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**FISCAL IMPACT STATEMENT**

**LS 7060**

**BILL NUMBER:** HB 1235

**NOTE PREPARED:** Jan 8, 2010

**BILL AMENDED:**

**SUBJECT:** Regulation of Appraisal Management Companies.

**FIRST AUTHOR:** Rep. Barnes

**BILL STATUS:** As Introduced

**FIRST SPONSOR:**

**FUNDS AFFECTED:**  GENERAL  
 DEDICATED  
 FEDERAL

**IMPACT:** State & Local

**Summary of Legislation:** The bill requires appraisal management companies (AMC) to register with the Real Estate Appraiser Licensure and Certification Board (REALCB). The bill provides that the registration fee may not exceed \$500. The bill requires an individual who conducts appraisal reviews for an AMC to be a licensed or certified appraiser. The bill prohibits an AMC from contracting with an appraiser to perform an appraisal of a property if the appraiser does not meet certain standards. The bill makes it a Class A infraction for a person to perform appraisal management services without a certificate or registration.

**Effective Date:** July 1, 2010.

**Explanation of State Expenditures:** *Summary:* The REALCB would be required to regulate AMCs. The additional funds and resources required could be supplied through existing staff and resources currently being used in another program or with new appropriations. Ultimately, the source of funds and resources required to satisfy the requirements of this bill will depend on legislative and administrative actions. The bill allows fees to be used to cover increased costs.

*Background-* The PLA currently provides staff to the REALCB. The staff group also handles licensing of home inspectors (via the Home Inspectors Board) and realtors (via the Real Estate Commission). Currently, there are seven staff members within the Professional Licensing Agency (PLA) that provide administrative service to the REALCB, as well as the Realtor, and Home Inspector Boards, with total salary of \$212,800 per year. PLA's FY 2011 appropriation is \$5.5 M.

Costs could increase if the PLA staff group had to attend an additional meeting of the REALCB to address

additional AMC certification business. The estimated cost increase for an additional meeting follows.

Board Member Per Diem, Travel, Lodging, and other Expenses	\$1,837
Agenda Packet Preparation	\$50
Mailing of Packets	\$39
Staff Meeting Time	\$352
<b>ESTIMATED COSTS PER MEETING of REALCB</b>	<b>\$2,278</b>

The above estimate assumes full attendance by the seven-member board plus travel expenditures equal to an average round trip of 150 miles to the meeting site and back to the members' residence.

**Explanation of State Revenues: Summary-** The bill specifies that the revenue collected from the registration fees must be determined by the REALCB as sufficient for the administration of AMC registrations. The fee would not be able to exceed \$500. Currently, the fee for the initial real estate appraiser's license is \$100 for the application/exam and \$135 or \$160 for the license depending if it is issued in an odd or even year. All fee revenue would be deposited into the PLA Investigative Fund.

*Criminal and Civil Penalties:* An AMC that contracts with a real estate appraiser that does not meet the standards, outlined in the bill, for practice could be penalized by the REALCB by an amount not to exceed \$10,000 for each individual violation. All revenue from civil penalties would be deposited into the PLA Investigative Fund.

A person that conducts appraisal management services without a certificate of registration would commit a Class A infraction. The maximum judgment for a Class A infraction is \$10,000, which would be deposited in the state General Fund. However, any additional revenue is likely to be small.

*Background-* The U.S. Bureau of Census reports that in 2007, there were approximately 430 AMCs operating in Indiana. Although, the REALCB oversees the licensure of 3,316 appraisers, the U.S. Bureau of Labor statistics indicates that only 2,080 of them may be currently employed in the occupation. As an example only, the following table provides an estimate of the revenue that licensing fees could raise at two different licensing fee rates.

Licensing Fee	Estimated Licensing Revenue*
\$250	\$91,250
\$500	\$182,750
*Assumes 85% of current number of AMCs (~365) would apply for certifications.	

Actual revenue the state would receive would depend on board action and the number of AMCs applying for certification.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** *Criminal Penalty:* If additional court actions are filed and a judgment is entered, local governments would receive revenue from court fees. However, any additional revenue is likely to be small.

**State Agencies Affected:** PLA, REALCB.

**Local Agencies Affected:** Trial courts, local law enforcement agencies.

**Information Sources:** Marty Allain, Lisa Bentley, PLA; PLA website; December 7, 2009, State Staffing Report; U.S. Bureau of Census; U.S. Bureau of Labor Statistics.

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