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### MEMORANDUM

To: Chairman Knox and members of the House Financial Institutions Committee  
From: Matt Sterling, Assistant Revisor of Statutes  
Date: March 8, 2012  
Subject: Senate Bill 345

SB 345 would create the Kansas appraisal management company registration act. The bill would establish a process for the registration and regulation of entities that conduct, perform or engage in real estate appraisal management services as a real estate appraisal management company in Kansas with the real estate appraisal board.

The bill would define “appraisal management companies” to mean entities acting as extended third parties authorized to perform appraisal management services by a creditor in a consumer credit transaction that is secured by a consumer's principal dwelling, or by an underwriter or a principal in the secondary mortgage market when such entity oversees more than 15 licensed Kansas appraisers or more than 25 appraisers licensed in Kansas and another jurisdiction. The bill would define “appraisal management services” as “to perform or attempt to perform, directly or indirectly, any one or more of the following functions on behalf of a lender, financial institution, client, or any other person.”

The bill would prohibit an AMC from engaging in appraisal management services without first registering with the board. The registration application must include contact information, information about the entity, proof that the entity is registered with the secretary of state and other verifications. The registration requirements would not be imposed on any AMCs that are a subsidiary of a financial institution that is regulated by federal financial institutions regulatory agencies, AMCs that only employ appraisers and individuals who are Kansas licensed appraisers in good standing that do not have more than 15 appraisers and are engaged in real estate appraisals.

The fees for registration and renewal would be set by the board in an amount not to exceed \$3,500. The initial registration fee would be prorated if the applicant applies with less than 11 months left in the registration period. Late renewal fees would not be more than \$500. Registration fees would be deposited in the appraiser fee fund and any civil fines would be deposited in the state general fund. The AMC federal registry fees would be deposited into the state treasury in the AMC federal registry clearing fund.

The bill would prohibit an ownership interest in excess of 10% of an AMC held by individuals or entities who have had their appraisal credentials revoked, suspended or were not in good standing. Individuals owning more than a 10% interest would have to be of good moral character, would be required to be fingerprinted, and would submit a national background check to the board. AMCs with one controlling person designated as the main contact with the board would be subject to fingerprinting and background check requirements.

AMCs would be required to: Use licensed Kansas appraisers; annually certify if a system is in place to verify if all its appraisers have a license, are in good standing and are geographically competent; annually certify the maintenance of detailed records of each appraisal service request the AMC received; maintain all records for five years; ensure client fees are disclosed; and not prohibit an appraiser from disclosing the appraiser's fee in an appraisal report submitted to the client.

The bill would make it illegal to influence the development, reporting, result or review of an appraisal report through coercion, extortion, collusion, or intimidation. The bill also would make it illegal for an AMC to require an appraiser to indemnify the AMC or to hire an appraiser that is not properly credentialed or not in good standing. Finally, the bill would make it illegal to violate any provisions of the act, any order by the board or to not fully cooperate in any investigation by the board. Commission of any illegal acts created by the bill would be a Class C misdemeanor.