

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB210

House of Origin ☐ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☒ Substitute ☐ Enrolled

2. Patron: Miller, J.H.

3. Committee: General Laws and Technology

4. Title: Regulation of real estate appraisal management companies.

5. Summary: This bill (i) authorizes the Real Estate Appraiser Board, beginning July 1, 2014, to issue a license to a person or entity to do business as an appraisal management company in the Commonwealth provided such person or entity meets certain requirements set out in the bill; (ii) requires the Board to require an appraisal management company as a condition of licensure to execute a performance agreement and provide collateral to the Board in form of cash, letter of credit, or bond in an amount sufficient as reasonably determined by the Board to secure the payment of the obligations of the licensee for its transactions in the Commonwealth for a period not less than 12 months; (iii) provides that the fees charged by an appraisal management company and fees paid to appraisers shall be separately reflected on the good faith estimate provided by the lender and on the settlement statement; (iv) increases the civil penalty from not more than \$2,500 to \$10,000 for willful violations by a real estate appraisal management company; and (v) requires the disclosure on the settlement statement of any fees paid to a real estate appraisal management company. The bill requires the Real Estate Appraiser Board to adopt emergency regulations to implement the provisions of the bill.

The substitute adds further detail regarding the posting of bonds and letters of credit. The provisions of this bill, other than that of Section 54.1-2011, shall become effective July 1, 2012.

6. Budget Amendment Necessary: Yes. Item 122 of HB/SB30.

7. Fiscal Impact Estimates: Preliminary. See 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2012	\$0	0.0	Dedicated Special Revenue
2013	\$5,043	0.0	Dedicated Special Revenue
2014	\$43,204	0.0	Dedicated Special Revenue
2015	\$34,359	0.0	Dedicated Special Revenue
2016	\$34,359	0.0	Dedicated Special Revenue
2017	\$34,359	0.0	Dedicated Special Revenue

2018	\$34,359	0.0	Dedicated Special Revenue
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7b. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012	\$0	Dedicated Special Revenue
2013	\$0	Dedicated Special Revenue
2014	\$0	Dedicated Special Revenue
2015	\$81,000	Dedicated Special Revenue
2016	\$0	Dedicated Special Revenue
2017	\$67,500	Dedicated Special Revenue
2018	\$0	Dedicated Special Revenue

- 8. Fiscal Implications:** This bill increases the administrative and regulatory responsibilities of the Department of Professional and Occupational Regulation (DPOR) by implementing and administering a mandatory licensing program for appraisal management companies. licensure program resulting from this bill would be added to the Real Estate Appraiser Board (the Board). DPOR estimates that approximately 150 companies would be required to be licensed through this program.

Personal and Operating Costs: This legislation will require one wage, Band 3 position to process the applications for initial licensure and renewals, provide statuses of applications and other requested information, respond to telephone inquiries and e-mails about the program, and prepare written correspondence with applicants, licensees, and the public. Based on the typical standard hourly wage for Band 3 part-time employees, the cost of wages and benefits for this position is expected to be \$24,221 annually beginning in FY 2014. These are recurring costs that will continue into future biennia.

In FY 2014, DPOR will need to purchase furniture and equipment for the new position at an estimated cost of \$7,000. This is a one-time expenditure that will not continue into future years. Other operating costs beginning in FY 2014 and recurring in future years include telephone services, employee development, computer operating support, postage, printing, and supplies. These costs are estimated at \$9,400 each year.

The Board will need to conduct regulation review committee meetings to establish minimum requirements and draft regulations. Four meetings are expected in FY 2013 and two meetings in FY 2014. Travel and other expenses related to attendance at the committee meetings will total approximately \$3,690 in FY 2013 and \$1,845 in FY 2014. The bill adds one member to the board, beginning in FY 2013. Board meeting attendance costs including travel for this additional member will total about \$738 each year. The board will also need to submit three mailings to potential licensees at a cost of \$615 in FY 2013. These are non-recurring costs that will not continue into future years.

Revenue: In accordance with the provisions of Section 54.1-113 (Callahan Act), Code of Virginia, licensing fees are established at rates adequate to cover a program's operating costs and a proportionate share of agency support costs. Approximately 150 new appraisal management company applications are expected in FY 2015 with about 150 renewal

applications every two years beginning in FY 2017. In order to provide sufficient revenue to cover ongoing operating costs, application fees are expected to be \$540 and renewal fees are expected to be \$450 (\$225 per year). Total revenue is estimated to be \$81,000 in FY 2015 and \$67,500 in odd-numbered fiscal years thereafter.

Cost to Regulants: Initial application fees for appraisal management companies are expected to be \$540 and biennial renewal costs will be \$450, or a cost of \$225 per year. No additional cost to other current Real Estate Appraiser licensees is expected as a result of this legislation.

9. Specific Agency or Political Subdivisions Affected: Department of Professional and Occupational Regulation.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 2/29/12

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