

HOUSE BILL REPORT

EHB 1797

As Amended by the Senate

Title: An act relating to residential real estate appraisers being allowed to complete real property evaluations.

Brief Description: Concerning residential real estate appraisers being allowed to complete real property evaluations.

Sponsors: Representatives Cheney, Goodman, Hutchins and Graham.

Brief History:

Committee Activity:

Consumer Protection & Business: 2/14/23, 2/15/23 [DP].

Floor Activity:

Passed House: 2/27/23, 95-0.

Senate Amended.

Passed Senate: 4/5/23, 48-0.

Brief Summary of Engrossed Bill

- Requires the Department of Licensing to adopt rules to require education on valuation bias and fair housing laws and regulations as a part of both initial registration and licensure and continuing education standards for real estate appraisers.
- Permits a state-licensed or state-certified appraiser to perform evaluations of real estate for financial institutions as long as a disclaimer is provided.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: Do pass. Signed by 13 members: Representatives Walen, Chair; Reeves, Vice Chair; Corry, Ranking Minority Member; McClintock, Assistant Ranking

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Minority Member; Chapman, Cheney, Connors, Donaghy, Hackney, Ryu, Sandlin, Santos and Volz.

Staff: Megan Mulvihill (786-7304).

Background:

Real estate appraisers estimate the value of real property. Under the Washington Certified Real Estate Appraiser Act (Act), the Department of Licensing (DOL) certifies and licenses real estate appraisers. The Real Estate Appraiser Commission serves as a liaison between appraisers, the public, and the DOL. The Act prohibits a person from receiving compensation for appraisal services unless certified or licensed by the state. The Act authorizes four types of credentials issued to real estate appraisers, from highest to lowest credentialing requirements:

- state-licensed real estate appraiser;
- state-certified residential real estate appraiser;
- state-certified general real estate appraiser; and
- state-registered appraiser trainee.

An appraisal is a written statement prepared by a state-licensed or state-certified real estate appraiser that states the appraiser's opinion of the market value of the property. An appraisal must conform with the Uniform Standards of Professional Appraisal Practice (USPAP). The USPAP was established in 1989 and is the generally recognized ethical and performance standard for appraisers. State-licensed and state-certified appraisers must comply with the USPAP when involved in federally-related real estate transactions.

An evaluation is also an opinion of the market value of the property, but it does not have to be completed by a state-licensed or state-certified appraiser or comply with the USPAP. An evaluation can be used by lenders in some situations where an appraisal is not required by law. Per federal regulation, the following types of transactions do not require an appraisal, but require an evaluation:

- residential real estate transactions in which the transaction value is \$400,000 or less;
- certain renewals, refinances, or other transactions involving extensions of credit;
- real estate-secured business loans with a transaction value of \$1 million or less when the sale of, or rental income derived from, the real estate is not the primary source of repayment for the loan;
- commercial real estate transactions in which the transaction value is \$500,000 or less; and
- a transaction that is exempted from the appraisal requirement pursuant to the federal rural residential exemption.

Summary of Engrossed Bill:

The Department of Licensing (DOL) must adopt rules to require:

- beginning on January 1, 2024, that all applicants applying to become a state-registered or state-certified real estate appraiser or trainee complete a seven-hour course and examination on valuation bias and fair housing laws and regulations in order to become registered, licensed, or certified;
- prior to January 1, 2025, state-registered and state-certified real estate appraisers to complete a seven-hour continuing education course on valuation bias and fair housing laws and regulations; and
- beginning January 1, 2026, all state-registered and state-certified real estate appraisers to complete a four-hour continuing education course on valuation bias and fair housing laws and regulations.

Once the DOL adopts rules, a state-licensed appraiser or state-certified appraiser may perform evaluations for financial institutions. An appraiser performing evaluations is not engaged in real estate appraisal activity when the appraiser includes a disclaimer and is therefore not subject to the jurisdiction of the DOL or the Real Estate Appraiser Commission. The disclaimer must be located immediately above the appraiser's signature and include the following in at least 10-point boldface type: "I am a state-licensed appraiser or a state-certified appraiser. This evaluation was not prepared in my capacity as a real estate appraiser and might not comply with the Uniform Standards of Professional Appraisal Practice."

Evaluation is defined as an opinion of the market value of real property or real estate provided to a financial institution in conformance with the interagency appraisal and evaluation guidelines adopted jointly by the federal financial institution's regulatory agencies for use in real estate-related financial transactions that do not require an appraisal.

EFFECT OF SENATE AMENDMENT(S):

The Senate amendment makes the following changes:

- changes the title of the bill to “An Act Relating to Real Estate Appraisers;”
- modifies the definition of “evaluation” to mean “an estimate of the market value of real property or real estate” rather than “an opinion of the market value of real property or real estate”;
- clarifies that financial institutions using evaluations must still comply with Title IX of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989;
- specifies that a state-licensed or state-certified appraiser performing an evaluation is still engaged in real estate appraisal activity and remains under the state’s regulatory authority; and
- modifies the administrative rules that the Department of Licensing must adopt for appraisers and appraiser trainees to adhere to the nondiscrimination and fair housing provisions provided in the ethics rule in accordance with the Appraisal Standards Board and the Uniform Standards of Professional Appraisal Practice and all education criteria in accordance with the Appraiser Qualifications Board as provided in the Real Property Appraiser Qualifications Criteria.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill has a contingent effective date and takes effect after the Department of Licensing adopts certain rules.

Staff Summary of Public Testimony:

(In support) A full appraisal is not always needed for some transactions and purposes. For example, an evaluation can be used in a court case to determine market value. Evaluations are often simpler because they do not have to comply with the USPAP, and they can be done faster. A number of different individuals can do evaluations, but real estate appraisers cannot. However, an appraiser is the most competent and qualified person to perform an evaluation, yet they are precluded from doing so. This does not make sense. The legislation does not change appraisal requirements, only permits appraisers to do evaluations. It is modeled on similar laws that have passed in other states, like Oregon. It would be beneficial for appraisers, lenders, and buyers.

(Opposed) None.

Persons Testifying: Representative Greg Cheney, prime sponsor; Scott DiBiasio, Appraisal Institute; and Tony Sermonti and Joy Bauer, Appraisers Coalition of Washington.

Persons Signed In To Testify But Not Testifying: None.