



The maximum fee for the registration of an appraisal management company is lowered from \$5 thousand to \$2 thousand.

Synopsis of Original Bill

Senate Bill 456 amends Section 61-30-18 NMSA 1978, to introduce twenty-three sections of new material that would enact the “Appraisal Management Company registration Act,” which would provide for registration and regulation of real estate appraisal management companies. The bill would make it unlawful for a person or business entity to engage in business as an appraisal management company or to perform appraisal management services without first obtaining registration from the licensing Real Estate Appraisers Board.

There are exemptions to the bill:

- Business entities that exclusively employ persons to perform real estate appraisal services.
- Business entities that enter into an agreement with another independent contractor for appraisal services which cannot be completed for any reason.
- Business entities that enter into an agreement with a contractor for appraisal services where the work performed is co-signed by the appraiser who entered into the sub-contractual agreement.

Senate Bill 456 proposes the following requirements for such licensed companies.

It mandates that these newly licensed companies must complete and execute an irrevocable consent to service of process form.

There would be a fee for registration would not exceed \$5 thousand.

A licensed company shall not be owned or operated by a principal who has had their appraiser’s license revoked in New Mexico or any other state.

Background investigations must be performed on applicants for licensure.

Each licensed company must designate one “controlling person” to be the main point of contact for all communication between it and the Board.

Employees of each licensed company also have requirements to meet qualifications set by the Board by rule.

**FISCAL IMPLICATIONS**

Senate Bill 456 states that fees from the registration of appraisal management companies would be deposited in the Appraiser Fund in the State Treasury, which is administered by the Real Estate Appraisers Board. The RLD does not provide an estimate of the revenues that might be collected as a result of appraisal management companies being required to register with the Real Estate Appraisers Board.

## **SIGNIFICANT ISSUES**

The RLD states that appraiser independence is a strong feature of the bill. It will be unlawful for a licensee to influence or attempt to influence the development, reporting or review of an appraisal through coercion, extortion, collusion, compensation, instruction, inducement, intimidation, bribery or in any other manner. The RLD further adds the following points below.

Currently, the Board only licenses individuals, not companies. The Board annually licenses over 1,000 persons.

The following 5 licenses are issued: Apprentices, Full Licensure, Residential Certification, General Certification, and a Temporary License.

Most importantly, the profession, as represented by the Appraisal Institute, developed and supports this bill and feels strongly, as does the current Board, that this segment of the profession is growing and needs better oversight to protect the public.

Appraisers are concerned that the rise of such companies is a response to the demand for low cost appraisals, rather than for quality and public protection. Senate Bill 456 addresses those concerns.

Lenders utilize appraisers and will turn to unregulated companies to keep prices low. The separation between lenders and appraisers is mandated by federal law. A bill is currently before the U.S. Congress to strengthen that separation. The “Subprime Crisis” has instigated closer scrutiny of this industry.

The goal of the appraisal profession is to make sure that consumers do not pay either too much or too little for property. Appraisals must be based on a well thought-out opinion of value supported by evidence. Senate Bill 456 would maintain high standards of professionalism and independence in this field.

The AGO<sup>1</sup> notes that Appraisal Management Companies are not currently regulated by the Real Estate Appraisers Board. Under this bill, they would not be required to seek licensure, but required to obtain a registration issued by the Real Estate Appraisers Board and would be subject to Board rules and Board discipline.

## **ADMINISTRATIVE IMPLICATIONS**

The RLD states that because of the low number of these companies, there will be no administrative burden on the current staff of RLD—Boards and Commissions.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

According to the RLD, the appraisal management segment of the industry will continue to grow, unregulated, which could result in harm to consumers.

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<sup>1</sup> The analysis from the Attorney General’s Office includes the following disclaimer. This analysis is neither a formal Attorney General’s Opinion nor an Attorney General’s Advisory Opinion letter. This is a staff analysis in response to the agency’s, committee’s or legislator’s request.