **TITLE II. FISCAL IMPACT STATEMENT; EFFECTIVE DATE.**

366 Sec. 201. Fiscal impact statement.

367 The Council adopts the fiscal impact statement of the Budget Director as the fiscal
368 impact statement required by section 4a of the General Legislative Procedures Act of 1975,
369 approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-301.47a).

370 Sec. 202. Effective date.

371 This act shall take effect following approval by the Mayor (or in the event of veto
372 by the Mayor, action by the Council to override the veto), and shall remain in effect for no longer
373 than 90 days, as provided for emergency acts of the Council of the District of Columbia in
374 section 412(a) of the District of Columbia Home Rule Act, approved December 24, 1973 (87
375 Stat. 788; D.C. Official Code § 1-204.12(a)).