

45:14F-27 to 45:14F-50 et al

LEGISLATIVE HISTORY CHECKLIST

Compiled by the NJ State Law Library

LAWS OF: 2017 **CHAPTER:** 72

NJSA: 45:14F-27 to 45:14F-50 et al ("Appraisal Management Company Registration and Regulation Act.")

BILL NO: A1973 (Substituted for S2401)

SPONSOR(S) Prieto and others

DATE INTRODUCED: 1/27/2016

COMMITTEE: **ASSEMBLY:** Appropriations
SENATE: Commerce
Budget & Appropriations

AMENDED DURING PASSAGE: Yes

DATE OF PASSAGE: **ASSEMBLY:** 2/15/2017

SENATE: 2/13/2017

DATE OF APPROVAL: 5/11/2017

FOLLOWING ARE ATTACHED IF AVAILABLE:

FINAL TEXT OF BILL (Assembly Committee Substitute First Reprint enacted) Yes

A1973

SPONSOR'S STATEMENT: (Begins on page 14 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** Yes Appropriations

SENATE: Yes Commerce
Budget & Appropriations

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

FLOOR AMENDMENT STATEMENT: No

LEGISLATIVE FISCAL ESTIMATE: Yes 4/7/2016
2/16/2017

S2401

SPONSOR'S STATEMENT: (Begins on page 14 of introduced bill) Yes

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes Commerce
Budget & Appropriations

(Audio archived recordings of the committee meetings, corresponding to the date of the committee statement, *may possibly* be found at www.njleg.state.nj.us)

(Continued)

FLOOR AMENDMENT STATEMENT:

No

LEGISLATIVE FISCAL ESTIMATE:

Yes 10/26/2016

VETO MESSAGE:

No

GOVERNOR'S PRESS RELEASE ON SIGNING:

Yes

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government
Publications at the State Library (609) 278-2640 ext.103 or <mailto:refdesk@njstatelib.org>

REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

RWH/JA

§§1-23,32 -
C.45:14F-27
to 45:14F-50
§33 - Repealer
§34 - Note

P.L.2017, CHAPTER 72, *approved May 11, 2017*
Assembly Committee Substitute (*First Reprint*) for
Assembly, No.1973

1 AN ACT concerning the regulation of appraisal management
2 companies, ¹**[and]**¹ amending and supplementing P.L.1991,
3 c.68 ¹, amending P.L.1997, c.401, and repealing sections 12 and
4 13 of P.L.1991, c.68¹.
5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:
8

9 1. (New section) Sections 1 through 23 and section ¹**[25]** 32¹
10 of this act shall be known and may be cited as the “Appraisal
11 Management Company Registration and Regulation Act.”
12

13 2. (New section) The Legislature finds and declares that it is in
14 the public interest to establish registration requirements for real
15 estate appraisal management companies that employ, contract,
16 retain or otherwise utilize the services of licensed and certified real
17 estate appraisers to provide appraisal services in New Jersey. This
18 act is intended to provide the State Real Estate Appraiser Board
19 with authority to implement certain provisions of amendments in
20 the Mortgage Reform and Anti-Predatory Lending Act of 2010,
21 Pub.L.111-203, Subtitle F. Sec.1473(2) adding Section1124 to Title
22 XI of the federal Financial Institutions Reform, Recovery and
23 Enforcement Act of 1989 (12 U.S.C. 3353) (FIRREA), and the
24 Truth in Lending Act, Pub.L.90-321 (15 U.S.C. 1601 et seq.), which
25 amendments give certain authority and responsibilities to the board.
26

27 3. (New section) As used in this act:
28 “Administrative Quality Control Examination” means an
29 examination of an appraisal report for compliance and completeness
30 including grammatical, typographical, or other similar errors, which
31 may be performed by a person who is not a State certified or
32 licensed real estate appraiser, but which shall not include unbiased
33 analysis, opinion or conclusion relating to the nature, quality, value
34 or utility of specified interests in, or aspects of, real estate, or any
35 similar function of appraisal practice, including but not limited, to
36 those functions in the performance of an appraisal review.

EXPLANATION – Matter enclosed in bold-faced brackets **[thus] in the above bill is not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Senate SBA committee amendments adopted September 26, 2016.

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

3 “AMC National Registry” means the registry of state-registered
4 appraisal management companies and federally regulated appraisal
5 management companies maintained by the Appraisal Subcommittee.

6 “Appraisal Foundation” means the Appraisal Foundation
7 established on November 30, 1987, as a not-for-profit corporation
8 under the laws of Illinois.

9 “Appraisal” or “real estate appraisal” means the same as that
10 term is defined pursuant to section 2 of P.L.1991, c.68 (C.45:14F-
11 2), and shall be specifically construed to include appraisal reviews
12 performed by, for, and on behalf of an appraisal management
13 company.

14 “Appraisal management company” or “AMC” means a person
15 that:

16 (1) provides appraisal management services to creditors or to
17 secondary mortgage market participants, including affiliates;

18 (2) provides such services in connection with valuing a
19 consumer’s principal dwelling as security for a consumer credit
20 transaction or incorporating such transactions into securitizations;
21 and

22 (3) within a 12-month calendar year, oversees an appraiser panel
23 of more than 15 state-certified or state-licensed appraisers in New
24 Jersey or 25 or more state-certified or state-licensed appraisers in
25 two or more states.

26 An AMC does not include a department or division of an entity
27 that provides appraisal management services only to that entity.

28 “Appraisal management services” means one or more of the
29 following:

30 (1) recruiting, selecting, and retaining appraisers;

31 (2) contracting with state-certified or state-licensed appraisers to
32 perform appraisal assignments;

33 (3) managing the process of having an appraisal performed,
34 including providing administrative services, such as receiving
35 appraisal orders and appraisal reports, submitting completed
36 appraisal reports to creditors and secondary market participants,
37 collecting fees from creditors and secondary market participants for
38 services provided, and paying appraisers for services performed;
39 and

40 (4) reviewing and verifying the work of appraisers.

41 “Appraiser panel” means a network, list, or roster of licensed or
42 certified appraisers approved by an AMC to perform appraisals as
43 independent contractors for the AMC. Appraisers on an AMC’s
44 “appraiser panel” include both appraisers accepted by the AMC for
45 consideration for future appraisal assignments in covered
46 transactions or for secondary mortgage market participants in
47 connection with covered transactions, and appraisers engaged by

1 the AMC to perform one or more appraisals in covered transactions
2 or for secondary mortgage market participants in connection with
3 covered transactions. An appraiser is an independent contractor if
4 the appraiser is treated as an independent contractor by the AMC
5 for purposes of federal income taxation.

6 “Appraisal review” means the act or process of developing and
7 communicating an opinion about the quality of another appraiser’s
8 work that was performed as part of an appraisal assignment related
9 to the appraiser’s data collection, analysis, opinions, conclusions,
10 estimate of value, or compliance with the Uniform Standards of
11 Professional Appraisal Practice. This term does not include:

12 (1) a general examination for grammatical, typographical, or
13 other similar errors; or

14 (2) a general examination for completeness, including
15 regulatory or client requirements as specified in the agreement
16 process that does not communicate an opinion of value.

17 “Appraiser” means a State certified real estate appraiser, State
18 certified general or residential real estate appraiser, or State
19 licensed real estate appraiser, as those terms are defined pursuant to
20 section 2 of P.L.1991, c.68 (C.45:14F-2).

21 “Board” means the State Real Estate Appraiser Board established
22 pursuant to section 3 of P.L.1991, c.68 (C.45:14F-3).

23 “Consumer credit” means credit offered or extended to a
24 consumer primarily for personal, family, or household purposes.

25 “Controlling person” means:

26 (1) an officer, director, or owner of greater than a 10 percent
27 interest, of a corporation, partnership or other business entity,
28 seeking to act as an appraisal management company in this State;

29 (2) an individual employed, appointed, or authorized by an
30 appraisal management company who has the authority to enter into
31 a contractual relationship with other persons for the performance of
32 services requiring registration as an appraisal management company
33 and has the authority to enter into agreements with appraisers for
34 the performance of appraisals; or

35 (3) an individual who possesses, directly or indirectly, the
36 power to direct or cause the direction of the management or policies
37 of an appraisal management company.

38 “Covered transaction” means any consumer credit transaction
39 secured by the consumer’s principal dwelling.

40 “Creditor” means:

41 (1) a person who regularly extends consumer credit that is
42 subject to a finance charge or is payable by written agreement in
43 more than four installments, not including a down payment, and to
44 whom the obligation is initially payable, either on the face of the
45 note or contract, or by agreement when there is no note or contract;
46 or

1 (2) a person who regularly extends consumer credit if the person
2 extended credit, other than credit subject to the requirements of 12
3 CFR1026.32, more than five times for transactions secured by a
4 dwelling in the preceding calendar year; if a person did not meet
5 these numerical standards in the preceding calendar year, the
6 numerical standards shall be applied to the current calendar year. A
7 person regularly extends consumer credit if, in any 12-month
8 period, the person originates more than one credit extension that is
9 subject to the requirements of 12 CFR1026.32 or one or more such
10 credit extensions through a mortgage broker.

11 “Dwelling” means a residential structure that contains one to
12 four units, whether or not that structure is attached to real property,
13 including an individual condominium unit, cooperative unit, mobile
14 home, or trailer, if it is used as a residence. A consumer can have
15 only one principal dwelling at a time; a vacation or other second
16 home is not considered a principal dwelling. However, if a
17 consumer buys or builds a new dwelling that will become the
18 consumer’s principal dwelling within one year or upon the
19 completion of construction, the new dwelling is considered the
20 principal dwelling for purposes of this definition.

21 “Employee relocation management company” means a business
22 entity whose exclusive business services are not for mortgage
23 purposes but include the relocation of employees as an agent or
24 contractor for the employer or the employer’s agent for the
25 purposes of determining an anticipated sales price of the residence
26 of an employee being relocated by the employer in the course of its
27 business.

28 “Federal financial institution regulatory agencies” includes the
29 Consumer Financial Protection Bureau, Board of Governors of the
30 Federal Reserve System, the Federal Deposit Insurance
31 Corporation, the Federal Housing Finance Agency, the Office of the
32 Comptroller of the Currency, and the National Credit Union
33 Administration.

34 “Federally regulated AMC” means an AMC that is owned and
35 controlled by an insured depository institution, as defined in 12
36 U.S.C. 1813 and regulated by the Office of the Comptroller of the
37 Currency, the Board of Governors of the Federal Reserve System,
38 or the Federal Deposit Insurance Corporation.

39 “Federally related transaction” means the same as that term is
40 defined pursuant to section 2 of P.L.1991, c.68 (C.45:14F-2).

41 “Federally related transaction regulations” means regulations
42 established by the Office of the Comptroller of the Currency, the
43 Board of Governors of the Federal Reserve System, the Federal
44 Deposit Insurance Corporation, ¹the Federal Housing Finance
45 Agency¹ or the National Credit Union Administration, pursuant to
46 sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C.
47 3341-3343.

1 “Person” means a natural person or an organization, including a
2 corporation, partnership, proprietorship, association, cooperative,
3 estate, trust, or government unit.

4 “Real estate-related financial transaction” means any transaction
5 involving the sale, lease, purchase, investment in, or exchange of
6 real property, including interests in property or the financing
7 thereof:

8 (1) the refinancing of real property or interests in real property.

9 (2) the use of real property or interests in property as security
10 for a loan or investment, including mortgage-backed securities.

11 “Secondary mortgage market participant” means a guarantor or
12 insurer of mortgage-backed securities, or an underwriter or issuer of
13 mortgage-backed securities. Secondary mortgage market participant
14 only includes an individual investor in a mortgage-backed security
15 if that investor also serves in the capacity of a guarantor, insurer,
16 underwriter, or issuer for the mortgage-backed security.

17 “Uniform Standards of Professional Appraisal Practice” ¹or
18 “USPAP”¹ means the current standards of the appraisal profession,
19 developed for appraisers and users of appraisal services by the
20 Appraisal Standards Board of the Appraisal Foundation, in
21 accordance with the standards established by the board as provided
22 under subsection g. of section 8 of P.L.1991, c.68 (C.45:14F-8).

23

24 4. (New section) The board shall have the authority to adopt
25 rules that are reasonably necessary to establish an AMC
26 ¹**[licensing]** registration¹ program and implement, administer, and
27 enforce the provisions set forth under this section.

28 a. The board shall have the legal authority and mechanisms to:

29 (1) review, and approve or deny an AMC’s application for
30 initial registration;

31 (2) review and renew, or review and deny an AMC’s
32 registration periodically;

33 (3) examine the books and records of an AMC operating in the
34 State and require the AMC to submit reports, information, and
35 documents;

36 (4) verify that the appraisers on the AMC’s appraiser panel hold
37 valid State certifications or licenses, as applicable;

38 (5) conduct investigations of AMCs to assess potential
39 violations of applicable appraisal-related laws, regulations, or
40 orders;

41 (6) discipline, suspend, terminate, or deny renewal of the
42 registration of an AMC that violates applicable appraisal-related
43 laws, regulations, or orders; and

44 (7) report ¹to the Appraisal Subcommittee or other appropriate
45 federal regulatory agency¹ an AMC’s ¹or other third-party appraisal
46 or appraisal management services provider’s¹ violation of

1 applicable appraisal-related laws, regulations, or orders, as well as
2 disciplinary and enforcement actions and other relevant information
3 about an AMC's operations, ¹**to the Appraisal Subcommittee** or
4 other third-party appraisal or appraisal management services
5 provider's operations¹.

6 b. The board shall impose requirements on AMCs that are not
7 owned and controlled by an insured depository institution and not
8 regulated by a federal financial institution regulatory agency to:

9 (1) register with and be subject to supervision by the State
10 appraiser certifying and licensing agency;

11 (2) engage only State-certified or State-licensed appraisers for
12 federally related transactions in conformity with any federally
13 related transaction regulations;

14 (3) establish and comply with processes and controls reasonably
15 designed to ensure that the AMC, in engaging an appraiser, selects
16 an appraiser who is independent of the transaction and who has the
17 requisite education, expertise, and experience necessary to
18 competently complete the appraisal assignment for the particular
19 market and property type;

20 (4) direct the appraiser to perform the assignment in accordance
21 with USPAP; and

22 (5) establish and comply with processes and controls reasonably
23 designed to ensure that the AMC conducts its appraisal management
24 services in accordance with the requirements of section 129E(a)-(i)
25 of the Truth in Lending Act, 15 U.S.C. 1639e(a)-(i), and regulations
26 promulgated thereunder.

27
28 5. (New section) For purposes of determining whether, within
29 the 12-month period defined by the State, an AMC oversees an
30 appraiser panel of more than 15 state-certified or state-licensed
31 appraisers in New Jersey or 25 or more state-certified or state-
32 licensed appraisers in two or more states, pursuant to the definition
33 of "AMC" as defined in section 3 of this act ¹**to the Appraisal Subcommittee**¹.

34 a. An appraiser is deemed part of the AMC's appraiser panel as
35 of the earliest date on which the AMC:

36 (1) accepts the appraiser for the AMC's consideration for future
37 appraisal assignments in covered transactions or for secondary
38 mortgage market participants in connection with covered
39 transactions; or

40 (2) engages the appraiser to perform one or more appraisals on
41 behalf of a creditor for covered transactions or secondary mortgage
42 market participant in connection with covered transactions.

43 b. An appraiser who is deemed part of the AMC's appraiser
44 panel pursuant to subsection a. of this section is deemed to remain
45 on the panel until the date on which the AMC:

46 (1) sends written notice to the appraiser removing the appraiser
47 from the appraiser panel, with an explanation of its action; or

- 1 (2) receives written notice from the appraiser asking to be
2 removed from the appraiser panel or notice of the death or
3 incapacity of the appraiser.
- 4 c. If an appraiser is removed from an AMC's appraiser panel
5 pursuant to subsection b. of this section, but the AMC subsequently
6 accepts the appraiser for consideration for future assignments or
7 engages the appraiser at any time during the 12 months after the
8 appraiser's removal, the removal will be deemed not to have
9 occurred, and the appraiser will be deemed to have been part of the
10 AMC's appraiser panel without interruption.
- 11 d. Prior to assigning appraisal orders, an appraisal management
12 company shall have a system in place to verify that a person being
13 added to the appraiser panel holds the appropriate appraiser
14 credential in good standing.
15
- 16 6. (New section) a. No person shall, directly or indirectly,
17 engage or attempt to engage in business as an appraisal
18 management company, or advertise or hold itself out as engaging in
19 or conducting business as an appraisal management company
20 without first obtaining a registration issued by the board under the
21 provisions of this act.
- 22 b. The registration required by subsection a. of this section
23 shall include the following written information on a form prescribed
24 by the board and which shall be certified by the compliance officer
25 of the appraisal management company:
- 26 (1) The name of the entity or individual seeking registration,
27 and the fictitious name or names, if any, under which it does
28 business in any state;
- 29 (2) The business address of the entity or individual seeking
30 registration;
- 31 (3) The telephone number of the entity or individual seeking
32 registration;
- 33 (4) The name and contact information for the individual's or
34 entity's agent for service of process in this State, if the entity or
35 individual is not a corporation that is domiciled in this State;
- 36 (5) The name, address, and contact information for any
37 individual or any corporation, partnership, or other business entity
38 that owns 10 percent or more of the appraisal management
39 company;
- 40 (6) The name, address, and telephone number for one
41 controlling person designated as the main contact for all
42 communication between the appraisal management company and
43 the board;
- 44 (7) A certification that the entity or individual has a system and
45 process in place to verify that a person being added to the appraiser
46 panel of the appraisal management company holds a license or

- 1 certification in good standing in this State pursuant to the “Real
2 Estate Appraisers Act,” P.L.1991, c.68 (C.45:14F-1 et seq.);
- 3 (8) A certification that the entity or individual requires
4 appraisers completing appraisals, including but not limited to
5 appraisals and appraisal reviews, at its request to comply with the
6 Uniform Standards of Professional Appraisal Practice promulgated
7 by the Appraisal Standards Board of the Appraisal Foundation,
8 including the requirements for geographic and product competence;
- 9 (9) A certification that the entity or individual has a system in
10 place to verify that only licensed or certified appraisers are used for
11 federally related transactions;
- 12 (10) A certification that the entity or individual has a system in
13 place to require that appraisals are conducted independently and
14 free from inappropriate influence and coercion as required by the
15 appraisal independence standards established under section 1639e
16 of the federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C.
17 s.1639e), including the requirements for payment of customary and
18 reasonable compensation to fee appraisers when the appraisal
19 management company is providing services for a consumer credit
20 transaction secured by the principal dwelling of a consumer;
- 21 (11) A certification by the board that the entity maintains a
22 detailed record of each service request that it receives and the name
23 of the appraiser that performs the residential real estate appraisal
24 services for the appraisal management company;
- 25 (12) Whenever applicable, an irrevocable Uniform Consent to
26 Service of Process pursuant to section 8 of this act; and
- 27 (13) Any other information as required by the board that is
28 reasonably necessary to implement this act.
- 29 c. An application for the renewal of a registration shall include
30 information substantially similar to that required under subsection
31 b. of this section for an initial registration, as determined by the
32 board.
- 33
- 34 7. (New section) The provisions of this act:
- 35 a. shall apply to an appraisal management company in
36 accordance with section 1124(a), (b) and (c) of Subtitle F of the
37 Mortgage Reform and Anti-Predatory Lending Act of 2010,
38 Pub.L.111-203, amending the Financial Institutions Reform
39 Recovery and Enforcement Act (12 U.S.C. s3353 (a), (b), (c)); and
- 40 b. shall not apply to:
- 41 (1) an employee relocation management company in the course
42 of employee relocation pursuant to its relocation policy; or
- 43 (2) a person or entity that exclusively employs appraisers on an
44 employer and employee basis for the performance of appraisals for
45 a variety of clients or intended uses of the appraisal other than
46 mortgage lending consumer credit transactions secured by a
47 consumer’s principal dwelling.

1 8. (New section) An entity or individual applying for a
2 registration as an appraisal management company that is not
3 domiciled in this State shall complete an irrevocable Uniform
4 Consent to Service of Process, as prescribed by the board.
5

6 9. (New section) a. The board shall establish by regulation
7 an application fee to be paid by each appraisal management
8 company seeking registration under this act that is sufficient for the
9 administration of the registration process, but in no case shall the
10 fee be more than \$2,500.

11 b. A processing fee, similar to that provided for in subsection a.
12 of this section not to exceed \$2,500, may be charged by the board in
13 connection with the renewal of a registration.

14 c. A registration granted by the board pursuant to this act shall
15 be effective for a ¹~~one-year~~ two-year¹ period and may be
16 renewed ¹~~annually~~ biennially¹.

17 d. The board shall require of each appraisal management
18 company seeking registration a surety bond of \$25,000.

19 e. ¹~~All~~ Except as otherwise required by federal law, all¹ fees
20 paid by appraisal management companies shall be dedicated to use
21 by the board for regulation of appraisal management companies and
22 State certified and licensed real estate appraisers regulated by the
23 board pursuant to State and federal law.
24

25 10. (New section) a. An appraisal management company
26 applying to the board for registration in this State shall not:

27 (1) in whole or in part, directly or indirectly, be owned by any
28 person who has had an appraiser license or certificate in this State
29 or in any other state, refused, denied, cancelled, surrendered in lieu
30 of revocation, or revoked;

31 (2) be ¹~~more than 10 percent owned by~~ subject to the
32 ownership, control, direction, or authority of, or employ, appoint, or
33 otherwise retain,¹ a ¹controlling¹ person who is not of good moral
34 character, which for purposes of this section shall require that such
35 person has not been convicted of, or entered a plea of nolo
36 contendere to, a crime relating to the practice of appraisal or any
37 crime involving financial services, fraud, misrepresentation or
38 moral turpitude.

39 b. For purposes of paragraph (2) of subsection a. of this
40 section, each ¹~~owner of more than 10 percent~~ controlling person¹
41 of an appraisal management company shall submit to a background
42 investigation to be carried out by the board, in accordance with
43 standards as established by the board by regulation.

44 ¹c. The background investigation authorized under subsection b.
45 of this section shall include but is not limited to a criminal history

1 record information check conducted in accordance with sections 3
2 and 4 of P.L.1997, c.401 (C.45:14F-10.1 and C.45:14F-10.2).¹
3

4 11. (New section) An appraisal management company applying
5 to the board for registration in this State shall designate one
6 controlling person that will be the designated contact for all
7 communication between the board and the appraisal management
8 company.
9

10 12. (New section) A violation of this section may constitute
11 grounds for discipline against an appraisal management company
12 registered in this State. However, nothing in this act shall be
13 construed as preventing an appraisal management company from
14 requesting that an appraiser provide additional information about
15 the basis for a valuation, correct objective factual errors in an
16 appraisal report, or consider additional appropriate property
17 information. No employee, director, officer, agent, independent
18 contractor, or other third party acting on behalf of an appraisal
19 management company shall do any of the following:

20 a. procure or attempt to procure a registration or renewal by
21 knowingly making a false statement, submitting false information,
22 or refusing to provide complete information in response to a
23 question in an application for registration or renewal;

24 b. willfully violate this act or rules of the board pertaining
25 thereto;

26 c. improperly influence or attempt to improperly influence the
27 development, reporting, result, or a review of an appraisal through
28 intimidation, coercion, extortion, bribery, or any other manner,
29 including:

30 (1) withholding payment for appraisal services;

31 (2) threatening to exclude an appraiser from future work or
32 threatening to demote or terminate in order to improperly obtain a
33 desired result;

34 (3) conditioning payment of an appraisal fee upon the opinion,
35 conclusion, or valuation to be reached; or

36 (4) requesting that an appraiser report a predetermined opinion,
37 conclusion, or valuation or the desired valuation of any person or
38 entity;

39 d. alter, amend, or change an appraisal report submitted by an
40 appraiser without the appraiser's knowledge and written consent;

41 e. except within the first 90 days after an independent appraiser
42 is added to an appraiser panel, remove an independent appraiser
43 from an appraiser panel without prior written notice to the
44 appraiser, with the prior written notice including evidence of the
45 following, if applicable:

46 (1) the appraiser's illegal conduct;

- 1 (2) a violation of Uniform Standards of Professional Appraiser
2 Practice, this act or the rules adopted by the board;
- 3 (3) improper or unprofessional conduct; and
- 4 (4) substandard performance or other substantive deficiencies;
- 5 f. require an appraiser to sign any indemnification agreement
6 that would require the appraiser to defend and hold harmless the
7 appraisal management company or any of its agents or employees
8 for any liability, damage, losses, or claims arising out of the
9 services performed by the appraisal management company or its
10 agents, employees, or independent contractors and not the services
11 performed by the appraiser;
- 12 g. prohibit lawful communications between the appraiser and
13 any other person who the appraiser, in the appraiser's professional
14 judgment, believes possesses information that would be relevant;
- 15 h. engage in any other act or practice that impairs or attempts
16 to impair a real estate appraiser's independence, objectivity, and
17 impartiality;
- 18 i. fail to timely respond to any subpoena or any other request
19 for information;
- 20 j. fail to timely obey an administrative order of the board; or
- 21 k. fail to fully cooperate in any investigation.
- 22

23 13. (New section) An employee of, or independent contractor
24 to, an appraisal management company that performs a Uniform
25 Standards of Professional Appraisal Practice Standard 3 review of
26 an appraisal report on property located in this State shall be an
27 appraiser with the proper level of licensure, as prescribed pursuant
28 to P.L.1991, c.68 (C.45:14F-1 et seq.). The provisions of this
29 section shall not apply to any individual conducting an
30 Administrative Quality Control Examination.

31

32 14. (New section) a. With respect to reporting requirements for
33 non-federally regulated appraisal management companies, the board
34 will collect from each AMC registered or seeking to be registered in
35 the State the information and fees that the Appraisal Subcommittee
36 requires to be submitted to it by the State pursuant to regulations or
37 guidance promulgated by the Appraisal Subcommittee.

38 b. With respect to reporting requirements for federally
39 regulated appraisal management companies: a federally regulated
40 AMC operating in the State shall report to the board the information
41 required to be submitted by the State to the Appraisal
42 Subcommittee, pursuant to the Appraisal Subcommittee's policies
43 regarding the determination of the AMC National Registry fee.
44 These reporting requirements will be set forth by the board by rule,
45 and shall include:

- 46 (1) a report to the board on a form prescribed by the board of
47 intent to operate in this State;

1 (2) information related to whether the AMC is owned in whole
2 or in part, directly or indirectly, by any person who has had an
3 appraiser license or certificate refused, denied, cancelled,
4 surrendered in lieu of revocation, or revoked in any state for a
5 substantive cause, as determined by the Appraisal Subcommittee;
6 and

7 (3) if a person has had action taken on his or her appraisal
8 license, the board shall collect information related to whether the
9 license was revoked for a substantive cause and if it has been
10 reinstated by the state or states in which the appraiser was licensed
11 or certified.

12 ¹c. The board is authorized to collect from a federal regulated
13 AMC operating in the State for submission to the Appraisal
14 Subcommittee the AMC National Registry fee.¹
15

16 15. (New section) An appraisal management company seeking
17 to be registered in this State shall certify to the board, annually, that
18 it:

19 a. requires appraisers completing appraisals, including
20 appraisal reviews, at its request to comply with the Uniform
21 Standards of Professional Appraisal Practice, including the
22 requirements for geographic and product competence;

23 b. has a system in place to verify that only licensed or certified
24 appraisers are used for appraisals covered under this act, including,
25 but not limited to, those performed for federally related
26 transactions, and appraisals pursuant to the provisions of the “Real
27 Estate Appraisers Act,” P.L.1991, c.68 (C.45:14F-1 et seq.);

28 c. has a system in place to verify that an individual on the
29 appraiser panel has not had a license or certification as an appraiser
30 refused, denied, cancelled, revoked, or surrendered in lieu of a
31 pending revocation.

32 d. has a system in place to require that appraisals are conducted
33 independently and free from inappropriate influence and coercion as
34 required by the appraisal independence standards established under
35 section 1639e of the federal Truth in Lending Act, Pub.L.90-321
36 (15 U.S.C. s.1639e), including the requirements for payment of
37 customary and reasonable compensation to fee appraisers when the
38 appraisal management company is providing services for a
39 consumer credit transaction secured by the principal dwelling of a
40 consumer; and

41 e. is in compliance with State laws and regulations.
42

43 16. (New section) This act adopts by reference the appraiser
44 independence standards established under section 1639e of the
45 federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C. s.1639e),
46 including:

1 a. the requirements for payment of customary and reasonable
2 compensation to fee appraisers when the appraisal management
3 company is providing services for a consumer credit transaction
4 secured by the principal dwelling of a consumer; and

5 b. all necessary enforcement and remedies available under the
6 federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C. 1601 et
7 seq.).

8
9 17. (New section) An appraisal management company seeking
10 to be registered in this State shall certify to the board, annually, by
11 submission of a statement signed by the appraisal management
12 company, that it maintains a detailed record of each service request
13 that it receives and the name of the appraiser that performs the
14 appraisal for the appraisal management company. Records shall be
15 retained for a period of at least five years after an appraisal is
16 completed or two years after final disposition of a judicial
17 proceeding related to the assignment, whichever period expires
18 later.

19
20 18. (New section) Any State certified or licensed appraiser
21 performing an appraisal assignment, including an appraisal review,
22 for an appraisal management company, shall be responsible to
23 ensure that the conduct of non-appraiser assistance is compatible
24 with the professional responsibilities of the appraiser under federal
25 and State laws and regulations, including but not limited to,
26 conformance with the Uniform Standards of Professional Appraisal
27 Practice. Non-appraiser assistance, shall include, but not be limited
28 to, administrative quality control reviewers, who are agents of,
29 contracted by, employees of, or whose services are otherwise
30 utilized by an appraisal management company, appraiser, or
31 organization.

32
33 19. (New section) a. The board shall issue a unique
34 registration number to each appraisal management company that is
35 registered in this State.

36 b. The board shall maintain a published list of the appraisal
37 management companies that have registered with the board
38 pursuant to this act and have been issued a registration number
39 pursuant to subsection a. of this section.

40 c. An appraisal management company registered in this State
41 shall disclose the registration number provided to it by the board on
42 any engagement documents presented to the appraiser.

43 d. Every appraisal performed pursuant to this act shall contain
44 both the appraisal management company registration number and
45 the amount of the fee received by the appraiser for performance of
46 that appraisal.

1 20. (New section) **¹[a.]¹** Except within the first 90 days after
2 an appraiser is first added to the appraiser panel of an appraisal
3 management company, an appraisal management company shall not
4 remove an appraiser from its appraiser panel, or otherwise refuse to
5 assign requests for real estate appraisal services to an appraiser
6 without:

7 **¹[(1)] a.¹** notifying the appraiser in writing of the reasons why
8 the appraiser is being removed from the appraiser panel of the
9 appraisal management company;

10 **¹[(2)] b.¹** notifying the appraiser of the nature of any alleged
11 conduct or violation, if the appraiser is being removed from the
12 panel for illegal conduct, violation of the Uniform Standards of
13 Professional Appraisal Practice, or a violation of State licensing
14 standards;

15 **¹[(3)] c.¹** providing the appraiser with any evidence, upon
16 which removal is based, including, but not limited to, any appraisal,
17 appraisal review or appraisal consulting report; and

18 **¹[(4)] d.¹** providing an opportunity for the appraiser to respond
19 to the notification of the appraisal management company.

20 Any act of a State certified or licensed real estate appraiser,
21 which constitutes a material violation of the Uniform Standards of
22 Professional Appraisal Practice in the process described in this
23 section, shall be considered prima facie evidence of a violation of
24 the ethics requirements under the Uniform Standards of
25 Professional Appraisal Practice. A material violation, for the
26 purposes of this section, is one that is likely to affect the value
27 estimated in any appraisal utilized in this section, or any other act
28 that reflects on the professional conduct of the appraiser; however,
29 the board shall not be involved in contractual disputes between an
30 appraisal management company and an individual appraiser.

31 **¹[b.]** An appraiser that is removed from the appraiser panel of an
32 appraisal management company for alleged illegal conduct,
33 violation of the Uniform Standards of Professional Appraisal
34 Practice or violation of State licensing standards may file a
35 complaint with the board for review of the decision of the appraisal
36 management company. The scope of the board's review in any such
37 case shall be limited to determining whether the appraisal
38 management company has complied with the provisions of
39 subsection a. of this section and whether illegal conduct, a violation
40 of the Uniform Standards of Professional Appraisal Practice, or a
41 violation of State licensing standards has occurred.

42 c. If an appraiser files a complaint against an appraisal
43 management company pursuant to subsection b. of this section, the
44 board shall adjudicate the complaint within 180 days of receiving
45 the complaint.

1 d. If after opportunity for hearing and review, the board
2 determines that an appraisal management company acted
3 improperly in removing the appraiser from the appraiser panel, or
4 that the appraiser did not commit a violation of law, a violation of
5 the Uniform Standards of Professional Appraisal Practice, or a
6 violation of State licensing standards, the board shall:

7 (1) provide written findings to the involved parties; and

8 (2) provide an opportunity for the appraisal management
9 company and appraiser to respond to the findings.

10 e. Upon board review of the appraisal management company
11 and appraiser responses pursuant to paragraph (2) of this subsection
12 to the board findings in paragraph (1) of this subsection, the
13 following shall occur:

14 (1) if the board issues a final finding of no reasonable
15 justification for removal of the appraiser from the appraisal
16 management company approved appraiser list by preponderance of
17 the evidence, the board may order that the appraisal management
18 company take certain corrective actions, including, but not limited
19 to, appraiser reinstatement, a fine, suspension or other actions
20 against the appraisal management company under the board's
21 authority in accordance with the "Real Estate Appraisers Act,"
22 P.L.1991, c.68 (C.45:14F-1 et seq.); or

23 (2) if there is a finding by a preponderance of the evidence that
24 the appraisal management company has properly removed the
25 appraiser from the approved appraiser list, then the board may issue
26 a finding that the appraisal management company was justified in
27 such removal and the board may consider disciplinary action
28 against the appraiser. **1'**

29
30 21. (New section) a. An appraisal management company shall
31 inform the board when the appraisal management company has a
32 reasonable basis to believe that an appraiser has committed a
33 material violation of:

34 (1) the Uniform Standards of Professional Appraisal Practice;

35 (2) applicable laws; or

36 (3) ethical or professional conduct.

37 b. An appraisal management company shall provide the board
38 with all information in the possession of the appraisal management
39 company in support of any information compiled against an
40 appraiser under this section, including any evidence to support the
41 determination that an appraisal management company has probable
42 cause of a material violation as defined in subsection a. of this
43 section.

44 For the purposes of this section, a material violation is one that is
45 likely to affect the value assigned to a consumer's principal
46 dwelling.

1 22. (New section) Each appraisal management company shall,
2 except in bona fide cases of breach of contract or substandard
3 performance of services, make payment to an appraiser for the
4 completion of an appraisal or valuation assignment within 60 days
5 of the date on which the appraiser transmits or otherwise provides
6 the completed appraisal or valuation study to the appraisal
7 management company or its assignee unless a mutually agreed upon
8 alternate arrangement has been previously established, which
9 agreement shall be considered to be under the appraiser
10 independence requirements of section 1639e of the federal Truth in
11 Lending Act, Pub.L.90-321 (15 U.S.C. s.1639e).

12

13 23. (New section) a. The board may suspend or revoke any
14 registration issued under this act, levy fines, or impose civil
15 penalties if, after appropriate investigation, the board concludes that
16 an appraisal management company is attempting to perform, has
17 performed, or has attempted to perform any of the following:

18 (1) Any action in violation of this act or regulations adopted
19 hereunder;

20 (2) Any action in violation of the “Real Estate Appraisers Act,”
21 P.L.1991, c.68 (C.45:14F-1 et seq.), or regulations adopted
22 thereunder; or

23 (3) Procuring a registration for itself or any other person by
24 fraud, misrepresentation, or deceit.

25 b. When deciding whether to impose a sanction, determining
26 the sanction that is most appropriate in a specific instance, or
27 making any other discretionary decision regarding the enforcement
28 of this act, the board may consider whether an appraisal
29 management company:

30 (1) Has an effective program reasonably designed to ensure
31 compliance with this act;

32 (2) Has taken prompt and appropriate steps to correct and
33 prevent the recurrence of any detected violations; and

34 (3) Has independently reported to the board any significant
35 violations or potential violations of this act, prior to an imminent
36 threat of disclosure or investigation and within a reasonably prompt
37 time after becoming aware of their occurrence.

38 c. The board ¹~~shall~~ may¹ conduct random audits of appraisal
39 management company compliance with this act, and those audits
40 shall be funded through the various fees charged to appraisal
41 management companies as set forth in this act, but an appraisal
42 management company that timely files a certification of compliance
43 in accordance with the provisions of this act shall have a
44 presumption of compliance if that certification is accompanied by a
45 legal opinion letter indicating that all compliance requirements have
46 been satisfied.

1 d. Whenever the board finds cause to refuse to renew, suspend
2 or revoke any registration, or to levy a fine or impose a civil
3 penalty, the board shall notify the registrant of the reasons therefor,
4 in writing, and provide opportunity for a hearing in accordance with
5 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
6 et seq.).

7
8 24. Section 3 of P.L.1991, c.68 (C.45:14F-3) is amended to read
9 as follows:

10 3. There is created within the Division of Consumer Affairs in
11 the Department of Law and Public Safety a State Real Estate
12 Appraiser Board. The board shall consist of **[nine]** 11 members
13 who are residents of the State, two of whom shall be public
14 members and one of whom shall be a State executive department
15 member appointed pursuant to the provisions of section 2 of
16 P.L.1971, c.60 (C.45:1-2.2). Of the remaining **[six]** eight members,
17 three shall be, except for those first appointed, State licensed real
18 estate appraisers **[and]**, three shall be, except for those first
19 appointed, State certified real estate appraisers, and two shall be
20 representatives of the appraisal management company industry,
21 each of whom shall be State certified real estate appraisers or State
22 licensed real estate appraisers. One representative of the appraisal
23 management company industry shall be affiliated with an appraisal
24 management company that is owned, in whole or in part, by a
25 federally regulated financial institution, and one representative of
26 the appraisal management company industry shall be affiliated with
27 an appraisal management company that is not owned, in whole or in
28 part, by a federally regulated financial institution. The initial real
29 estate appraiser members of the board may hold a real estate
30 appraisal designation from an organization recognized by the
31 Appraisal Foundation, but these appointments shall not be granted
32 or denied on the basis of organizational membership alone.

33 The Governor shall appoint the public members **[and]**, the real
34 estate appraiser members, and the representatives of the appraisal
35 management company industry to the board with the advice and
36 consent of the Senate. The Governor shall appoint each member for
37 a term of three years, except that with regard to the real estate
38 appraiser members first appointed, two shall serve for terms of
39 three years, two shall serve for terms of two years, and two shall
40 serve for terms of one year. Each member shall serve until his
41 successor has been qualified. Any vacancy in the membership of the
42 board shall be filled for the unexpired term in the manner provided
43 by the original appointment. No member of the board shall serve
44 more than two successive terms in addition to any unexpired term to
45 which he has been appointed. The Governor may remove a member
46 of the board for cause.

47 (cf: P.L.1991, c.68, s.3)

1 ¹25. Section 8 of P.L.1991, c.68 (C.45:14F-8) is amended to
2 read as follows:

3 8. The board shall, in addition to such other powers and duties
4 as it may possess by law:

5 a. Administer and enforce the provisions of **【this act】** P.L.1991,
6 c.68 (C.45:14F-1 et seq.) and P.L. , c. (C.) (pending before
7 the Legislature as this bill);

8 b. Examine and pass on the qualifications of all applicants for
9 licensure or certification under **【this act】** P.L.1991, c.68 (C.45:14F-
10 1 et seq.) and registration under P.L. , c. (C.) (pending
11 before the Legislature as this bill);

12 c. Issue and renew licenses and certificates of real estate
13 appraisers and registrations of real estate appraisal management
14 companies;

15 d. Prescribe examinations for certification under **【this act】**
16 P.L.1991, c.68 (C.45:14F-1 et seq.), which examinations shall meet
17 the standards for certification examinations for real estate
18 appraisers established by the Appraisal Foundation, and prescribe
19 examinations for licensure under **【this act】** P.L.1991, c.68
20 (C.45:14F-1 et seq.) and P.L. , c. (C.) (pending before the
21 Legislature as this bill), which examinations shall meet the
22 standards for licensing examinations for real estate appraisers
23 acceptable to the Appraisal Subcommittee;

24 e. Suspend, revoke or refuse to issue or renew a license **【or】**,
25 certificate or registration and exercise investigative powers pursuant
26 to the provisions of P.L.1978, c.73 (C.45:1-14 et seq.) and P.L. ,
27 c. (C.) (pending before the Legislature as this bill);

28 f. Establish fees for applications for licensure and certification,
29 examinations, initial licensure and certification, renewals, late
30 renewals, temporary licenses, temporary certifications and for
31 duplication of lost licenses or certificates, pursuant to section 2 of
32 P.L.1974, c.46 (C.45:1-3.2) and for registration as an appraisal
33 management company under section 9 of P.L. , c. (C.)
34 (pending before the Legislature as this bill);

35 g. Establish a code of professional ethics for persons licensed
36 or certified under **【this act】** P.L.1991, c.68 (C.45:14F-1 et seq.)
37 which meets the standards established by the Uniform Standards of
38 Professional Appraisal Practice promulgated by the Appraisal
39 Standards Board of the Appraisal Foundation , and establish rules
40 for appraiser independence for appraisers and appraisal
41 management companies;

42 h. Establish standards for the certification of real estate
43 appraisers which meet or exceed the **【standards established by】**
44 minimum criteria for licensure issued by the Appraisal
45 Qualifications Board of the Appraisal Foundation, and establish
46 standards for the licensing of real estate appraisers which meet

- 1 **【standards acceptable to the Appraisal Subcommittee】** or exceed
2 the minimum criteria for licensure issued by the Appraisal
3 Qualifications Board of the Appraisal Foundation;
- 4 i. Conduct hearings pursuant to the "Administrative Procedure
5 Act," P.L.1968, c.410 (C.52:14B-1 et seq.). In any hearing or
6 investigative inquiry, the board shall have the right to administer
7 oaths to witnesses, and shall have the power to issue subpoenas for
8 the compulsory attendance of witnesses and the production of
9 pertinent books, papers or records;
- 10 j. Take such action as is necessary before any board, agency or
11 court of competent jurisdiction for the enforcement of the
12 provisions of **【this act】** P.L.1991, c.68 (C.45:14F-1 et seq.) and
13 P.L. , c. (C.) (pending before the legislature as this bill);
- 14 k. Maintain a registry of the names and business addresses of
15 licensees and the names and business addresses of certified
16 individuals and the names and addresses of registered appraisal
17 management companies, and shall forward such materials to the
18 Appraisal Subcommittee of the Federal Financial Institutions
19 Examination Council, and shall comply with any reporting
20 requirements of the Appraisal Subcommittee of the Federal
21 Financial Institutions Examination Council promulgated by any
22 federal agency;
- 23 l. Approve providers of real estate appraiser education courses
24 and establish and revise experience and education requirements for
25 the licensure and certification of real estate appraisers in this State;
- 26 m. Approve providers of real estate appraiser continuing
27 education courses and establish and revise continuing education
28 requirements for the renewal of licenses and certificates;
- 29 n. Adopt and promulgate rules and regulations, pursuant to the
30 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
31 seq.), to effectuate the purposes of **【this act】** P.L.1991, c.68
32 (C.45:14F-1 et seq.), except that the initial rules and regulations
33 shall be promulgated by the director;
- 34 o. Perform any other functions and duties which may be
35 necessary to carry out the provisions of **【this act】** P.L.1991, c.68
36 (C.45:14F-1 et seq.); and
- 37 p. Adopt and promulgate rules and regulations by which
38 market analyses by licensed real estate brokers, broker-salespersons
39 and salespersons may be used as credit for experience toward
40 licensure or certification under P.L.1991, c.68 (C.45:14F-1 et
41 seq.).¹
- 42 (cf: P.L.1995, c.349, s.3)

43
44 ¹26. Section 3 of P.L.1997, c.401 (C.45:14F-10.1) is amended to
45 read as follows:

1 3. a. An applicant for licensure or certification under
2 P.L.1991, c.68 (C.45:14F-1 et seq.) or registration under P.L. _____,
3 c. (C. _____) (pending before the Legislature as this bill) shall not be
4 eligible for licensure **[or]**, certification or registration as the case
5 may be, and any holder of a license or certification under P.L.1991,
6 c.68 (C.45:14F-1 et seq.) or registration under P.L. _____, c. (C. _____)
7 (pending before the Legislature as this bill) shall have his license
8 **[or]**, certification or registration revoked if the State Real Estate
9 Appraiser Board determines, consistent with the requirements and
10 standards of this section and section 4 of P.L.1997, c.401
11 (C.45:14F-10.2), that criminal history record information exists on
12 file in the Federal Bureau of Investigation, Identification Division,
13 or in the State Bureau of Identification in the Division of State
14 Police, which would disqualify that individual from being licensed
15 **[or]**, certified or registered. An applicant or a holder of a license
16 **[or]**, certification or registration shall be disqualified from
17 licensure **[or]**, certification or registration if that individual's
18 criminal history record check reveals a record of conviction of any
19 of the following crimes and offenses:

20 (1) In New Jersey, any crime or disorderly persons offense
21 during the five-year period immediately prior to the date of the
22 application or renewal; or

23 (2) any crime more than five years prior to the date of the
24 application or renewal:

25 (a) Involving danger to the person, meaning those crimes and
26 disorderly persons offenses set forth in N.J.S.2C:11-1 et seq.,
27 N.J.S.2C:12-1 et seq., N.J.S.2C:13-1 et seq., N.J.S.2C:14-1 et seq.,
28 or N.J.S.2C:15-1 et seq.; or

29 (b) Involving theft as set forth in chapter 20 of Title 2C of the
30 New Jersey Statutes, forgery and fraudulent practices as set forth in
31 chapter 21 of Title 2C of the New Jersey Statutes, including but not
32 limited to money laundering as set forth in N.J.S.2C:21-25, or
33 perjury and other falsification in official matters as set forth in
34 chapter 28 of Title 2C of the New Jersey Statutes; or

35 (c) Involving any controlled dangerous substances or controlled
36 substance analog as set forth in chapter 35 of Title 2C of the New
37 Jersey Statutes except as set forth in paragraph (4) of subsection a.
38 of N.J.S.2C:35-10.

39 **[(2)](3)** In any other state or jurisdiction, conduct which, if
40 committed in New Jersey, would constitute any of the crimes or
41 disorderly persons offenses described in paragraph (1) or (2) of this
42 subsection.

43 For purposes of this subsection, a judgement of conviction or a
44 plea of guilty, non vult, nolo contendere or any other such
45 disposition of alleged criminal activity shall be deemed a
46 conviction.

1 b. Notwithstanding the provisions of subsection a. of this
2 section, no individual shall be disqualified from licensure **[or]**,
3 certification or registration on the basis of any conviction disclosed
4 by a criminal history record check performed pursuant to this
5 section, other than a conviction for a crime during the five-year
6 period immediately prior to the date of the application or renewal or
7 a crime enumerated in subparagraph (b) of paragraph (2) of
8 subsection a. of this section, if the individual has affirmatively
9 demonstrated to the board clear and convincing evidence of his
10 rehabilitation. In determining whether an individual has
11 affirmatively demonstrated rehabilitation, the following factors
12 shall be considered:

13 (1) The nature and responsibility of the position which the
14 convicted individual would hold;

15 (2) The nature and seriousness of the offense;

16 (3) The circumstances under which the offense occurred;

17 (4) The date of the offense;

18 (5) The age of the individual when the offense was committed;

19 (6) Whether the offense was an isolated or repeated incident;

20 (7) Any social conditions which may have contributed to the
21 offense; and

22 (8) Any evidence of rehabilitation, including good conduct in
23 prison or in the community, counseling or psychiatric treatment
24 received, acquisition of additional academic or vocational
25 schooling, successful participation in correctional work-release
26 programs, or the recommendation of persons who have had the
27 individual under their supervision.¹

28 (cf: P.L.1997, c.401, s.3)

29

30 ¹27. Section 4 of P.L.1997, c.401 (C.45:14F-10.2) is amended to
31 read as follows:

32 4. a. An applicant and holder of a license **[or]**, certificate or
33 registration shall submit to the board his name, address and
34 fingerprints taken on standard fingerprint cards or electronically by
35 a State or municipal law enforcement agency or authorized agent.
36 The board is authorized to exchange fingerprint data with and
37 receive criminal history record information from the Federal Bureau
38 of Investigation and the Division of State Police for use in making
39 the determinations required by section 3 of P.L.1997, c.401
40 (C.45:14F-10.1).

41 b. Upon receipt of the criminal history record information for a
42 person from the Federal Bureau of Investigation or the Division of
43 State Police, the board shall notify the applicant, licensee **[or]**,
44 certified individual or registrant, as applicable, in writing, of the
45 person's qualification or disqualification for licensure **[or]**,
46 certification or registration under section 3 of P.L.1997, c.401

1 (C.45:14F-10.1). If the applicant, licensee **[or]**, certified individual
2 or registrant, as applicable, is disqualified, the conviction or
3 convictions which constitute the basis for the disqualification shall
4 be identified in the written notice.

5 c. The applicant, licensee **[or]**, certified individual or
6 registrant, as the case may be, shall have 30 days from the date of
7 written notice of disqualification to petition the board for a hearing
8 on the accuracy of the criminal history record information or to
9 establish his rehabilitation under subsection b. of section 3 of
10 P.L.1997, c.401 (C.45:14F-10.1). The board may refer any case
11 arising hereunder to the Office of Administrative Law for
12 administrative proceedings pursuant to P.L.1968, c.410 (C.52:14B-
13 1 et seq.).

14 d. The board shall not maintain any individual's criminal
15 history record information or evidence of rehabilitation submitted
16 under this section for more than six months from the date of a final
17 determination by the board as to the individual's qualification or
18 disqualification to be licensed **[or]**, certified or registered pursuant
19 to the provisions of this section and section 3 of **[this amendatory**
20 **and supplementary act]** P.L.1997, c.401 (C.45:14F-10.1).

21 e. All costs associated with performing the criminal history
22 check required by P.L.1997, c.401 (C.45:14F-10.1 et al.) shall be
23 borne by the applicant for licensure **[or]**, certification or
24 registration, or the holder of any license **[or]**, certification or
25 registration.¹

26 (cf: P.L.1997, c.401, s.4)

27

28 ¹28. Section 11 of P.L.1991 c.68 (C.45:14F-11) is amended to
29 read as follows:

30 11. To be eligible for certification as a general or residential real
31 estate appraiser, an applicant shall fulfill the following
32 requirements:

- 33 a. Be at least 18 years of age;
- 34 b. Be of good moral character;
- 35 c. Have a high school diploma or its equivalent;
- 36 d. Have real estate appraisal experience **[which experience**
37 **shall meet]** that meets the standards for experience prescribed by
38 the Appraisal Qualifications Board of the Appraisal Foundation for
39 the type of certificate sought;
- 40 e. Have successfully completed a course of study in real estate
41 appraising prescribed by the board and conducted by an approved
42 education provider, which course of study shall meet the standards
43 for the course of study issued by the Appraisal Qualifications Board
44 of the Appraisal Foundation for the type of certificate sought; and
- 45 f. Successfully complete a real estate appraiser certification

1 examination administered by the board.¹

2 (cf: P.L.1991, c.408, s.6)

3

4 ¹29. Section 15 of P.L.1991, c.68 (C.45:14F-15) is amended to
5 read as follows:

6 15. Upon payment to the board of the prescribed fee and the
7 submission of a written application on forms prescribed by it, the
8 board may issue a license or certificate to any person who holds a
9 valid license or certificate as a real estate appraiser issued by
10 another state which **【has educational, experience and examination**
11 **requirements substantially similar to】** meets or exceeds the
12 minimum qualification criteria established by the Appraisal
13 Qualifications Board of the Appraisal Foundation and the standards
14 for licensure and certification established by this State.¹

15 (cf: P.L.1991, c.68, s.15)

16

17 ¹30. Section 18 of P.L.1991, c.68 (C.45:14F-18) is amended to
18 read as follows:

19 18. a. No license shall be renewed unless the renewal applicant
20 submits satisfactory evidence to the board that the renewal
21 applicant has successfully completed the continuing education
22 requirements prescribed pursuant to **【this act】** P.L.1991, c.68
23 (C.45:14F-1 et seq.). The board shall not require less than the
24 number of hours acceptable to the Appraisal Subcommittee of the
25 Appraisal Foundation for the continuing education of licensed real
26 estate appraisers.

27 b. No certificate shall be renewed unless the renewal applicant
28 submits satisfactory evidence to the board that the renewal
29 applicant has successfully completed the continuing education
30 requirements prescribed pursuant to **【this act】** P.L.1991, c.68
31 (C.45:14F-1 et seq.) for the type of certificate for which renewal is
32 sought. The board shall not require less than the number of hours
33 of continuing education prescribed by the Appraisal Qualifications
34 Board of the Appraisal Foundation as a national standard for the
35 continuing education of certified real estate appraisers.

36 c. Continuing education may include classroom instruction in
37 courses, seminars or other activities as approved by the board.¹

38 (cf: P.L.1991, c.408, s.8)

39

40 ¹31. Section 25 of P.L.1991, c.68 (C.45:14F-25) is amended to
41 read as follows:

42 25. In the event that the government of the United States enacts
43 legislation or rules requiring states to collect fees from appraisers or
44 appraisal management companies licensed **【or】**, certified or
45 registered by those states and to remit the monies to a federal
46 agency, the board is authorized to impose and collect these fees and

1 may adopt rules requiring the payment of the fees by all appraisers
2 licensed or certified pursuant to the provisions of **[this act]**
3 P.L.1991, c.68 (C.45:14F-1 et seq.) or appraisal management
4 companies registered pursuant to the provisions of P.L. _____,
5 c. (C. _____) (pending before the Legislature as this bill).¹
6 (cf: P.L.1991, c.68, s.25)

7
8 ¹**[25.] 32.**¹ (New section) The State Real Estate Appraiser
9 Board shall adopt rules and regulations pursuant to the
10 “Administrative Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et
11 seq.), necessary to effectuate the provisions of this act within 120
12 days of the effective date of this act.

13
14 ¹**33.** The following sections are repealed:
15 Section 12 of P.L.1991, c.68 (C.45:14F-12); and
16 Section 13 of P.L.1991, c.68 (C.45:14F-13).¹

17
18 ¹**[26.] 34.**¹ This act shall take effect immediately, except that
19 the provisions of section 6 of this act shall not take effect until 60
20 days after the adoption by the State Real Estate Appraiser Board of
21 regulations to effectuate the purposes of this act.

22
23
24
25
26 “Appraisal Management Company Registration and Regulation
27 Act.”

ASSEMBLY, No. 1973

STATE OF NEW JERSEY 217th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2016 SESSION

Sponsored by:

Assemblyman VINCENT PRIETO

District 32 (Bergen and Hudson)

Assemblyman PATRICK J. DIEGNAN, JR.

District 18 (Middlesex)

Assemblywoman AMY H. HANDLIN

District 13 (Monmouth)

SYNOPSIS

“Appraisal Management Company Registration Act.”

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel.



1 AN ACT concerning the regulation of appraisal management
2 companies, and amending and supplementing P.L.1991, c.68.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. (New section) Sections 1 through 25 and section 27 of this
8 act shall be known and may be cited as the “Appraisal Management
9 Company Registration and Regulation Act.”

10

11 2. (New section) The Legislature finds and declares that it is in
12 the public interest to establish registration requirements for real
13 estate appraisal management companies that employ, contract,
14 retain or otherwise utilize the services of licensed and certified real
15 estate appraisers to provide appraisal services in New Jersey. This
16 act is intended to provide the State Real Estate Appraiser Board
17 with authority to implement certain provisions of amendments in
18 the Mortgage Reform and Anti-Predatory Lending Act of 2010,
19 Pub.L.111-203, Subtitle F. Sec. 1473(2) adding Section 1124 to
20 Title XI of the federal Financial Institutions Reform, Recovery and
21 Enforcement Act (12 U.S.C. 3353), and the Truth in Lending Act,
22 Pub.L.90-321 (15 U.S.C. 1601 et seq.), which amendments give
23 certain authority and responsibilities to the board.

24

25 3. (New section) As used in this act:

26 “Administrative Quality Control Examination” means an
27 examination of an appraisal report for compliance and completeness
28 including grammatical, typographical, or other similar errors, which
29 may be performed by a person who is not a State certified or
30 licensed real estate appraiser, but which shall not include unbiased
31 analysis, opinion or conclusion relating to the nature, quality, value
32 or utility of specified interests in, or aspects of, real estate, or any
33 similar function of appraisal practice, including but not limited, to
34 those functions in the performance of an appraisal review.

35 “Appraisal” or “real estate appraisal” means the same as that
36 term is defined pursuant to section 2 of P.L.1991, c.68 (C.45:14F-
37 2), and shall be specifically construed to include appraisal reviews
38 performed by, for, and on behalf of an appraisal management
39 company.

40 “Appraisal management company” means, in connection with
41 valuing properties collateralizing mortgage loans or mortgages
42 incorporated into a securitization, any external third party that
43 oversees a network or panel of more than 15 certified or licensed
44 appraisers in New Jersey or 25 or more nationally within a given

EXPLANATION – Matter enclosed in bold-faced brackets **[thus]** in the above bill is
not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 year, that is authorized either by a creditor of a consumer credit
2 transaction secured by a consumer's principal dwelling or by an
3 underwriter of or other principal in the secondary mortgage markets
4 to:

- 5 (1) Recruit, select, and retain appraisers;
- 6 (2) Contract with licensed and certified appraisers to perform
7 appraisal assignments;
- 8 (3) Manage the process of having an appraisal performed,
9 including providing administrative duties such as receiving
10 appraisal orders and appraisal reports, submitting completed
11 appraisal reports to creditors and underwriters, collecting fees from
12 creditors and underwriters for services provided, and reimbursing
13 appraisers for services performed; or
- 14 (4) Review and verify the work of appraisers.

15 "Appraisal review" means the act or process of developing and
16 communicating an opinion about the quality of another appraiser's
17 work that was performed as part of an appraisal assignment, which
18 appraisal review shall be performed in accordance with the Uniform
19 Standards of Professional Appraisal Practice, and which appraisal
20 review shall be performed by a State certified or licensed real estate
21 appraiser, except that an Administrative Quality Control
22 Examination of an appraisal shall not be an appraisal review.

23 "Appraiser" means a State certified real estate appraiser, State
24 certified general or residential real estate appraiser, or State
25 licensed real estate appraiser, as those terms are defined pursuant to
26 section 2 of P.L.1991, c.68 (C.45:14F-2).

27 "Appraiser panel" means a group of licensed or certified
28 appraisers who are independent contractors that have been selected
29 to perform appraisals for a third party.

30 "Board" means the State Real Estate Appraiser Board established
31 pursuant to section 3 of P.L.1991, c.68 (C.45:14F-3).

32 "Compliance officer" means a State certified real estate appraiser
33 responsible to certify all requirements for compliance, by an
34 appraisal management company, with the provisions of this act.

35 "Controlling person" means:

- 36 (1) An officer, director, or owner of greater than a 10 percent
37 interest, of a corporation, partnership or other business entity,
38 seeking to act as an appraisal management company in this State;
- 39 (2) An individual employed, appointed, or authorized by an
40 appraisal management company who has the authority to enter into
41 a contractual relationship with other persons for the performance of
42 services requiring registration as an appraisal management company
43 and has the authority to enter into agreements with appraisers for
44 the performance of appraisals; or
- 45 (3) An individual who possesses, directly or indirectly, the
46 power to direct or cause the direction of the management or policies
47 of an appraisal management company and who shall serve as the
48 compliance officer of an appraisal management company.

1 “Employee relocation management company” means a business
2 entity whose exclusive business services are not for mortgage
3 purposes but include the relocation of employees as an agent or
4 contractor for the employer or the employer’s agent for the
5 purposes of determining an anticipated sales price of the residence
6 of an employee being relocated by the employer in the course of its
7 business.

8 “Federal financial institution regulatory agencies” means the
9 Board of Governors of the Federal Reserve System, the Federal
10 Deposit Insurance Corporation, the Office of the Comptroller of the
11 Currency, the National Credit Union Administration or the
12 Consumer Financial Protection Bureau.

13 “Federally related transaction” means the same as that term is
14 defined pursuant to section 2 of P.L.1991, c.68 (C.45:14F-2).

15 “Uniform Standards of Professional Appraisal Practice” means
16 the current standards of the appraisal profession, developed for
17 appraisers and users of appraisal services by the Appraisal
18 Standards Board of the Appraisal Foundation, in accordance with
19 the standards established by the board as provided under subsection
20 g. of section 8 of P.L.1991, c.68 (C.45:14F-8).

21

22 4. (New section) a. No person shall, directly or indirectly,
23 engage or attempt to engage in business as an appraisal
24 management company, or advertise or hold itself out as engaging in
25 or conducting business as an appraisal management company
26 without first obtaining a registration issued by the board under the
27 provisions of this act.

28 b. The registration required by subsection a. of this section
29 shall include the following written information on a form prescribed
30 by the board and which shall be certified by the compliance officer
31 of the appraisal management company:

32 (1) The name of the entity or individual seeking registration,
33 and the fictitious name or names, if any, under which it does
34 business in any state;

35 (2) The business address of the entity or individual seeking
36 registration;

37 (3) The telephone number of the entity or individual seeking
38 registration;

39 (4) The name and contact information for the individual’s or
40 entity’s agent for service of process in this State, if the entity or
41 individual is not a corporation that is domiciled in this State;

42 (5) The name, address, and contact information for any
43 individual or any corporation, partnership, or other business entity
44 that owns 10 percent, or more, of the appraisal management
45 company;

46 (6) The name, address, and telephone number for one
47 controlling person designated as the main contact for all

1 communication between the appraisal management company and
2 the board;

3 (7) A certification that the entity or individual has a system and
4 process in place to verify that a person being added to the appraiser
5 panel of the appraisal management company holds a license or
6 certification in good standing in this State pursuant to the “Real
7 Estate Appraisers Act,” P.L.1991, c.68 (C.45:14F-1 et seq.);

8 (8) A certification that the entity or individual requires
9 appraisers completing appraisals, including but not limited to
10 appraisals and appraisal reviews, at its request to comply with the
11 Uniform Standards of Professional Appraisal Practice promulgated
12 by the Appraisal Standards Board of the Appraisal Foundation,
13 including the requirements for geographic and product competence;

14 (9) A certification that the entity or individual has a system in
15 place to verify that only licensed or certified appraisers are used for
16 federally related transactions;

17 (10) A certification that the entity or individual has a system in
18 place to require that appraisals are conducted independently and
19 free from inappropriate influence and coercion as required by the
20 appraisal independence standards established under section 1639e
21 of the federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C.
22 s.1639e), including the requirements for payment of customary and
23 reasonable compensation to fee appraisers when the appraisal
24 management company is providing services for a consumer credit
25 transaction secured by the principal dwelling of a consumer;

26 (11) A certification by the board that the entity maintains a
27 detailed record of each service request that it receives and the name
28 of the appraiser that performs the residential real estate appraisal
29 services for the appraisal management company;

30 (12) Whenever applicable, an irrevocable Uniform Consent to
31 Service of Process pursuant to section 6 of this act; and

32 (13) Any other information as required by the board that is
33 reasonably necessary to implement this act.

34 c. An application for the renewal of a registration shall include
35 information substantially similar to that required under subsection
36 b. of this section for an initial registration, as determined by the
37 board.

38

39 5. (New section) The provisions of this act:

40 a. shall apply to an appraisal management company in
41 accordance with section 1124(a), (b) and (c) of Subtitle F of the
42 Mortgage Reform and Anti-Predatory Lending Act of 2010, Pub.L.
43 111-203, amending the Financial Institutions Reform Recovery and
44 Enforcement Act (12 U.S.C.S. 3353 (a), (b), (c)); and

45 b. shall not apply to:

46 (1) an employee relocation management company in the course
47 of employee relocation pursuant to its relocation policy; or

1 (2) a person or entity that exclusively employs appraisers on an
2 employer and employee basis for the performance of appraisals for
3 a variety of clients or intended uses of the appraisal other than
4 mortgage lending consumer credit transactions secured by a
5 consumer's principal dwelling.

6
7 6. (New section) An entity or individual applying for a
8 registration as an appraisal management company that is not
9 domiciled in this State shall complete an irrevocable Uniform
10 Consent to Service of Process, as prescribed by the board.

11
12 7. (New section) a. The board shall establish by regulation an
13 application fee to be paid by each appraisal management company
14 seeking registration under this act that is sufficient for the
15 administration of the registration process, but in no case shall the
16 fee be more than \$2,500.

17 b. A processing fee, similar to that provided for in subsection a.
18 of this section not to exceed \$2,500, may be charged by the board in
19 connection with the renewal of a registration.

20 c. A registration granted by the board pursuant to this act shall
21 be effective for a one-year period and may be renewed annually.

22 d. The board shall require of each appraisal management
23 company seeking registration a surety bond of \$25,000.

24 e. All fees paid by appraisal management companies shall be
25 dedicated to use by the board for regulation of appraisal
26 management companies and State certified and licensed real estate
27 appraisers regulated by the board pursuant to State and federal law.

28
29 8. (New section) a. An appraisal management company
30 applying to the board for registration in this State shall not:

31 (1) In whole or in part, directly or indirectly, be owned by any
32 person who has had an appraiser license or certificate in this State
33 or in any other state, refused, denied, cancelled, surrendered in lieu
34 of revocation, or revoked;

35 (2) Be more than 10 percent owned by a person who is not of
36 good moral character, which for purposes of this section shall
37 require that such person has not been convicted of, or entered a plea
38 of nolo contendere to, a crime relating to the practice of appraisal or
39 any crime involving financial services, fraud, misrepresentation or
40 moral turpitude.

41 b. For purposes of paragraph (2) of subsection a. of this
42 section, each owner of more than 10 percent of an appraisal
43 management company shall submit to a background investigation to
44 be carried out by the board, in accordance with standards as
45 established by the board by regulation.

46
47 9. (New section) An appraisal management company applying
48 to the board for registration in this State shall designate one

1 controlling person that will be the designated contact for all
2 communication between the board and the appraisal management
3 company.

4

5 10. (New section) An appraisal management company that
6 applies to the board for registration in this State shall not:

7 a. Knowingly contract with any individual to perform appraisal
8 services, who has had a license or certificate to act as an appraiser
9 in this State or in any other state, refused, denied, cancelled,
10 surrendered in lieu of revocation, or revoked, except with the
11 specific approval of the board, which the board shall make within
12 30 days of application by the appraisal management company, in
13 accordance with board regulations.

14 b. Knowingly enter into any independent contractor
15 arrangement, whether in verbal, written, or other form, with any
16 individual, to perform appraisal services, who has had a license or
17 certificate to act as an appraiser in this State or in any other state,
18 refused, denied, cancelled, surrendered in lieu of revocation, or
19 revoked, except with the specific approval of the board, which the
20 board shall make within 30 days of application by the appraisal
21 management company, in accordance with board regulations.

22 c. Conduct, encourage, permit, agree to, or otherwise
23 participate in any form of blacklisting, or otherwise denying
24 appraisal assignments, without due process, as provided in section
25 20 of this act, to a State certified or licensed real estate appraiser,
26 with that credential in this State or any other state; or

27 d. Require an appraiser to indemnify an appraisal management
28 company or hold an appraisal management company harmless for
29 any liability, damage, losses, or claims arising out of the services
30 provided by the appraisal management company, and not the
31 services performed by the appraiser.

32

33 11. (New section) Prior to assigning appraisal orders, an
34 appraisal management company shall have a system in place to
35 verify that a person being added to the appraiser panel holds the
36 appropriate appraiser credential in good standing.

37

38 12. (New section) An employee of, or independent contractor
39 to, an appraisal management company that performs a Uniform
40 Standards of Professional Appraisal Practice Standard 3 review of
41 an appraisal report on property located in this State shall be an
42 appraiser with the proper level of licensure, as prescribed pursuant
43 to P.L.1991, c.68 (C.45:14F-1 et seq.). The provisions of this
44 section shall not apply to any individual conducting an
45 Administrative Quality Control Examination.

46

47 13. (New section) An appraisal management company seeking
48 to be registered in this State shall certify to the board annually, by

1 submission of a statement signed by the compliance officer of the
2 appraisal management company, on a form prescribed by the board,
3 that the appraisal management company has a system in place to
4 verify that an individual on the appraiser panel has not had a license
5 or certification as an appraiser refused, denied, cancelled, revoked,
6 or surrendered in lieu of a pending revocation.

7
8 14. (New section) An appraisal management company seeking
9 to be registered in this State shall certify to the board, annually, that
10 it:

11 a. Requires appraisers completing appraisals, including
12 appraisal reviews, at its request to comply with the Uniform
13 Standards of Professional Appraisal Practice, including the
14 requirements for geographic and product competence;

15 b. Has a system in place to verify that only licensed or certified
16 appraisers are used for appraisals covered under this act, including,
17 but not limited to, those performed for federally related
18 transactions, and appraisals pursuant to the provisions of the “Real
19 Estate Appraisers Act,” P.L.1991, c.68 (C.45:14F-1 et seq.);

20 c. Has a system in place to require that appraisals are
21 conducted independently and free from inappropriate influence and
22 coercion as required by the appraisal independence standards
23 established under section 1639e of the federal Truth in Lending Act,
24 Pub.L.90-321 (15 U.S.C. s.1639e), including the requirements for
25 payment of customary and reasonable compensation to fee
26 appraisers when the appraisal management company is providing
27 services for a consumer credit transaction secured by the principal
28 dwelling of a consumer; and

29 d. Is in compliance with State laws and regulations.
30

31 15. (New section) This act adopts by reference the appraiser
32 independence standards established under section 1639e of the
33 federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C. s.1639e),
34 including:

35 a. the requirements for payment of customary and reasonable
36 compensation to fee appraisers when the appraisal management
37 company is providing services for a consumer credit transaction
38 secured by the principal dwelling of a consumer; and

39 b. all necessary enforcement and remedies available under the
40 federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C. 1601 et
41 seq.).
42

43 16. (New section) An appraisal management company seeking
44 to be registered in this State shall certify to the board, annually, by
45 submission of a statement signed by the compliance officer of the
46 appraisal management company, that it maintains a detailed record
47 of each service request that it receives and the name of the appraiser
48 that performs the appraisal for the appraisal management company.

1 Records shall be retained for a period of at least five years after an
2 appraisal is completed or two years after final disposition of a
3 judicial proceeding related to the assignment, whichever period
4 expires later.

5

6 17. (New section) An appraisal management company shall not:

7 a. alter, modify, or otherwise change a completed appraisal
8 report submitted by an appraiser with or without the appraiser's
9 written consent, except as necessary to comply with statutory and
10 regulatory requirements; or

11 b. use an appraisal submitted by an appraiser, or any of the data
12 or information contained therein, for any other transaction or use.

13

14 18. (New section) Any State certified or licensed appraiser
15 performing an appraisal assignment, including an appraisal review,
16 for an appraisal management company, shall be responsible to
17 ensure that the conduct of non-appraiser assistance is compatible
18 with the professional responsibilities of the appraiser under federal
19 and State laws and regulations, including but not limited to,
20 conformance with the Uniform Standards of Professional Appraisal
21 Practice. Non-appraiser assistance, shall include, but not be limited
22 to, administrative quality control reviewers, who are agents of,
23 contracted by, employees of, or whose services are otherwise
24 utilized by an appraisal management company, appraiser, or
25 organization.

26

27 19. (New section) a. The board shall issue a unique registration
28 number to each appraisal management company that is registered in
29 this State.

30 b. The board shall maintain a published list of the appraisal
31 management companies that have registered with the board
32 pursuant to this act and have been issued a registration number
33 pursuant to subsection a. of this section.

34 c. An appraisal management company registered in this State
35 shall disclose the registration number provided to it by the board on
36 any engagement documents presented to the appraiser.

37 d. Every appraisal performed pursuant to this act shall contain
38 both the appraisal management company registration number and
39 the amount of the fee received by the appraiser for performance of
40 that appraisal.

41

42 20. (New section) a. Except within the first 90 days after an
43 appraiser is first added to the appraiser panel of an appraisal
44 management company, an appraisal management company shall not
45 remove an appraiser from its appraiser panel, or otherwise refuse to
46 assign requests for real estate appraisal services to an appraiser
47 without:

1 (1) Notifying the appraiser in writing of the reasons why the
2 appraiser is being removed from the appraiser panel of the appraisal
3 management company;

4 (2) Notifying the appraiser of the nature of any alleged conduct
5 or violation, if the appraiser is being removed from the panel for
6 illegal conduct, violation of the Uniform Standards of Professional
7 Appraisal Practice, or a violation of State licensing standards;

8 (3) Providing the appraiser with any evidence, upon which
9 removal is based, including, but not limited to, any appraisal,
10 appraisal review or appraisal consulting report; and

11 (4) Providing an opportunity for the appraiser to respond to the
12 notification of the appraisal management company.

13 Any act of a State certified or licensed real estate appraiser,
14 which constitutes a material violation of the Uniform Standards of
15 Professional Appraisal Practice in the process described in this
16 section, shall be considered prima facie evidence of a violation of
17 the ethics requirements under the Uniform Standards of
18 Professional Appraisal Practice. A material violation, for the
19 purposes of this section, is one that is likely to affect the value
20 estimated in any appraisal utilized in this section, or any other act
21 that reflects on the professional conduct of the appraiser; however,
22 the board shall not be involved in contractual disputes between an
23 appraisal management company and an individual appraiser.

24 b. An appraiser that is removed from the appraiser panel of an
25 appraisal management company for alleged illegal conduct,
26 violation of the Uniform Standards of Professional Appraisal
27 Practice or violation of State licensing standards may file a
28 complaint with the board for review of the decision of the appraisal
29 management company. The scope of the board's review in any
30 such case shall be limited to determining whether the appraisal
31 management company has complied with the provisions of
32 subsection a. of this section and whether illegal conduct, a violation
33 of the Uniform Standards of Professional Appraisal Practice, or a
34 violation of State licensing standards has occurred.

35 c. If an appraiser files a complaint against an appraisal
36 management company pursuant to subsection b. of this section, the
37 board shall adjudicate the complaint within 180 days of receiving
38 the complaint.

39 d. If after opportunity for hearing and review, the board
40 determines that an appraisal management company acted
41 improperly in removing the appraiser from the appraiser panel, or
42 that the appraiser did not commit a violation of law, a violation of
43 the Uniform Standards of Professional Appraisal Practice, or a
44 violation of State licensing standards, the board shall:

45 (1) Provide written findings to the involved parties; and

46 (2) Provide an opportunity for the appraisal management
47 company and appraiser to respond to the findings.

1 Upon board review of the appraisal management company and
2 appraiser responses pursuant to paragraph (2) of this subsection to
3 the board findings in paragraph (1) of this subsection,

4 (1) If the board issues a final finding of no reasonable
5 justification for removal of the appraiser from the appraisal
6 management company approved appraiser list by preponderance of
7 the evidence, the board may order that the appraisal management
8 company take certain corrective actions, including, but not limited
9 to, appraiser reinstatement, a fine, suspension or other actions
10 against the appraisal management company under the board's
11 authority in accordance with the "Real Estate Appraisers Act,"
12 P.L.1991, c.68 (C.45:14F-1 et seq.); or

13 (2) If there is a finding by a preponderance of the evidence that
14 the appraisal management company has properly removed the
15 appraiser from the approved appraiser list, then the board may issue
16 a finding that the appraisal management company was justified in
17 such removal and the board may consider disciplinary action
18 against the appraiser.

19
20 21. (New section) a. An appraisal management company shall
21 inform the board when the appraisal management company has a
22 reasonable basis to believe that an appraiser has committed a
23 material violation of:

- 24 (1) The Uniform Standards of Professional Appraisal Practice;
25 (2) Applicable laws; or
26 (3) Ethical or professional conduct.

27 b. An appraisal management company shall provide the board
28 with all information in the possession of the appraisal management
29 company in support of any information compiled against an
30 appraiser under this section, including any evidence to support the
31 determination that an appraisal management company has probable
32 cause of a material violation as defined in subsection a. of this
33 section.

34 For the purposes of this section, a material violation is one that is
35 likely to affect the value assigned to a consumer's principal
36 dwelling.

37
38 22. (New section) Each appraisal management company shall,
39 except in bona fide cases of breach of contract or substandard
40 performance of services, make payment to an appraiser for the
41 completion of an appraisal or valuation assignment within 60 days
42 of the date on which the appraiser transmits or otherwise provides
43 the completed appraisal or valuation study to the appraisal
44 management company or its assignee unless a mutually agreed upon
45 alternate arrangement has been previously established, which
46 agreement shall be considered to be under the appraiser
47 independence requirements of section 1639e of the federal Truth in
48 Lending Act, Pub.L.90-321 (15 U.S.C. s.1639e).

1 23. (New section) Any State regulated, or related, client of an
2 appraisal management company conducting business pursuant to the
3 provisions of this act shall make a prompt payment to the appraisal
4 management company at least 15 days before payment from the
5 appraisal management company is due to the appraiser under this
6 act.

7
8 24. (New section) a. The board may suspend or revoke any
9 registration issued under this act, levy fines, or impose civil
10 penalties if, after appropriate investigation, the board concludes that
11 an appraisal management company is attempting to perform, has
12 performed, or has attempted to perform any of the following:

13 (1) Any action in violation of this act or regulations adopted
14 hereunder;

15 (2) Any action in violation of the "Real Estate Appraisers Act,"
16 P.L.1991, c.68 (C.45:14F-1 et seq.), or regulations adopted
17 thereunder; or

18 (3) Procuring a registration for itself or any other person by
19 fraud, misrepresentation, or deceit.

20 b. When deciding whether to impose a sanction, determining
21 the sanction that is most appropriate in a specific instance, or
22 making any other discretionary decision regarding the enforcement
23 of this act, the board may consider whether an appraisal
24 management company:

25 (1) Has an effective program reasonably designed to ensure
26 compliance with this act;

27 (2) Has taken prompt and appropriate steps to correct and
28 prevent the recurrence of any detected violations; and

29 (3) Has independently reported to the board any significant
30 violations or potential violations of this act, prior to an imminent
31 threat of disclosure or investigation and within a reasonably prompt
32 time after becoming aware of their occurrence.

33 c. The board shall conduct random audits of appraisal
34 management company compliance with this act, and those audits
35 shall be funded through the various fees charged to appraisal
36 management companies as set forth in this act, but an appraisal
37 management company that timely files a certification of compliance
38 in accordance with the provisions of this act shall have a
39 presumption of compliance if that certification is accompanied by a
40 legal opinion letter indicating that all compliance requirements have
41 been satisfied.

42
43 25. (New section) Whenever the board finds cause to refuse to
44 renew, suspend or revoke any registration, or to levy a fine or
45 impose a civil penalty, the board shall notify the registrant of the
46 reasons therefor, in writing, and provide opportunity for a hearing
47 in accordance with the "Administrative Procedure Act," P.L.1968,
48 c.410 (C.52:14B-1 et seq.).

1 26. Section 3 of P.L.1991, c.68 (C.45:14F-3) is amended to read
2 as follows:

3 3. There is created within the Division of Consumer Affairs in
4 the Department of Law and Public Safety a State Real Estate
5 Appraiser Board. The board shall consist of ~~【nine】~~ 11 members
6 who are residents of the State, two of whom shall be public
7 members and one of whom shall be a State executive department
8 member appointed pursuant to the provisions of section 2 of
9 P.L.1971, c.60 (C.45:1-2.2). Of the remaining ~~【six】~~ eight
10 members, three shall be, except for those first appointed, State
11 licensed real estate appraisers ~~【and】~~, three shall be, except for those
12 first appointed, State certified real estate appraisers, and two shall
13 be representatives of the appraisal management company industry,
14 each of whom shall be State certified real estate appraisers or State
15 licensed real estate appraisers. One representative of the appraisal
16 management company industry shall be affiliated with an appraisal
17 management company that is owned, in whole or in part, by a
18 federally regulated financial institution, and one representative of
19 the appraisal management company industry shall be affiliated with
20 an appraisal management company that is not owned, in whole or in
21 part, by a federally regulated financial institution. The initial real
22 estate appraiser members of the board may hold a real estate
23 appraisal designation from an organization recognized by the
24 Appraisal Foundation, but these appointments shall not be granted
25 or denied on the basis of organizational membership alone.

26 The Governor shall appoint the public members ~~【and】~~, the real
27 estate appraiser members, and the representatives of the appraisal
28 management company industry to the board with the advice and
29 consent of the Senate. The Governor shall appoint each member for
30 a term of three years, except that with regard to the real estate
31 appraiser members first appointed, two shall serve for terms of
32 three years, two shall serve for terms of two years, and two shall
33 serve for terms of one year. Each member shall serve until his
34 successor has been qualified. Any vacancy in the membership of
35 the board shall be filled for the unexpired term in the manner
36 provided by the original appointment. No member of the board
37 shall serve more than two successive terms in addition to any
38 unexpired term to which he has been appointed. The Governor may
39 remove a member of the board for cause.

40 (cf: P.L.1991, c.68, s.3)

41

42 27. (New section) The State Real Estate Appraiser Board shall
43 adopt rules and regulations pursuant to the “Administrative
44 Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to
45 effectuate the provisions of this act within 120 days of the effective
46 date of the act.

1 28. This act shall take effect immediately, except that the
2 provisions of section 4 of this act shall not take effect until 60 days
3 after the adoption by the State Real Estate Appraiser Board of
4 regulations to effectuate the purposes of this act.

5
6
7 STATEMENT
8

9 This bill establishes registration requirements for real estate
10 appraisal management companies that employ licensed and certified
11 real estate appraisers to provide appraisal services in New Jersey.

12 An appraisal management company (“AMC”) is a business entity
13 that administers a network of certified and licensed appraisers to
14 fulfill real estate appraisal assignments on behalf of mortgage
15 lending institutions, as well as other entities. AMCs recruit,
16 qualify, verify licensing, and negotiate fees and service level
17 expectations with a network of third-party fee appraisers. AMCs
18 also provide administrative duties such as tracking and providing
19 clients with the status of their appraisal requests and preparing
20 preliminary and hard copy reports for delivery to clients. In
21 addition, AMCs are often responsible for reviewing the appraiser’s
22 appraisal report and determining its compliance with the Uniform
23 Standards of Professional Appraisal Practice (USPAP) by USPAP
24 compliant appraisal reviews.

25 Currently, State law only prescribes licensing and certification
26 requirements for individual appraisers, which are enforced by the
27 State Real Estate Appraiser Board. Real estate appraisal
28 management companies are unregulated and are not currently
29 required to register with any State agency or department in order to
30 provide services in New Jersey.

31 The bill prohibits any individual or business entity from
32 engaging or providing real estate appraisal management services, or
33 advertising or holding himself or the business entity out as engaging
34 in or conducting business as an AMC without being registered with
35 the State Real Estate Appraiser Board, which is within the Division
36 of Consumer Affairs in the Department of Law and Public Safety.

37 Specifically, the bill: (1) requires AMCs to register with the
38 board prior to providing appraisal services and to renew such
39 registration on an annual basis; (2) prohibits AMCs from hiring or
40 entering into contracts with third-parties who contract with
41 individuals who are not licensed or certified as real estate appraisers
42 in this State for federally related transactions; (3) requires AMCs to
43 submit annual certifications to the board confirming that all of its
44 employees are licensed or certified appraisers, that appraisals are
45 conducted independently and free from inappropriate influence and
46 coercion, and that detailed records of service requests are retained;
47 and (5) establishes grounds for which the board may refuse to

1 renew, suspend or revoke any registration issued, or levy fines or
2 impose civil penalties.

3 In addition, the bill amends section 3 of P.L.1991, c.68
4 (C.45:14F-3) to increase the membership of the State Real Estate
5 Appraiser Board from nine to eleven members by adding two
6 representatives of the appraisal management company industry to
7 the board. Currently, the board consists of three licensed real estate
8 appraisers, three certified real estate appraisers, two public
9 members and one State executive department member.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 1973**

STATE OF NEW JERSEY

DATED: JUNE 20, 2016

The Assembly Appropriations Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 1973.

This Assembly Committee Substitute establishes registration requirements for real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey.

An appraisal management company (“AMC”) is a business entity that administers a network of certified and licensed appraisers to fulfill real estate appraisal assignments on behalf of mortgage lending institutions, as well as other entities. AMCs recruit, qualify, verify licensing, and negotiate fees and service level expectations with a network of third-party fee appraisers. AMCs also provide administrative services such as tracking and providing clients with the status of their appraisal requests and preparing preliminary and hard copy reports for delivery to clients. In addition, AMCs are often responsible for reviewing the appraiser’s appraisal report and determining its compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) by USPAP-compliant appraisal reviews.

Currently, State law only prescribes licensing and certification requirements for individual appraisers, which are enforced by the State Real Estate Appraiser Board. Real estate appraisal management companies are unregulated and are not currently required to register with any State agency or department to provide services in New Jersey.

The substitute prohibits any individual or business entity from engaging or providing real estate appraisal management services, or advertising or holding himself or the business entity out as engaging in or conducting business as an AMC, without being registered with the State Real Estate Appraiser Board, which is within the Division of Consumer Affairs in the Department of Law and Public Safety.

The substitute: (1) requires AMCs to register with the board prior to providing appraisal services and to renew such registration on an annual basis; (2) prohibits AMCs from hiring or entering into contracts with third-parties who contract with individuals who are

not licensed or certified as real estate appraisers in this State for federally related transactions; (3) requires AMCs to submit annual certifications to the board confirming that all of its employees are licensed or certified appraisers, that appraisals are conducted independently and free from inappropriate influence and coercion, and that detailed records of service requests are retained; and (4) establishes grounds for which the board may refuse to renew, suspend or revoke any registration issued, or levy fines or impose civil penalties.

In addition, the substitute amends section 3 of P.L.1991, c.68 (C.45:14F-3) to increase the membership of the State Real Estate Appraiser Board from nine to eleven members by adding two representatives of the appraisal management company industry to the board. Currently, the board consists of three licensed real estate appraisers, three certified real estate appraisers, two public members and one State executive department member.

FISCAL IMPACT:

The OLS concludes that the substitute will cause an indeterminate increase in State revenues and State expenditures. The administrative and other recurring licensure costs would be supported by the fee for examination of licensure, as prescribed by the State Real Estate Appraiser Board.

It is unknown how many appraisers or companies may become licensed under this bill. Absent information on the likely number of persons that would seek and obtain licensure as required by the bill, OLS is unable to quantify revenues and expenditures that would result.

SENATE COMMERCE COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 1973

STATE OF NEW JERSEY

DATED: SEPTEMBER 8, 2016

The Senate Commerce Committee reports favorably Assembly Committee Substitute for Assembly Bill No. 1973.

This substitute establishes registration requirements for real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey.

An appraisal management company (“AMC”) is a business entity that administers a network of certified and licensed appraisers to fulfill real estate appraisal assignments on behalf of mortgage lending institutions, as well as other entities. AMCs recruit, qualify, verify licensing, and negotiate fees and service level expectations with a network of third-party fee appraisers. AMCs also provide administrative duties such as tracking and providing clients with the status of their appraisal requests and preparing preliminary and hard copy reports for delivery to clients. In addition, AMCs are often responsible for reviewing the appraiser’s appraisal report and determining its compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) by USPAP compliant appraisal reviews.

Currently, State law only prescribes licensing and certification requirements for individual appraisers, which are enforced by the State Real Estate Appraiser Board. Real estate appraisal management companies are unregulated and are not currently required to register with any State agency or department in order to provide services in New Jersey.

The substitute prohibits any individual or business entity from engaging or providing real estate appraisal management services, or advertising or holding himself or the business entity out as engaging in or conducting business as an AMC without being registered with the State Real Estate Appraiser Board, which is within the Division of Consumer Affairs in the Department of Law and Public Safety.

Specifically, the substitute: (1) requires AMCs to register with the board prior to providing appraisal services and to renew such registration on an annual basis; (2) prohibits AMCs from hiring or entering into contracts with third parties who contract with individuals who are not licensed or certified as real estate appraisers

in this State for federally related transactions; (3) requires AMCs to submit annual certifications to the board confirming that all of its employees are licensed or certified appraisers, that appraisals are conducted independently and free from inappropriate influence and coercion, and that detailed records of service requests are retained; and (4) establishes grounds for which the board may refuse to renew, suspend or revoke any registration issued, or levy fines or impose civil penalties.

In addition, the substitutes amends section 3 of P.L.1991, c.68 (C.45:14F-3) to increase the membership of the State Real Estate Appraiser Board from nine to eleven members by adding two representatives of the appraisal management company industry to the board. Currently, the board consists of three licensed real estate appraisers, three certified real estate appraisers, two public members and one State executive department member.

As reported by the committee, this substitute is identical to the Senate Committee Substitute for Senate Bill No. 2401, also reported by the committee today.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE **ASSEMBLY, No. 1973**

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 26, 2016

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 1973 (ACS), with committee amendments.

As amended, this bill, establishes registration requirements for real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey.

An appraisal management company (AMC) is a business entity that administers a network of certified and licensed appraisers to fulfill real estate appraisal assignments on behalf of mortgage lending institutions and other entities. AMCs recruit, qualify, verify licensing, and negotiate fees and service level expectations with a network of third-party fee appraisers. AMCs also provide administrative services for clients. In addition, AMCs are often responsible for reviewing the appraiser's appraisal report and determining its compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) by USPAP-compliant appraisal reviews.

Currently, State law only prescribes licensing and certification requirements for individual real estate appraisers, which are enforced by the State Real Estate Appraiser Board within the Division of Consumer Affairs in the Department of Law and Public Safety. AMCs are unregulated and are not required to register with a State agency or department to provide services in New Jersey.

This bill prohibits any individual or business entity from engaging in or providing real estate appraisal management services, or advertising or holding himself or the business entity out as engaging in or conducting business as an AMC, without being registered with the board.

The bill: (1) requires AMCs to register with the board prior to providing appraisal services and to renew such registration on an biennial basis; (2) prohibits AMCs from hiring or entering into contracts with third parties who contract with individuals who are not licensed or certified as real estate appraisers in this State for

federally related transactions; (3) requires AMCs to submit annual certifications to the board confirming that all of its employees are licensed or certified appraisers, that appraisals are conducted independently and free from inappropriate influence and coercion, and that detailed records of service requests are retained; and (4) establishes grounds for which the board may refuse to renew, suspend, or revoke any registration issued, or levy fines or impose civil penalties.

In addition, the bill makes various changes to the “Real Estate Appraisers Act” to accommodate the registration requirements for AMCs imposed by the bill. Under the bill, these changes include: (1) increasing the membership of the board from nine to 11 members to add two representatives of the appraisal management company industry to the board; (2) revising the board’s statutory powers and duties to reflect the additional authority accorded the board to register and regulate AMCs; (3) clarifying the conditions under which the board may disqualify an applicant or revoke the license or registration of a real estate appraiser or AMC; (4) authorizing the board to require AMC applicants and registrants submit fingerprints to facilitate criminal history record checks of those entities; and (5) permitting the board to submit to a federal agency certain fees collected from AMCs.

The bill repeals sections 12 and 13 of the “Real Estate Appraisers Act,” which authorize the issuance of temporary real estate appraiser licenses and certifications for a period of 180 days following the effective date of the 1991 law.

The bill directs the State Real Estate Appraiser Board to adopt rules and regulations to effectuate the provisions of the bill within 120 days of enactment.

The bill takes effect immediately, but delays implementation of section 6 of the bill (prohibiting unregistered persons from engaging in or providing real estate appraisal management services) until 60 days after the date the State Real Estate Appraiser Board adopts rules and regulations to effectuate the bill.

As amended and reported, this bill is identical to Senate Bill No. 2401 (SCS), as also amended and reported by the committee.

COMMITTEE AMENDMENTS:

The amendments:

- clarify that the board has the legal authority to transmit certain reports of the board’s supervisory activities involving AMCs or other third party providers of appraisals and appraisal management services;
- increase the duration of the AMC registration period from one year to two years, and authorize the submission of AMC registration fees to the federal agency that oversees State regulation of AMCs;

- permit the State Real Estate Appraiser Board to investigate and conduct criminal history record information checks of each “controlling person” of an AMC applying to the board for registration;
- specify that the board is authorized to collect from a federal regulated AMC operating in the State for submission to the Appraisal Subcommittee the AMC National Registry fee;
- eliminate provisions that require the board to mediate disputes between AMCs and appraisers if an AMC removes an appraiser from the AMC’s appraisal panel for alleged illegal conduct;
- make the board’s authority to conduct random audits of appraisal management companies’ compliance with the bill discretionary;
- revise the board’s statutory powers and duties under the “Real Estate Appraisers Act” to reflect the additional authority accorded the board to register and regulate AMCs under the bill;
- clarify the conditions under which the board may disqualify an applicant or revoke the license or registration of a real estate appraiser or AMC;
- authorize the board to require AMC applicants and registrants to submit fingerprints to facilitate criminal history record checks;
- permit the board to submit to a federal agency certain fees collected from AMCs;
- repeals sections 12 and 13 of the “Real Estate Appraisers Act”;
- replace certain references to the “AMC licensing program” with “AMC registration program”;
- clarify certain references to the Appraisal Subcommittee and the Appraisal Qualifications Board of the Appraisal Foundation; and
- make certain other technical changes as to punctuation and grammar.

FISCAL IMPACT:

The Office of Legislative Services (OLS) expects the bill will increase annual State expenditures and revenues. While the OLS cannot project the magnitude of the increases, it expects their net effect to be largely offsetting.

The OLS notes that the bill requires the board to regulate AMCs. Under the bill, these regulatory activities will include the review of applications, the examination of the books and records of AMCs, and the oversight of AMCs’ operations to ensure compliance with applicable rules and regulations.

It is expected that these regulatory activities will increase annual board operating expenses. However, the OLS cannot determine the magnitude of the increase due to uncertainty regarding the number of companies that will be regulated and the operational decisions the board may make to implement the bill following enactment. Whatever the cost, the bill directs the board to charge AMCs an application fee, not exceeding \$2,500, and a biennial renewal of registration fee, not exceeding \$2,500, to cover the cost of registration and regulation. The

added cost of regulation and the added revenue from the fee are expected to largely offset one another.

In addition, the OLS expects the State may annually collect indeterminate penalty payments from violators of regulatory requirements. However, the OLS cannot project the amount the State will collect because the bill does not specify the level of fines or penalties and because it has no information to base an estimate of the number and magnitude of future assessments.

The OLS also expects the bill to increase annual board operating expenses by a minimal amount as a result of its expansion, assuming the two additional positions are filled. Under current law, board members receive \$25 per day or an amount determined by the Attorney General not exceeding \$2,500 per year. Compensating two new board members at the annual \$2,500 maximum will increase annual board operating expenses by \$5,000. In addition, current law allows board members to be reimbursed for travel and other expenses incurred in the performance of their duties.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 1973
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: JUNE 30, 2016

SUMMARY

Synopsis: "Appraisal Management Company Registration and Regulation Act."

Type of Impact: Annual State revenue and expenditure increases to the General Fund.

Agencies Affected: State Real Estate Appraiser Board in the Department of Law and Public Safety.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Annual State Cost Increase	Indeterminate – See comments below		
Annual State Revenue Increase	Indeterminate – See comments below		

- The Office of Legislative Services (OLS) estimates that this bill will increase annual State expenditures and revenues. Although the OLS cannot project the magnitude of the increases, it expects their net effect on State finances to be largely offsetting.
- The State Real Estate Appraiser Board in the Department of Law and Public Safety will incur an indeterminate annual increase in operating expenditures associated with the registration and regulation of real estate appraisal management companies; however, the bill requires the board to set and collect registration and renewal fees to offset the cost of regulation.
- The State may annually collect indeterminate penalty payments from violators of regulatory requirements.
- The State Real Estate Appraiser Board will incur a minimal annual increase in operating expenditures from expanding the board from nine to eleven members.

BILL DESCRIPTION

Assembly Committee Substitute for Assembly Bill No. 1973 of 2016 provides for the regulation by the State Real Estate Appraiser Board in the Department of Law and Public Safety

of real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey. The industry is currently unregulated, while individual appraisers are already subject to State licensing and certification requirements.

Beginning on the 60th day after the adoption by the board of regulations to effectuate the purposes of this bill, real estate appraisal management companies will need a board-issued registration to operate in New Jersey.

In return for the right to operate in New Jersey real estate appraisal management companies will have to: a) pay an initial registration fee set by the board, but not exceeding \$2,500, to cover the board's cost in regulating and overseeing the industry; b) pay an annual renewal fee set by the board, but not exceeding \$2,500, to cover the board's cost in regulating and overseeing the industry; and c) provide a \$25,000 surety bond.

The board may suspend or revoke any registration, levy unspecified fines, or impose unspecified civil penalties if the board concludes that an appraisal management company:

- has violated the provisions of this bill or any regulation adopted thereunder;
- has violated the "Real Estate Appraisers Act," P.L.1991, c.68 (N.J.S.A.45:14F-1 et seq.) or any regulation adopted thereunder; or
- has procured a registration by fraud, misrepresentation, or deceit.

The bill also adds two appraisal management company industry representatives to the State Real Estate Appraiser Board, increasing the board's membership from nine to eleven members.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will increase annual State General Fund expenditures and revenues. Although the OLS cannot project the magnitude of the increases, it expects their net effect on State finances to be largely offsetting.

The bill requires the State Real Estate Appraiser Board to regulate real estate appraisal management companies. Regulatory activities will include the review of registration applications, the examination of the books and records of real estate appraisal management companies, and the oversight of real estate appraisal management companies operations to ensure compliance with State industry rules and regulations.

The regulatory activities will increase annual board operating expenses. The OLS, however, cannot determine the increase's magnitude because of uncertainty regarding the number of companies that will be regulated and operational decisions the board will make to implement the bill. Whatever the cost, the bill instructs the board to charge real estate appraisal management companies an annual fee, not exceeding \$2,500, that will cover the cost of regulation. The added cost of industry regulation and the added fee revenue are expected to largely offset one another.

Moreover, the OLS anticipates that the State may annually collect indeterminate penalty payments from violators of regulatory requirements. The OLS, however, cannot project the amount the State will collect because the bill does not specify the level of any fine or penalty and because the OLS has no information on which to base an estimate of the number and magnitude of future penalty assessments and payments. The \$25,000 surety bond that the bill requires

appraisal management companies to post with the board would facilitate the collection of any fine or penalty.

Lastly, the bill will increase annual board operating expenses by a minimal amount from expanding the board from nine to eleven members, assuming the two positions will be filled. According to N.J.S.A.45:1-2.5, board members receive \$25 per diem or an amount to be determined by the Attorney General not exceeding \$2,500 per year. Compensating two additional board members at the annual \$2,500 maximum would increase annual board operating expenses by \$5,000. In addition, N.J.S.A.45:1-3 entitles board members to the reimbursement of their travel and other expenses incurred in the performance of their duties.

Section: Law and Public Safety

*Analyst: Kristin Brunner Santos
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

LEGISLATIVE FISCAL ESTIMATE
 [First Reprint]
 ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 1973
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: FEBRUARY 16, 2017

SUMMARY

Synopsis: "Appraisal Management Company Registration and Regulation Act."
Type of Impact: Annual State revenue and expenditure increases to the General Fund.
Agencies Affected: State Real Estate Appraiser Board in the Department of Law and Public Safety.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Annual State Cost Increase	Indeterminate – See comments below		
Annual State Revenue Increase	Indeterminate – See comments below		

- The Office of Legislative Services (OLS) estimates that this bill will increase annual State expenditures and revenues. Although the OLS cannot project the magnitude of the increases, it expects their net effect on State finances to be largely offsetting.
- The State Real Estate Appraiser Board in the Department of Law and Public Safety will incur an indeterminate annual increase in operating expenditures associated with the registration and regulation of real estate appraisal management companies (AMCs), including potentially the collection from the AMCs of the AMC National Registry fee and the remittance thereof to the appropriate federal agency; however, the bill requires the board to set and collect registration and renewal fees to offset the cost of regulation.
- The State may annually collect indeterminate penalty payments from violators of regulatory requirements.
- The State Real Estate Appraiser Board will incur a minimal annual increase in operating expenditures from expanding the board from nine to eleven members.

BILL DESCRIPTION

Assembly Committee Substitute (1R) for Assembly Bill No. 1973 of 2016 provides for the regulation by the State Real Estate Appraiser Board in the Department of Law and Public Safety of AMCs that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey. The industry is currently unregulated, while individual appraisers are already subject to State licensing and certification requirements.

Beginning on the 60th day after the adoption by the board of regulations to effectuate the purposes of this bill, AMCs will need a board-issued registration to operate in New Jersey.

In return for the right to operate in New Jersey AMCs will have to: a) pay an initial registration fee set by the board, but not exceeding \$2,500, to cover the board's cost in regulating and overseeing the industry; b) pay a biennial renewal fee set by the board, but not exceeding \$2,500, to cover the board's cost in regulating and overseeing the industry; and c) provide a \$25,000 surety bond.

The board may suspend or revoke any registration, levy unspecified fines, or impose unspecified civil penalties if the board concludes that an AMC:

- has violated the provisions of this bill or any regulation adopted thereunder;
- has violated the "Real Estate Appraisers Act," P.L.1991, c.68 (N.J.S.A.45:14F-1 et seq.) or any regulation adopted thereunder; or
- has procured a registration by fraud, misrepresentation, or deceit.

The bill also authorizes the board to collect from federally regulated AMCs operating in the State the AMC National Registry fee for remittance to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

In addition, the bill adds two AMC industry representatives to the State Real Estate Appraiser Board, increasing the board's membership from nine to eleven members.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will increase annual State General Fund expenditures and revenues. Although the OLS cannot project the magnitude of the increases, it expects their net effect on State finances to be largely offsetting.

The bill requires the State Real Estate Appraiser Board to regulate AMCs. Regulatory activities will include the review of registration applications, the examination of the books and records of AMCs, and the oversight of AMC operations to ensure compliance with State industry rules and regulations. In addition, the bill authorizes the board to collect from the AMCs the AMC National Registry fee and to remit collections to the appropriate federal agency.

The regulatory activities will increase annual board operating expenses. The OLS, however, cannot determine the increase's magnitude because of uncertainty regarding the number of companies that will be regulated and operational decisions the board will make to implement the bill. Whatever the cost, the bill instructs the board to charge AMCs a biennial fee, not exceeding

\$2,500, that will cover the cost of regulation. The added cost of industry regulation and the added fee revenue are expected to largely offset one another.

Moreover, the OLS anticipates that the State may annually collect indeterminate penalty payments from violators of regulatory requirements. The OLS, however, cannot project the amount the State will collect because the bill does not specify the level of any fine or penalty and because the OLS has no information on which to base an estimate of the number and magnitude of future penalty assessments and payments. The \$25,000 surety bond that the bill requires AMCs to post with the board would facilitate the collection of any fine or penalty.

Lastly, the bill will increase annual board operating expenses by a minimal amount from expanding the board from nine to eleven members, assuming the two positions will be filled. According to N.J.S.A.45:1-2.5, board members receive \$25 per diem or an amount to be determined by the Attorney General not exceeding \$2,500 per year. Compensating two additional board members at the annual \$2,500 maximum would increase annual board operating expenses by \$5,000. In addition, N.J.S.A.45:1-3 entitles board members to the reimbursement of their travel and other expenses incurred in the performance of their duties.

Section: Law and Public Safety

*Analyst: Kristin Brunner Santos
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE, No. 2401

STATE OF NEW JERSEY
217th LEGISLATURE

INTRODUCED JUNE 23, 2016

Sponsored by:

Senator PATRICK J. DIEGNAN, JR.

District 18 (Middlesex)

SYNOPSIS

“Appraisal Management Company Registration Act.”

CURRENT VERSION OF TEXT

As introduced.



S2401 DIEGNAN

2

1 AN ACT concerning the regulation of appraisal management
2 companies, and amending and supplementing P.L.1991, c.68.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. (New section) Sections 1 through 25 and section 27 of this
8 act shall be known and may be cited as the “Appraisal Management
9 Company Registration and Regulation Act.”

10

11 2. (New section) The Legislature finds and declares that it is
12 in the public interest to establish registration requirements for real
13 estate appraisal management companies that employ, contract,
14 retain or otherwise utilize the services of licensed and certified real
15 estate appraisers to provide appraisal services in New Jersey. This
16 act is intended to provide the State Real Estate Appraiser Board
17 with authority to implement certain provisions of amendments in
18 the Mortgage Reform and Anti-Predatory Lending Act of 2010,
19 Pub.L.111-203, Subtitle F. Sec.1473(2) adding Section1124 to Title
20 XI of the federal Financial Institutions Reform, Recovery and
21 Enforcement Act (12 U.S.C. 3353), and the Truth in Lending Act,
22 Pub.L.90-321 (15 U.S.C. 1601 et seq.), which amendments give
23 certain authority and responsibilities to the board.

24

25 3. (New section) As used in this act:

26 “Administrative Quality Control Examination” means an
27 examination of an appraisal report for compliance and completeness
28 including grammatical, typographical, or other similar errors, which
29 may be performed by a person who is not a State certified or
30 licensed real estate appraiser, but which shall not include unbiased
31 analysis, opinion or conclusion relating to the nature, quality, value
32 or utility of specified interests in, or aspects of, real estate, or any
33 similar function of appraisal practice, including but not limited, to
34 those functions in the performance of an appraisal review.

35 “Appraisal” or “real estate appraisal” means the same as that
36 term is defined pursuant to section 2 of P.L.1991, c.68 (C.45:14F-
37 2), and shall be specifically construed to include appraisal reviews
38 performed by, for, and on behalf of an appraisal management
39 company.

40 “Appraisal management company” means, in connection with
41 valuing properties collateralizing mortgage loans or mortgages
42 incorporated into a securitization, any external third party that
43 oversees a network or panel of more than 15 certified or licensed
44 appraisers in New Jersey or 25 or more nationally within a given
45 year, that is authorized either by a creditor of a consumer credit

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

S2401 DIEGNAN

1 transaction secured by a consumer's principal dwelling or by an
2 underwriter of or other principal in the secondary mortgage markets
3 to:

- 4 (1) Recruit, select, and retain appraisers;
- 5 (2) Contract with licensed and certified appraisers to perform
6 appraisal assignments;
- 7 (3) Manage the process of having an appraisal performed,
8 including providing administrative duties such as receiving
9 appraisal orders and appraisal reports, submitting completed
10 appraisal reports to creditors and underwriters, collecting fees from
11 creditors and underwriters for services provided, and reimbursing
12 appraisers for services performed; or
- 13 (4) Review and verify the work of appraisers.

14 "Appraisal review" means the act or process of developing and
15 communicating an opinion about the quality of another appraiser's
16 work that was performed as part of an appraisal assignment, which
17 appraisal review shall be performed in accordance with the Uniform
18 Standards of Professional Appraisal Practice, and which appraisal
19 review shall be performed by a State certified or licensed real estate
20 appraiser, except that an Administrative Quality Control
21 Examination of an appraisal shall not be an appraisal review.

22 "Appraiser" means a State certified real estate appraiser, State
23 certified general or residential real estate appraiser, or State
24 licensed real estate appraiser, as those terms are defined pursuant to
25 section 2 of P.L.1991, c.68 (C.45:14F-2).

26 "Appraiser panel" means a group of licensed or certified
27 appraisers who are independent contractors that have been selected
28 to perform appraisals for a third party.

29 "Board" means the State Real Estate Appraiser Board established
30 pursuant to section 3 of P.L.1991, c.68 (C.45:14F-3).

31 "Compliance officer" means a State certified real estate appraiser
32 responsible to certify all requirements for compliance, by an
33 appraisal management company, with the provisions of this act.

34 "Controlling person" means:

- 35 (1) An officer, director, or owner of greater than a 10 percent
36 interest, of a corporation, partnership or other business entity,
37 seeking to act as an appraisal management company in this State;
- 38 (2) An individual employed, appointed, or authorized by an
39 appraisal management company who has the authority to enter into
40 a contractual relationship with other persons for the performance of
41 services requiring registration as an appraisal management company
42 and has the authority to enter into agreements with appraisers for
43 the performance of appraisals; or
- 44 (3) An individual who possesses, directly or indirectly, the
45 power to direct or cause the direction of the management or policies
46 of an appraisal management company and who shall serve as the
47 compliance officer of an appraisal management company.

S2401 DIEGNAN

1 “Employee relocation management company” means a business
2 entity whose exclusive business services are not for mortgage
3 purposes but include the relocation of employees as an agent or
4 contractor for the employer or the employer’s agent for the
5 purposes of determining an anticipated sales price of the residence
6 of an employee being relocated by the employer in the course of its
7 business.

8 “Federal financial institution regulatory agencies” means the
9 Board of Governors of the Federal Reserve System, the Federal
10 Deposit Insurance Corporation, the Office of the Comptroller of the
11 Currency, the National Credit Union Administration or the
12 Consumer Financial Protection Bureau.

13 “Federally related transaction” means the same as that term is
14 defined pursuant to section 2 of P.L.1991, c.68 (C.45:14F-2).

15 “Uniform Standards of Professional Appraisal Practice” means
16 the current standards of the appraisal profession, developed for
17 appraisers and users of appraisal services by the Appraisal
18 Standards Board of the Appraisal Foundation, in accordance with
19 the standards established by the board as provided under subsection
20 g. of section 8 of P.L.1991, c.68 (C.45:14F-8).

21

22 4. (New section) a. No person shall, directly or indirectly,
23 engage or attempt to engage in business as an appraisal
24 management company, or advertise or hold itself out as engaging in
25 or conducting business as an appraisal management company
26 without first obtaining a registration issued by the board under the
27 provisions of this act.

28 b. The registration required by subsection a. of this section
29 shall include the following written information on a form prescribed
30 by the board and which shall be certified by the compliance officer
31 of the appraisal management company:

32 (1) The name of the entity or individual seeking registration,
33 and the fictitious name or names, if any, under which it does
34 business in any state;

35 (2) The business address of the entity or individual seeking
36 registration;

37 (3) The telephone number of the entity or individual seeking
38 registration;

39 (4) The name and contact information for the individual’s or
40 entity’s agent for service of process in this State, if the entity or
41 individual is not a corporation that is domiciled in this State;

42 (5) The name, address, and contact information for any
43 individual or any corporation, partnership, or other business entity
44 that owns 10 percent, or more, of the appraisal management
45 company;

46 (6) The name, address, and telephone number for one
47 controlling person designated as the main contact for all

S2401 DIEGNAN

- 1 communication between the appraisal management company and
2 the board;
- 3 (7) A certification that the entity or individual has a system and
4 process in place to verify that a person being added to the appraiser
5 panel of the appraisal management company holds a license or
6 certification in good standing in this State pursuant to the “Real
7 Estate Appraisers Act,” P.L.1991, c.68 (C.45:14F-1 et seq.);
- 8 (8) A certification that the entity or individual requires
9 appraisers completing appraisals, including but not limited to
10 appraisals and appraisal reviews, at its request to comply with the
11 Uniform Standards of Professional Appraisal Practice promulgated
12 by the Appraisal Standards Board of the Appraisal Foundation,
13 including the requirements for geographic and product competence;
- 14 (9) A certification that the entity or individual has a system in
15 place to verify that only licensed or certified appraisers are used for
16 federally related transactions;
- 17 (10) A certification that the entity or individual has a system in
18 place to require that appraisals are conducted independently and
19 free from inappropriate influence and coercion as required by the
20 appraisal independence standards established under section 1639e
21 of the federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C.
22 s.1639e), including the requirements for payment of customary and
23 reasonable compensation to fee appraisers when the appraisal
24 management company is providing services for a consumer credit
25 transaction secured by the principal dwelling of a consumer;
- 26 (11) A certification by the board that the entity maintains a
27 detailed record of each service request that it receives and the name
28 of the appraiser that performs the residential real estate appraisal
29 services for the appraisal management company;
- 30 (12) Whenever applicable, an irrevocable Uniform Consent to
31 Service of Process pursuant to section 6 of this act; and
- 32 (13) Any other information as required by the board that is
33 reasonably necessary to implement this act.
- 34 c. An application for the renewal of a registration shall include
35 information substantially similar to that required under subsection
36 b. of this section for an initial registration, as determined by the
37 board.
- 38
- 39 5. (New section) The provisions of this act:
- 40 a. shall apply to an appraisal management company in
41 accordance with section 1124(a), (b) and (c) of Subtitle F of the
42 Mortgage Reform and Anti-Predatory Lending Act of 2010,
43 Pub.L.111-203, amending the Financial Institutions Reform
44 Recovery and Enforcement Act (12 U.S.C. S.3353 (a), (b), (c)); and
- 45 b. shall not apply to:
- 46 (1) an employee relocation management company in the course
47 of employee relocation pursuant to its relocation policy; or

S2401 DIEGNAN

6

1 (2) a person or entity that exclusively employs appraisers on an
2 employer and employee basis for the performance of appraisals for
3 a variety of clients or intended uses of the appraisal other than
4 mortgage lending consumer credit transactions secured by a
5 consumer's principal dwelling.

6

7 6. (New section) An entity or individual applying for a
8 registration as an appraisal management company that is not
9 domiciled in this State shall complete an irrevocable Uniform
10 Consent to Service of Process, as prescribed by the board.

11

12 7. (New section) a. The board shall establish by regulation
13 an application fee to be paid by each appraisal management
14 company seeking registration under this act that is sufficient for the
15 administration of the registration process, but in no case shall the
16 fee be more than \$2,500.

17 b. A processing fee, similar to that provided for in subsection a.
18 of this section not to exceed \$2,500, may be charged by the board in
19 connection with the renewal of a registration.

20 c. A registration granted by the board pursuant to this act shall
21 be effective for a one-year period and may be renewed annually.

22 d. The board shall require of each appraisal management
23 company seeking registration a surety bond of \$25,000.

24 e. All fees paid by appraisal management companies shall be
25 dedicated to use by the board for regulation of appraisal
26 management companies and State certified and licensed real estate
27 appraisers regulated by the board pursuant to State and federal law.

28

29 8. (New section) a. An appraisal management company
30 applying to the board for registration in this State shall not:

31 (1) In whole or in part, directly or indirectly, be owned by any
32 person who has had an appraiser license or certificate in this State
33 or in any other state, refused, denied, cancelled, surrendered in lieu
34 of revocation, or revoked;

35 (2) Be more than 10 percent owned by a person who is not of
36 good moral character, which for purposes of this section shall
37 require that such person has not been convicted of, or entered a plea
38 of nolo contendere to, a crime relating to the practice of appraisal or
39 any crime involving financial services, fraud, misrepresentation or
40 moral turpitude.

41 b. For purposes of paragraph (2) of subsection a. of this
42 section, each owner of more than 10 percent of an appraisal
43 management company shall submit to a background investigation to
44 be carried out by the board, in accordance with standards as
45 established by the board by regulation.

46

47 9. (New section) An appraisal management company
48 applying to the board for registration in this State shall designate

S2401 DIEGNAN

1 one controlling person that will be the designated contact for all
2 communication between the board and the appraisal management
3 company.

4

5 10. (New section) An appraisal management company that
6 applies to the board for registration in this State shall not:

7 a. Knowingly contract with any individual to perform appraisal
8 services, who has had a license or certificate to act as an appraiser
9 in this State or in any other state, refused, denied, cancelled,
10 surrendered in lieu of revocation, or revoked, except with the
11 specific approval of the board, which the board shall make within
12 30 days of application by the appraisal management company, in
13 accordance with board regulations.

14 b. Knowingly enter into any independent contractor
15 arrangement, whether in verbal, written, or other form, with any
16 individual, to perform appraisal services, who has had a license or
17 certificate to act as an appraiser in this State or in any other state,
18 refused, denied, cancelled, surrendered in lieu of revocation, or
19 revoked, except with the specific approval of the board, which the
20 board shall make within 30 days of application by the appraisal
21 management company, in accordance with board regulations.

22 c. Conduct, encourage, permit, agree to, or otherwise
23 participate in any form of blacklisting, or otherwise denying
24 appraisal assignments, without due process, as provided in section
25 20 of this act, to a State certified or licensed real estate appraiser,
26 with that credential in this State or any other state; or

27 d. Require an appraiser to indemnify an appraisal management
28 company or hold an appraisal management company harmless for
29 any liability, damage, losses, or claims arising out of the services
30 provided by the appraisal management company, and not the
31 services performed by the appraiser.

32

33 11. (New section) Prior to assigning appraisal orders, an
34 appraisal management company shall have a system in place to
35 verify that a person being added to the appraiser panel holds the
36 appropriate appraiser credential in good standing.

37

38 12. (New section) An employee of, or independent contractor
39 to, an appraisal management company that performs a Uniform
40 Standards of Professional Appraisal Practice Standard 3 review of
41 an appraisal report on property located in this State shall be an
42 appraiser with the proper level of licensure, as prescribed pursuant
43 to P.L.1991, c.68 (C.45:14F-1 et seq.). The provisions of this
44 section shall not apply to any individual conducting an
45 Administrative Quality Control Examination.

46

47 13. (New section) An appraisal management company seeking
48 to be registered in this State shall certify to the board annually, by

1 submission of a statement signed by the compliance officer of the
2 appraisal management company, on a form prescribed by the board,
3 that the appraisal management company has a system in place to
4 verify that an individual on the appraiser panel has not had a license
5 or certification as an appraiser refused, denied, cancelled, revoked,
6 or surrendered in lieu of a pending revocation.

7
8 14. (New section) An appraisal management company seeking
9 to be registered in this State shall certify to the board, annually, that
10 it:

11 a. Requires appraisers completing appraisals, including
12 appraisal reviews, at its request to comply with the Uniform
13 Standards of Professional Appraisal Practice, including the
14 requirements for geographic and product competence;

15 b. Has a system in place to verify that only licensed or certified
16 appraisers are used for appraisals covered under this act, including,
17 but not limited to, those performed for federally related
18 transactions, and appraisals pursuant to the provisions of the “Real
19 Estate Appraisers Act,” P.L.1991, c.68 (C.45:14F-1 et seq.);

20 c. Has a system in place to require that appraisals are
21 conducted independently and free from inappropriate influence and
22 coercion as required by the appraisal independence standards
23 established under section 1639e of the federal Truth in Lending Act,
24 Pub.L.90-321 (15 U.S.C. s.1639e), including the requirements for
25 payment of customary and reasonable compensation to fee
26 appraisers when the appraisal management company is providing
27 services for a consumer credit transaction secured by the principal
28 dwelling of a consumer; and

29 d. Is in compliance with State laws and regulations.

30
31 15. (New section) This act adopts by reference the appraiser
32 independence standards established under section 1639e of the
33 federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C. s.1639e),
34 including:

35 a. the requirements for payment of customary and reasonable
36 compensation to fee appraisers when the appraisal management
37 company is providing services for a consumer credit transaction
38 secured by the principal dwelling of a consumer; and

39 b. all necessary enforcement and remedies available under the
40 federal Truth in Lending Act, Pub.L.90-321 (15 U.S.C. 1601 et
41 seq.).

42
43 16. (New section) An appraisal management company seeking
44 to be registered in this State shall certify to the board, annually, by
45 submission of a statement signed by the compliance officer of the
46 appraisal management company, that it maintains a detailed record
47 of each service request that it receives and the name of the appraiser
48 that performs the appraisal for the appraisal management company.

S2401 DIEGNAN

1 Records shall be retained for a period of at least five years after an
2 appraisal is completed or two years after final disposition of a
3 judicial proceeding related to the assignment, whichever period
4 expires later.

5

6 17. (New section) An appraisal management company shall
7 not:

8 a. alter, modify, or otherwise change a completed appraisal
9 report submitted by an appraiser with or without the appraiser's
10 written consent, except as necessary to comply with statutory and
11 regulatory requirements; or

12 b. use an appraisal submitted by an appraiser, or any of the data
13 or information contained therein, for any other transaction or use.

14

15 18. (New section) Any State certified or licensed appraiser
16 performing an appraisal assignment, including an appraisal review,
17 for an appraisal management company, shall be responsible to
18 ensure that the conduct of non-appraiser assistance is compatible
19 with the professional responsibilities of the appraiser under federal
20 and State laws and regulations, including but not limited to,
21 conformance with the Uniform Standards of Professional Appraisal
22 Practice. Non-appraiser assistance, shall include, but not be limited
23 to, administrative quality control reviewers, who are agents of,
24 contracted by, employees of, or whose services are otherwise
25 utilized by an appraisal management company, appraiser, or
26 organization.

27

28 19. (New section) a. The board shall issue a unique
29 registration number to each appraisal management company that is
30 registered in this State.

31 b. The board shall maintain a published list of the appraisal
32 management companies that have registered with the board
33 pursuant to this act and have been issued a registration number
34 pursuant to subsection a. of this section.

35 c. An appraisal management company registered in this State
36 shall disclose the registration number provided to it by the board on
37 any engagement documents presented to the appraiser.

38 d. Every appraisal performed pursuant to this act shall contain
39 both the appraisal management company registration number and
40 the amount of the fee received by the appraiser for performance of
41 that appraisal.

42

43 20. (New section) a. Except within the first 90 days after an
44 appraiser is first added to the appraiser panel of an appraisal
45 management company, an appraisal management company shall not
46 remove an appraiser from its appraiser panel, or otherwise refuse to
47 assign requests for real estate appraisal services to an appraiser
48 without:

1 (1) Notifying the appraiser in writing of the reasons why the
2 appraiser is being removed from the appraiser panel of the appraisal
3 management company;

4 (2) Notifying the appraiser of the nature of any alleged conduct
5 or violation, if the appraiser is being removed from the panel for
6 illegal conduct, violation of the Uniform Standards of Professional
7 Appraisal Practice, or a violation of State licensing standards;

8 (3) Providing the appraiser with any evidence, upon which
9 removal is based, including, but not limited to, any appraisal,
10 appraisal review or appraisal consulting report; and

11 (4) Providing an opportunity for the appraiser to respond to the
12 notification of the appraisal management company.

13 Any act of a State certified or licensed real estate appraiser,
14 which constitutes a material violation of the Uniform Standards of
15 Professional Appraisal Practice in the process described in this
16 section, shall be considered prima facie evidence of a violation of
17 the ethics requirements under the Uniform Standards of
18 Professional Appraisal Practice. A material violation, for the
19 purposes of this section, is one that is likely to affect the value
20 estimated in any appraisal utilized in this section, or any other act
21 that reflects on the professional conduct of the appraiser; however,
22 the board shall not be involved in contractual disputes between an
23 appraisal management company and an individual appraiser.

24 b. An appraiser that is removed from the appraiser panel of an
25 appraisal management company for alleged illegal conduct,
26 violation of the Uniform Standards of Professional Appraisal
27 Practice or violation of State licensing standards may file a
28 complaint with the board for review of the decision of the appraisal
29 management company. The scope of the board's review in any such
30 case shall be limited to determining whether the appraisal
31 management company has complied with the provisions of
32 subsection a. of this section and whether illegal conduct, a violation
33 of the Uniform Standards of Professional Appraisal Practice, or a
34 violation of State licensing standards has occurred.

35 c. If an appraiser files a complaint against an appraisal
36 management company pursuant to subsection b. of this section, the
37 board shall adjudicate the complaint within 180 days of receiving
38 the complaint.

39 d. If after opportunity for hearing and review, the board
40 determines that an appraisal management company acted
41 improperly in removing the appraiser from the appraiser panel, or
42 that the appraiser did not commit a violation of law, a violation of
43 the Uniform Standards of Professional Appraisal Practice, or a
44 violation of State licensing standards, the board shall:

45 (1) Provide written findings to the involved parties; and

46 (2) Provide an opportunity for the appraisal management
47 company and appraiser to respond to the findings.

1 Upon board review of the appraisal management company and
2 appraiser responses pursuant to paragraph (2) of this subsection to
3 the board findings in paragraph (1) of this subsection,

4 (1) If the board issues a final finding of no reasonable
5 justification for removal of the appraiser from the appraisal
6 management company approved appraiser list by preponderance of
7 the evidence, the board may order that the appraisal management
8 company take certain corrective actions, including, but not limited
9 to, appraiser reinstatement, a fine, suspension or other actions
10 against the appraisal management company under the board's
11 authority in accordance with the "Real Estate Appraisers Act,"
12 P.L.1991, c.68 (C.45:14F-1 et seq.); or

13 (2) If there is a finding by a preponderance of the evidence that
14 the appraisal management company has properly removed the
15 appraiser from the approved appraiser list, then the board may issue
16 a finding that the appraisal management company was justified in
17 such removal and the board may consider disciplinary action
18 against the appraiser.

19
20 21. (New section) a. An appraisal management company shall
21 inform the board when the appraisal management company has a
22 reasonable basis to believe that an appraiser has committed a
23 material violation of:

- 24 (1) The Uniform Standards of Professional Appraisal Practice;
25 (2) Applicable laws; or
26 (3) Ethical or professional conduct.

27 b. An appraisal management company shall provide the board
28 with all information in the possession of the appraisal management
29 company in support of any information compiled against an
30 appraiser under this section, including any evidence to support the
31 determination that an appraisal management company has probable
32 cause of a material violation as defined in subsection a. of this
33 section.

34 For the purposes of this section, a material violation is one that is
35 likely to affect the value assigned to a consumer's principal
36 dwelling.

37
38 22. (New section) Each appraisal management company shall,
39 except in bona fide cases of breach of contract or substandard
40 performance of services, make payment to an appraiser for the
41 completion of an appraisal or valuation assignment within 60 days
42 of the date on which the appraiser transmits or otherwise provides
43 the completed appraisal or valuation study to the appraisal
44 management company or its assignee unless a mutually agreed upon
45 alternate arrangement has been previously established, which
46 agreement shall be considered to be under the appraiser
47 independence requirements of section 1639e of the federal Truth in
48 Lending Act, Pub.L.90-321 (15 U.S.C. s.1639e).

1 23. (New section) Any State regulated, or related, client of an
2 appraisal management company conducting business pursuant to the
3 provisions of this act shall make a prompt payment to the appraisal
4 management company at least 15 days before payment from the
5 appraisal management company is due to the appraiser under this
6 act.

7
8 24. (New section) a. The board may suspend or revoke any
9 registration issued under this act, levy fines, or impose civil
10 penalties if, after appropriate investigation, the board concludes that
11 an appraisal management company is attempting to perform, has
12 performed, or has attempted to perform any of the following:

13 (1) Any action in violation of this act or regulations adopted
14 hereunder;

15 (2) Any action in violation of the “Real Estate Appraisers Act,”
16 P.L.1991, c.68 (C.45:14F-1 et seq.), or regulations adopted
17 thereunder; or

18 (3) Procuring a registration for itself or any other person by
19 fraud, misrepresentation, or deceit.

20 b. When deciding whether to impose a sanction, determining
21 the sanction that is most appropriate in a specific instance, or
22 making any other discretionary decision regarding the enforcement
23 of this act, the board may consider whether an appraisal
24 management company:

25 (1) Has an effective program reasonably designed to ensure
26 compliance with this act;

27 (2) Has taken prompt and appropriate steps to correct and
28 prevent the recurrence of any detected violations; and

29 (3) Has independently reported to the board any significant
30 violations or potential violations of this act, prior to an imminent
31 threat of disclosure or investigation and within a reasonably prompt
32 time after becoming aware of their occurrence.

33 c. The board shall conduct random audits of appraisal
34 management company compliance with this act, and those audits
35 shall be funded through the various fees charged to appraisal
36 management companies as set forth in this act, but an appraisal
37 management company that timely files a certification of compliance
38 in accordance with the provisions of this act shall have a
39 presumption of compliance if that certification is accompanied by a
40 legal opinion letter indicating that all compliance requirements have
41 been satisfied.

42
43 25. (New section) Whenever the board finds cause to refuse to
44 renew, suspend or revoke any registration, or to levy a fine or
45 impose a civil penalty, the board shall notify the registrant of the
46 reasons therefor, in writing, and provide opportunity for a hearing
47 in accordance with the “Administrative Procedure Act,” P.L.1968,
48 c.410 (C.52:14B-1 et seq.).

1 26. Section 3 of P.L.1991, c.68 (C.45:14F-3) is amended to read
2 as follows:

3 3. There is created within the Division of Consumer Affairs in
4 the Department of Law and Public Safety a State Real Estate
5 Appraiser Board. The board shall consist of ~~【nine】~~ 11 members
6 who are residents of the State, two of whom shall be public
7 members and one of whom shall be a State executive department
8 member appointed pursuant to the provisions of section 2 of
9 P.L.1971, c.60 (C.45:1-2.2). Of the remaining ~~【six】~~ eight members,
10 three shall be, except for those first appointed, State licensed real
11 estate appraisers ~~【and】~~, three shall be, except for those first
12 appointed, State certified real estate appraisers, and two shall be
13 representatives of the appraisal management company industry,
14 each of whom shall be State certified real estate appraisers or State
15 licensed real estate appraisers. One representative of the appraisal
16 management company industry shall be affiliated with an appraisal
17 management company that is owned, in whole or in part, by a
18 federally regulated financial institution, and one representative of
19 the appraisal management company industry shall be affiliated with
20 an appraisal management company that is not owned, in whole or in
21 part, by a federally regulated financial institution. The initial real
22 estate appraiser members of the board may hold a real estate
23 appraisal designation from an organization recognized by the
24 Appraisal Foundation, but these appointments shall not be granted
25 or denied on the basis of organizational membership alone.

26 The Governor shall appoint the public members ~~【and】~~, the real
27 estate appraiser members, and the representatives of the appraisal
28 management company industry to the board with the advice and
29 consent of the Senate. The Governor shall appoint each member for
30 a term of three years, except that with regard to the real estate
31 appraiser members first appointed, two shall serve for terms of
32 three years, two shall serve for terms of two years, and two shall
33 serve for terms of one year. Each member shall serve until his
34 successor has been qualified. Any vacancy in the membership of the
35 board shall be filled for the unexpired term in the manner provided
36 by the original appointment. No member of the board shall serve
37 more than two successive terms in addition to any unexpired term to
38 which he has been appointed. The Governor may remove a member
39 of the board for cause.

40 (cf: P.L.1991, c.68, s.3)

41

42 27. (New section) The State Real Estate Appraiser Board shall
43 adopt rules and regulations pursuant to the “Administrative
44 Procedure Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), necessary to
45 effectuate the provisions of this act within 120 days of the effective
46 date of the act.

1 28. This act shall take effect immediately, except that the
2 provisions of section 4 of this act shall not take effect until 60 days
3 after the adoption by the State Real Estate Appraiser Board of
4 regulations to effectuate the purposes of this act.

5
6
7
8

STATEMENT

9 This bill establishes registration requirements for real estate
10 appraisal management companies that employ licensed and certified
11 real estate appraisers to provide appraisal services in New Jersey.

12 An appraisal management company (“AMC”) is a business entity
13 that administers a network of certified and licensed appraisers to
14 fulfill real estate appraisal assignments on behalf of mortgage
15 lending institutions, as well as other entities. AMCs recruit, qualify,
16 verify licensing, and negotiate fees and service level expectations
17 with a network of third-party fee appraisers. AMCs also provide
18 administrative duties such as tracking and providing clients with the
19 status of their appraisal requests and preparing preliminary and hard
20 copy reports for delivery to clients. In addition, AMCs are often
21 responsible for reviewing the appraiser’s appraisal report and
22 determining its compliance with the Uniform Standards of
23 Professional Appraisal Practice (USPAP) by USPAP compliant
24 appraisal reviews.

25 Currently, State law only prescribes licensing and certification
26 requirements for individual appraisers, which are enforced by the
27 State Real Estate Appraiser Board. Real estate appraisal
28 management companies are unregulated and are not currently
29 required to register with any State agency or department in order to
30 provide services in New Jersey.

31 The bill prohibits any individual or business entity from
32 engaging or providing real estate appraisal management services, or
33 advertising or holding himself or the business entity out as engaging
34 in or conducting business as an AMC without being registered with
35 the State Real Estate Appraiser Board, which is within the Division
36 of Consumer Affairs in the Department of Law and Public Safety.

37 Specifically, the bill: (1) requires AMCs to register with the
38 board prior to providing appraisal services and to renew such
39 registration on an annual basis; (2) prohibits AMCs from hiring or
40 entering into contracts with third-parties who contract with
41 individuals who are not licensed or certified as real estate appraisers
42 in this State for federally related transactions; (3) requires AMCs to
43 submit annual certifications to the board confirming that all of its
44 employees are licensed or certified appraisers, that appraisals are
45 conducted independently and free from inappropriate influence and
46 coercion, and that detailed records of service requests are retained;
47 and (5) establishes grounds for which the board may refuse to

S2401 DIEGNAN

15

1 renew, suspend or revoke any registration issued, or levy fines or
2 impose civil penalties.

3 In addition, the bill amends section 3 of P.L.1991, c.68
4 (C.45:14F-3) to increase the membership of the State Real Estate
5 Appraiser Board from nine to eleven members by adding two
6 representatives of the appraisal management company industry to
7 the board. Currently, the board consists of three licensed real estate
8 appraisers, three certified real estate appraisers, two public
9 members and one State executive department member.

SENATE COMMERCE COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2401**

STATE OF NEW JERSEY

DATED: SEPTEMBER 8, 2016

The Senate Commerce Committee reports favorably Senate Committee Substitute for Senate Bill No. 2401.

This Senate Committee Substitute establishes registration requirements for real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey.

An appraisal management company (“AMC”) is a business entity that administers a network of certified and licensed appraisers to fulfill real estate appraisal assignments on behalf of mortgage lending institutions, as well as other entities. AMCs recruit, qualify, verify licensing, and negotiate fees and service level expectations with a network of third-party fee appraisers. AMCs also provide administrative services such as tracking and providing clients with the status of their appraisal requests and preparing preliminary and hard copy reports for delivery to clients. In addition, AMCs are often responsible for reviewing the appraiser’s appraisal report and determining its compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) by USPAP-compliant appraisal reviews.

Currently, State law only prescribes licensing and certification requirements for individual appraisers, which are enforced by the State Real Estate Appraiser Board. Real estate appraisal management companies are unregulated and are not currently required to register with any State agency or department to provide services in New Jersey.

The substitute prohibits any individual or business entity from engaging or providing real estate appraisal management services, or advertising or holding himself or the business entity out as engaging in or conducting business as an AMC, without being registered with the State Real Estate Appraiser Board, which is within the Division of Consumer Affairs in the Department of Law and Public Safety.

The substitute: (1) requires AMCs to register with the board prior to providing appraisal services and to renew such registration on an annual basis; (2) prohibits AMCs from hiring or entering into contracts with third parties who contract with individuals who are not licensed or certified as real estate appraisers in this State for

federally related transactions; (3) requires AMCs to submit annual certifications to the board confirming that all of its employees are licensed or certified appraisers, that appraisals are conducted independently and free from inappropriate influence and coercion, and that detailed records of service requests are retained; and (4) establishes grounds for which the board may refuse to renew, suspend or revoke any registration issued, or levy fines or impose civil penalties.

In addition, the substitute amends section 3 of P.L.1991, c.68 (C.45:14F-3) to increase the membership of the State Real Estate Appraiser Board from nine to eleven members by adding two representatives of the appraisal management company industry to the board. Currently, the board consists of three licensed real estate appraisers, three certified real estate appraisers, two public members and one State executive department member.

As reported by the committee, this substitute is identical to the Assembly Committee Substitute for Assembly No. 1973, also reported by the committee today.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2401**

with committee amendments

STATE OF NEW JERSEY

DATED: SEPTEMBER 26, 2016

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2401 (SCS), with committee amendments.

As amended, this bill, establishes registration requirements for real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey.

An appraisal management company (AMC) is a business entity that administers a network of certified and licensed appraisers to fulfill real estate appraisal assignments on behalf of mortgage lending institutions and other entities. AMCs recruit, qualify, verify licensing, and negotiate fees and service level expectations with a network of third-party fee appraisers. AMCs also provide administrative services for clients. In addition, AMCs are often responsible for reviewing the appraiser's appraisal report and determining its compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) by USPAP-compliant appraisal reviews.

Currently, State law only prescribes licensing and certification requirements for individual real estate appraisers, which are enforced by the State Real Estate Appraiser Board within the Division of Consumer Affairs in the Department of Law and Public Safety. AMCs are unregulated and are not required to register with a State agency or department to provide services in New Jersey.

This bill prohibits any individual or business entity from engaging in or providing real estate appraisal management services, or advertising or holding himself or the business entity out as engaging in or conducting business as an AMC, without being registered with the board.

The bill: (1) requires AMCs to register with the board prior to providing appraisal services and to renew such registration on an biennial basis; (2) prohibits AMCs from hiring or entering into contracts with third parties who contract with individuals who are not licensed or certified as real estate appraisers in this State for federally related transactions; (3) requires AMCs to submit annual

certifications to the board confirming that all of its employees are licensed or certified appraisers, that appraisals are conducted independently and free from inappropriate influence and coercion, and that detailed records of service requests are retained; and (4) establishes grounds for which the board may refuse to renew, suspend, or revoke any registration issued, or levy fines or impose civil penalties.

In addition, the bill makes various changes to the “Real Estate Appraisers Act” to accommodate the registration requirements for AMCs imposed by the bill. Under the bill, these changes include: (1) increasing the membership of the board from nine to 11 members to add two representatives of the appraisal management company industry to the board; (2) revising the board’s statutory powers and duties to reflect the additional authority accorded the board to register and regulate AMCs; (3) clarifying the conditions under which the board may disqualify an applicant or revoke the license or registration of a real estate appraiser or AMC; (4) authorizing the board to require AMC applicants and registrants submit fingerprints to facilitate criminal history record checks of those entities; and (5) permitting the board to submit to a federal agency certain fees collected from AMCs.

The bill repeals sections 12 and 13 of the “Real Estate Appraisers Act,” which authorize the issuance of temporary real estate appraiser licenses and certifications for a period of 180 days following the effective date of the 1991 law.

The bill directs the State Real Estate Appraiser Board to adopt rules and regulations to effectuate the provisions of the bill within 120 days of enactment.

The bill takes effect immediately, but delays implementation of section 6 of the bill (prohibiting unregistered persons from engaging in or providing real estate appraisal management services) until 60 days after the date the State Real Estate Appraiser Board adopts rules and regulations to effectuate the bill.

As amended and reported, this bill is identical to Assembly Bill No. 1973 (ACS), as also amended and reported by the committee.

COMMITTEE AMENDMENTS:

The amendments:

-- clarify that the board has the legal authority to transmit certain reports of the board’s supervisory activities involving AMCs or other third party providers of appraisals and appraisal management services;

-- increase the duration of the AMC registration period from one year to two years, and authorize the submission of AMC registration fees to the federal agency that oversees State regulation of AMCs;

-- permit the State Real Estate Appraiser Board to investigate and conduct criminal history record information checks of each “controlling person” of an AMC applying to the board for registration;

-- specify that the board is authorized to collect from a federal regulated AMC operating in the State for submission to the Appraisal Subcommittee the AMC National Registry fee;

-- eliminate provisions that require the board to mediate disputes between AMCs and appraisers if an AMC removes an appraiser from the AMC’s appraisal panel for alleged illegal conduct;

-- make the board’s authority to conduct random audits of appraisal management companies’ compliance with the bill discretionary;

-- revise the board’s statutory powers and duties under the “Real Estate Appraisers Act” to reflect the additional authority accorded the board to register and regulate AMCs under the bill;

-- clarify the conditions under which the board may disqualify an applicant or revoke the license or registration of a real estate appraiser or AMC;

-- authorize the board to require AMC applicants and registrants to submit fingerprints to facilitate criminal history record checks;

-- permit the board to submit to a federal agency certain fees collected from AMCs;

-- repeals sections 12 and 13 of the “Real Estate Appraisers Act”;

-- replace certain references to the “AMC licensing program” with “AMC registration program”;

-- clarify certain references to the Appraisal Subcommittee and the Appraisal Qualifications Board of the Appraisal Foundation; and

-- make certain other technical changes as to punctuation and grammar.

FISCAL IMPACT:

The Office of Legislative Services (OLS) expects the bill will increase annual State expenditures and revenues. While the OLS cannot project the magnitude of the increases, it expects their net effect to be largely offsetting.

The OLS notes that the bill requires the board to regulate AMCs. Under the bill, these regulatory activities will include the review of applications, the examination of the books and records of AMCs, and the oversight of AMCs’ operations to ensure compliance with applicable rules and regulations.

It is expected that these regulatory activities will increase annual board operating expenses. However, the OLS cannot determine the magnitude of the increase due to uncertainty regarding the number of companies that will be regulated and the operational decisions the

board may make to implement the bill following enactment. Whatever the cost, the bill directs the board to charge AMCs an application fee, not exceeding \$2,500, and a biennial renewal of registration fee, not exceeding \$2,500, to cover the cost of registration and regulation. The added cost of regulation and the added revenue from the fee are expected to largely offset one another.

In addition, the OLS expects the State may annually collect indeterminate penalty payments from violators of regulatory requirements. However, the OLS cannot project the amount the State will collect because the bill does not specify the level of fines or penalties and because it has no information to base an estimate of the number and magnitude of future assessments.

The OLS also expects the bill to increase annual board operating expenses by a minimal amount as a result of its expansion, assuming the two additional positions are filled. Under current law, board members receive \$25 per day or an amount determined by the Attorney General not exceeding \$2,500 per year. Compensating two new board members at the annual \$2,500 maximum will increase annual board operating expenses by \$5,000. In addition, current law allows board members to be reimbursed for travel and other expenses incurred in the performance of their duties.

LEGISLATIVE FISCAL ESTIMATE
 [First Reprint]
 SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 2401
STATE OF NEW JERSEY
217th LEGISLATURE

DATED: OCTOBER 26, 2016

SUMMARY

- Synopsis:** "Appraisal Management Company Registration and Regulation Act."
- Type of Impact:** Annual State revenue and expenditure increases to the General Fund.
- Agencies Affected:** State Real Estate Appraiser Board in the Department of Law and Public Safety.

Office of Legislative Services Estimate

Fiscal Impact	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Annual State Cost Increase	Indeterminate – See comments below		
Annual State Revenue Increase	Indeterminate – See comments below		

- The Office of Legislative Services (OLS) estimates that this bill will increase annual State expenditures and revenues. Although the OLS cannot project the magnitude of the increases, it expects their net effect on State finances to be largely offsetting.
- The State Real Estate Appraiser Board in the Department of Law and Public Safety will incur an indeterminate annual increase in operating expenditures associated with the registration and regulation of real estate appraisal management companies; however, the bill requires the board to set and collect biennial registration and renewal fees to offset the cost of regulation.
- The State may annually collect indeterminate penalty payments from violators of regulatory requirements.
- The State Real Estate Appraiser Board will incur a minimal annual increase in operating expenditures from expanding the board from nine to eleven members.

BILL DESCRIPTION

The First Reprint of the Senate Committee Substitute for Senate Bill No. 2401 of 2016 provides for the regulation by the State Real Estate Appraiser Board in the Department of Law and Public Safety of real estate appraisal management companies that employ licensed and certified real estate appraisers to provide appraisal services in New Jersey. The industry is currently unregulated, while individual appraisers are already subject to State licensing and certification requirements.

Beginning on the 60th day after the adoption by the board of regulations to effectuate the purposes of this bill, real estate appraisal management companies will need a board-issued registration to operate in New Jersey. This includes federally regulated appraisal management companies operating in the State.

In return for the right to operate in New Jersey real estate appraisal management companies will have to: a) pay an initial two-year registration fee set by the board, but not exceeding \$2,500, to cover the board's cost in administering the registration process; b) pay a biennial renewal fee set by the board, but not exceeding \$2,500, to cover the board's cost in regulating and overseeing the industry; and c) provide a \$25,000 surety bond.

The board may suspend or revoke any registration, levy unspecified fines, or impose unspecified civil penalties if the board concludes that an appraisal management company:

- has violated the provisions of this bill or any regulation adopted thereunder;
- has violated the "Real Estate Appraisers Act," P.L.1991, c.68 (N.J.S.A.45:14F-1 et seq.) or any regulation adopted thereunder; or
- has procured a registration by fraud, misrepresentation, or deceit.

The bill also adds two appraisal management company industry representatives to the State Real Estate Appraiser Board, increasing the board's membership from nine to eleven members.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this bill will increase annual State General Fund expenditures and revenues. Although the OLS cannot project the magnitude of the increases, it expects their net effect on State finances to be largely offsetting.

The bill requires the State Real Estate Appraiser Board to regulate real estate appraisal management companies. Regulatory activities will include the review of registration applications, the examination of the books and records of real estate appraisal management companies, and the oversight of real estate appraisal management companies' operations to ensure compliance with State industry rules and regulations.

The regulatory activities will increase annual board operating expenses. The OLS, however, cannot determine the increase's magnitude because of uncertainty regarding the number of companies that will be regulated and operational decisions the board will make to implement the bill. Whatever the cost, the bill instructs the board to charge real estate appraisal management

companies a biennial fee, not exceeding \$2,500, which will cover the cost of regulation. The added cost of industry regulation and the added fee revenue are expected to largely offset one another.

Moreover, the OLS anticipates that the State may annually collect indeterminate penalty payments from violators of regulatory requirements. The OLS, however, cannot project the amount the State will collect because the bill does not specify the level of any fine or penalty and because the OLS has no information on which to base an estimate of the number and magnitude of future penalty assessments and payments. The \$25,000 surety bond that the bill requires appraisal management companies to post with the board would facilitate the collection of any fine or penalty.

Lastly, the bill will increase annual board operating expenses by a minimal amount from expanding the board from nine to eleven members, assuming the two positions will be filled. According to N.J.S.A.45:1-2.5, board members receive \$25 per diem or an amount to be determined by the Attorney General not exceeding \$2,500 per year. Compensating two additional board members at the annual \$2,500 maximum would increase annual board operating expenses by \$5,000. In addition, N.J.S.A.45:1-3 entitles board members to the reimbursement of their travel and other expenses incurred in the performance of their duties.

Section: Law and Public Safety

*Analyst: Kristin Brunner Santos
Senior Fiscal Analyst*

*Approved: Frank W. Haines III
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

Governor Christie Takes Action On Pending Legislation

Thursday, May 11, 2017 Tags: [Bill Action](#)



Trenton, NJ - Governor Chris Christie today signed into law additional bills to support New Jersey's military members, veterans, and their families and show pride in the state's military history. On May 1, he signed a number of bills impacting veterans and the military, including a law creating a program to divert certain veterans accused of non-violent offenses from the criminal justice system and into appropriate mental health and substance use services.

Today, Governor Christie signed A450/S750 (Mazzeo, Andrzejczak, Mukherji, Moriarty, Benson, Daniels, Houghtaling/Beach, Van Drew) creating the Wounded Warrior Caregivers Relief Act, which provides a gross income tax credit of up to \$675 to family caregivers of totally disabled veterans whose injuries occurred as a result of serving on active duty on or after September 11, 2001.

"We must do all we can do to make it easier for military members who have been left with debilitating injuries in the line of duty and their family members who now care for them," said Governor Christie. "This compassionate new law provides a tax credit to ease some of the financial burden on those families and show our appreciation for the many sacrifices they have made to keep their loved ones safe and at home."

Other military and veterans bills signed by Governor Christie allow active duty members of the U.S. Armed Forces who have completed basic training to wear their dress uniform at their high school graduation and require the Department of Military and Veterans' Affairs to work with the Division of Travel and Tourism and the New Jersey Historical Commission to develop an online list with a historic tour of war battles fought and places of historical military significance in New Jersey and its State waters.

Governor Christie also took action on the following bills:

BILL SIGNINGS:

ACS for A-815/ACS for S-1088 (Land, Andrzejczak, Mosquera, Vainieri Huttle, Bramnick/Van Drew, T. Kean) - Concerns Code Blue alert plans to shelter at-risk individuals

A-837/S-468 (Jimenez, Green, Mukherji, Sumter, Munoz/Sacco, Greenstein) - Establishes "Hazardous Drug Safe Handling Act;" requires promulgation of standards and regulations concerning safe handling of hazardous drugs by certain health care personnel

A-1256/S-1381 (Caride, Singleton, Jasey, Wimberly/Bateman) - Requires State Board of Education regulations regarding school nurse certification to include certain minimum eligibility requirements

A-1649/S-853 (Schaer, Pintor Marin, Wimberly, Mukherji/Stack) - Requires local governments and authorities to obtain financing cost estimate from NJ Environmental Infrastructure Trust for certain projects

ACS for A-1973/SCS for S-2401 (Prieto, Handlin/Diegnan, Stack) - "Appraisal Management Company Registration and Regulation Act"

A-1991/S-2722 (Prieto, Jimenez, Oliver/Stack, Cunningham) - Provides two elected members of pension commission of closed Hudson County Employees' Pension Fund may be active or retired county employees

ACS for A-2004/SCS for S-731 (Green, Benson, Moriarty, Mukherji, Pintor Marin/Cruz-Perez, Beach) - Establishes certain penalties for operating or participating in pyramid promotional schemes

Stay Connected
with Social Media

Stay Connected
with Email Alerts

LIKE THIS PAGE? SHARE IT WITH YOUR FRIENDS.



Related Content

[GOVERNOR'S STATEMENT UPON SIGNING ASSEMBLY BILL NO. 4146](#)

A-2087/SCS for S-2792 (Mukherji, Schaer, Downey, Quijano/Greenstein, Turner) - Grants drivers additional time to resolve parking violations prior to license or registration suspension

A-2340/S-2108 (Benson, Muoio, Gusciora/Greenstein, Diegnan) - Authorizes students in Marie H. Katzenbach school for the deaf to operate State vehicle for driver education and provides protection for such activity under tort claims act

A-2512/S-1899 (DeAngelo, Pintor Marin, Houghtaling/Whelan, Turner) - Requires BPU to render decision on case within 12 months of final public hearing or hold another public hearing prior to deciding case

A-2805/S-2726 (Caputo, Houghtaling, McKeon, Chiaravalloti/Codey, Pou) - Requires DMVA to develop online historic tour identifying locations of war battles and places of significance to war efforts in State

A-3011/S-2796 (Conaway, Singleton/Allen) - Modifies charter of Board of Island Managers of Burlington Island to move elections to November

AS for A-3351/S-2570 (Lampitt, Andrzejczak, Quijano, Holley, Jones, Space/Cruz-Perez, Oroho) - Creates license to manufacturer and sell hard cider and mead

A-3581/SCS for S-2582, 2092 (Downey, Mosquera, Danielsens, Houghtaling, Van Drew, Turner, Moriarty) - Requires Internet-connected baby monitors to include security features

A-3601/S-2209 (Schaer/Vitale, Gill) - Concerns regulation of guaranteed asset protection waivers by DOBI

A-3785/S-2396 (Downey, Houghtaling, Jasey, Singleton, Holley, Caride, Wimberly/Ruiz, Turner) - Requires State to pay educational costs of students who reside in homeless shelter outside district of residence for more than one year

A-4019/S-2491 (Mazzeo, Mukherji, Andrzejczak, Land, DeCroce, McKnight, Danielsens/Cruz-Perez, Madden) - Permits eligible students who are members of United States Armed Forces to wear military uniform at high school graduation

A-4146/S-2521 (Vainieri Huttie, Benson, Lampitt, Johnson, McKnight, Sumter/Vitale, Gordon) – STATEMENT UPON SIGNING - Provides for monitoring and evaluation of transition of mental health and substance use disorder treatment service system and developmental disability system to fee-for-service reimbursement model; makes appropriation

A-4284/S-2675 (Quijano, Benson, Muoio, Caride, Vainieri Huttie, McKnight, Wimberly, Sumter/Diegnan, Beach) - Provides that school districts and nonpublic schools may receive reimbursement for costs incurred on or after January 1, 2016 for testing school drinking water for lead

A-4344/S-2729 (Karabinchak, Pinkin, Coughlin, Wisniewski/Diegnan, Vitale) - Designates portion of Route 18 in East Brunswick as "State Trooper Werner Foerster Memorial Interchange"

AJR-76/SJR-16 (Vainieri Huttie, Holley, McKnight, Jasey/Gill) - Designates September "Affordable Housing Awareness Month"

AJR-130/SJR-92 (Vainieri Huttie, Lampitt/Vitale, Singer) - Designates January 23 of each year as "Maternal Health Awareness Day" in New Jersey

BILLS VETOED:

A-1850/S-2606 (Giblin, DeAngelo, Mukherji, Holley/Diegnan) – ABSOLUTE - Extends by two months seasonal retail consumption alcoholic beverage license

A-1869/S-668 (Wimberly, Vainieri Huttie, Oliver, Tucker, Quijano, Johnson/Rice, Cruz-Perez) - CONDITIONAL - Establishes Division of Minority and Women Business Development and State Chief Disparity Officer to monitor efforts to promote participation by minority-owned and women-owned businesses in State contracting

A-2353/S-367 (Vainieri Huttie, Jasey, Mukherji, Benson, Quijano/Codey, Turner) – CONDITIONAL - Establishes measures to deter steroid use among students; appropriates \$45,000 to DOE for New Jersey State Interscholastic Athletic Association testing of student-athletes for steroids and other performance enhancing substances

A-3091/S-2528 (Munoz, Gusciora, O'Scanlon, Oliver, Lagana, Lampitt, Mukherji, Sumter/Pou, Weinberg, Cunningham) - CONDITIONAL - Bars persons under age 18 from marrying or entering into a civil union

###

Press Contact:
Brian Murray
609-777-2600



Statewide: [NJ Home](#) | [Services A to Z](#) | [Departments/Agencies](#) | [FAQs](#)
Office of the Governor: [Home](#) | [Newsroom](#) | [Media](#) | [Administration](#) | [NJ's Priorities](#) | [Contact Us](#)

Copyright © State of New Jersey, 1996-2017
Office of the Governor
PO Box 001
Trenton, NJ 08625
609-292-6000