

**CONFERENCE COMMITTEE REPORT**  
**House Bill No. 381 By Representative Hoffmann**

June 24, 2009

To the Honorable Speaker and Members of the House of Representatives and the Honorable President and Members of the Senate.

Ladies and Gentlemen:

We, the conferees appointed to confer over the disagreement between the two houses concerning House Bill No. 381 by Representative Hoffmann, recommend the following concerning the Engrossed bill:

1. That Senate Committee Amendments No. 1 proposed by the Senate Committee on Commerce, Consumer Protection, and International Affairs and adopted by the Senate on June 11, 2009, be adopted.
2. That Senate Committee Amendments Nos. 2 through 4 proposed by the Senate Committee on Commerce, Consumer Protection, and International Affairs and adopted by the Senate on June 11, 2009, be rejected.
3. That the Legislative Bureau Amendments proposed by the Legislative Bureau and adopted by the Senate on June 15, 2009, be rejected.
4. That Senate Floor Amendments Nos. 1 and 2 proposed by Senator Marionneaux and adopted by the Senate on June 16, 2009, be rejected.
5. That the following amendments to the engrossed bill be adopted:

AMENDMENT NO. 1

On page 1, line 4, after "requirement;" and before "and to" insert the following:

"to provide for appraisal management company licensing and regulation; to provide for effective dates;"

AMENDMENT NO. 2

On page 1, line 7, after "R.S. 37:3393(H)(8)" delete "is" and insert the following:

"and Chapter 51-B of Title 37 of the Louisiana Revised Statutes of 1950, comprised of R.S. 37:3415.1 through 3415.21 are"

AMENDMENT NO. 3

On page 2, after line 5, add the following:

"CHAPTER 51-B. APPRAISAL MANAGEMENT COMPANY LICENSING AND REGULATION ACT

§3415.1. Short title

This Chapter shall be known and may be cited as the "Louisiana Appraisal Management Company Licensing and Regulation Act".

§3415.2. Definitions

As used in this Chapter, the following words have the meaning ascribed to them in this Section unless the context clearly indicates otherwise:

(1) "Appraisal" means the act or process of developing an opinion of value of real property following the appraisal process defined by the Uniform Standards for Professional Appraisal Practice.

(2) "Appraisal management company" means any corporation, partnership, sole proprietorship, subsidiary, unit, or other business entity that engages in any of the following activity:

(a) Administers a network of independent contract appraisers to perform real estate appraisal services for lenders or other clients.

(b) Receives requests for residential appraisal services from clients and enters into agreements, written or otherwise, with one or more independent appraisers to perform the real estate appraisal services contained in the request.

(3) "Appraisal management services" means the process of receiving a request for the performance of real estate appraisal services from a client, and for a fee paid by the client, entering into an agreement with one or more independent appraisers to perform the real estate appraisal services contained in the request.

(4) "Appraiser" is defined as one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

(5) RESERVED.

(6) "Appraiser panel" means a group of appraisers that has been selected by an appraisal management company to perform real estate appraisal services for the appraisal management company on behalf of lenders or other clients.

(7) "Board" means the Louisiana Real Estate Appraisers Board.

(8) "Client" means any person or entity that contracts with or otherwise enters into an agreement for the performance of residential real estate appraisal services.

(9) "Controlling person" means any of the following:

(a) An owner, officer or director of a corporation, partnership or other business entity seeking to offer appraisal management services in this state.

(b) An individual employed, appointed, or authorized by an appraisal management company who has the authority to enter into a contractual relationship with clients to contract for the performance of appraisal management services and has the authority to enter into agreements with independent appraisers for the performance of real estate appraisal services.

(c) An individual who possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of an appraisal management company.

(10) "Real estate appraisal services" means residential valuation services performed by an individual acting as an appraiser, including but not limited to appraisal, appraisal review, or appraisal consulting, as these services are defined under the Uniform Standards for Professional Appraisal Practice.

### §3415.3. License required

A. It shall be unlawful for a person, corporation, partnership, sole proprietorship, subsidiary, unit or any other business entity to directly or indirectly engage or attempt to engage in business as an appraisal management company, to

directly or indirectly engage or attempt to perform appraisal management services, or to advertise or hold itself out as engaging in or conducting business as an appraisal management company without first obtaining a license issued by the board under the provisions of this Chapter, regardless of the entity's use of the term "appraisal management company", "national valuations solutions provider", "mortgage technology company", or any other name.

B. The license required by Subsection A of this Section shall, at a minimum, include the following information:

- (1) The name of the entity seeking a license.
- (2) The business address of the entity seeking a license.
- (3) The phone contact information of the entity seeking a license.
- (4) If the entity is not a corporation that is domiciled in this state, the name and contact information for the company's agent for service of process in this state.
- (5) The name, address, and contact information of any individual, corporation, partnership, or other business entity that has any ownership interest in the appraisal management company.
- (6) The name, address, and contact information for a controlling person, as defined in this Chapter.
- (7) Certification that the entity has a system and process in place to verify that a person being added to the appraiser panel of the appraisal management company holds an appraisal license in good standing in this state pursuant to this Chapter.
- (8) Certification that the entity has a system in place to review the work on a periodic basis of all independent appraisers that are performing real estate appraisal services for the appraisal management company to ensure that the real estate appraisal services are being conducted in accordance with Uniform Standards of Professional Appraisal Practice, pursuant to this Chapter.
- (9) Certification that the entity maintains a detailed record for five years of each real estate appraisal service request that it receives and an itemized list of all fees contracted with each appraiser who performs real estate appraisal services for the appraisal management company, pursuant to this Chapter.
- (10) An irrevocable Uniform Consent to Service of Process, pursuant to this Chapter.
- (11) Any other information required by the board.

#### §3415.4. Exemptions

A. This Chapter shall not be applicable to any of the following:

- (1) Any corporation, partnership, sole proprietorship, subsidiary, unit, or other business entity that exclusively employs persons on an employer/employee basis for the performance of real estate appraisal services in the normal course of its business and such entity is responsible for ensuring that the real estate appraisal services being performed by its employees are being performed in accordance with Uniform Standards of Professional Appraisal Practice.
- (2) Any individual, corporation, partnership, sole proprietorship, subsidiary, unit, or other business entity engaged in real estate appraisal services who, in the normal course of business, enters into an agreement, whether written or otherwise, with another independent appraiser for the performance of real estate appraisal

services that the hiring or contracting appraiser is unable to complete for any reason, including but not limited to competency, work load, schedule, or geographic location.

(3) Any individual, corporation, partnership, sole proprietorship, subsidiary, unit, or other business entity engaged in real estate appraisal services who, in the normal course of business, enters into an agreement, whether written or otherwise, with an independent contractor appraiser for the performance of real estate appraisal services and, upon the completion of the appraisal, the report of the appraiser performing the real estate appraisal services is cosigned by the appraiser who subcontracted with the independent appraiser for the performance of the real estate appraisal services.

B. The Louisiana Real Estate Appraisers Board may issue special exemptions, if deemed acceptable by the board, upon special application and review.

#### §3415.5. Forms

An applicant for a license as an appraisal management company in this state shall submit to the board an application on a form prescribed by the board.

#### §3415.6. Expiration of license

A license granted by the board pursuant to this Chapter shall be valid for one year from the date on which it is issued.

#### §3415.7. Consent to service of process

Each entity applying for a license as an appraisal management company in this state shall complete an irrevocable Uniform Consent to Service of Process as prescribed by the board.

#### §3415.8. Owner requirements

A. An appraisal management company applying for a license in this state may not be owned by any person who has had a license or certificate to act as an appraiser, real estate broker or agent, mortgage broker, or mortgage originator, which combined are considered herein to be "real estate or lending-related licenses" refused, denied, suspended, canceled, or revoked in the past in any state without specific approval by the board.

B. Any licensed appraisal management company with an owner or employee who is subsequently refused or denied a real estate or lending-related license in any state, shall notify the board in writing within ten days of such action.

C. Any licensed appraisal management company with an owner or employee whose real estate or lending-related license has been suspended, revoked, or cancelled subsequent to being registered shall notify the board in writing within ten days of such action.

D. Either refusal or revocation of any real estate or lending-related license in any state shall be grounds for denying renewal of the appraisal management company's license. However, failure to notify the board of refusal, suspension, revocation or cancellation of the licenses within ten days of such action shall be cause for revocation of an appraisal management company's license.

E. Each person that has any ownership interest in an appraisal management company in this state shall comply with all of the following:

(1) Be of good moral character, as determined by the board.

(2) Submit to a background investigation, as determined by the board.

(3) Certify to the board that the person has never had a license to act as an appraiser refused, denied, cancelled, suspended, or revoked in this state or in any other state.

§3415.9. Controlling person; requirements

A. Each appraisal management company applying to the board for a license in this state shall designate one controlling person that will be the main contact for all communication between the board and the appraisal management company.

B. In order to serve as a controlling person of an appraisal management company, a person shall comply with all of the following:

(1) Certify to the board that he has never had a certificate or license issued by the board of this state, or the board of any other state, to act as an appraiser refused, denied, canceled, suspended, or revoked.

(2) Be of good moral character, as determined by the board.

(3) Submit to a background investigation, as determined by the board.

§3415.10. RESERVED.

§3415.11. Limitations

An appraisal management company licensed in this state pursuant to this Chapter shall not enter into contracts or agreements with an independent appraiser for the performance of real estate appraisal services unless that person is licensed and in good standing pursuant to the Louisiana Real Estate Appraisers Law, R.S. 51:3391 et seq.

§3415.12. Pre-engagement certification

Each appraisal management company seeking to be licensed in this state shall certify to the board, on an annual basis, on a form prescribed by the board, that the appraisal management company has a system and process in place to verify that a person being added to the appraiser panel of the appraisal management company holds a license in good standing in this state pursuant to the Louisiana Real Estate Appraisers Law, R.S. 51:3391 et seq.

§3415.13. Adherence to standards

Each appraisal management company seeking to be licensed in this state shall certify to the board on an annual basis that it has a system in place to review on a periodic basis the work of all appraisers that are performing real estate appraisal services for the appraisal management company to ensure that the real estate appraisal services are being conducted in accordance with Uniform Standards of Professional Appraisal Practice.

§3415.14. Record keeping

Each appraisal management company seeking to be licensed in this state shall certify to the board on an annual basis that it maintains a detailed record for five years of each real estate appraisal service request that it receives including the fee paid by the lenders to all appraisers for all real estate appraisal services and the names of all appraisers or entities that perform all real estate appraisal services for the appraisal management company.

§3415.15. RESERVED.

§3415.16. Appraiser independence; prohibitions

A. It shall be unlawful for any employee, director, officer, or agent of an appraisal management company licensed in this state pursuant to this Chapter 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, including but not limited to the following:

- (1) Withholding or threatening to withhold timely payment for an appraisal.
- (2) Withholding or threatening to withhold future business for an independent appraiser, or demoting or terminating or threatening to demote or terminate an independent appraiser.
- (3) Expressly or impliedly promising future business, promotions, or increased compensation for an independent appraiser.
- (4) Conditioning the request for a real estate appraisal service or the payment of an appraisal fee or salary or bonus on the opinion, conclusion, or valuation to be reached, or on a preliminary estimate or opinion requested from an independent appraiser.
- (5) Requesting that an independent appraiser provide an estimated, predetermined, or desired valuation in an appraisal report, or provide estimated values or comparable sales at any time prior to the independent appraiser's completion of a real estate appraisal service.
- (6) Providing to an independent appraiser an anticipated, estimated, encouraged, or desired value for a subject property or a proposed or target amount to be loaned to the borrower, except that a copy of the sales contract for purchase transactions may be provided.
- (7) Providing to an independent appraiser, or any entity or person related to the appraiser, stock or other financial or nonfinancial benefits, allowing the removal of an independent appraiser from an appraiser panel, without prior written notice to such appraiser.
- (8) Obtaining, using, or paying for a second or subsequent appraisal or ordering an automated valuation model in conjunction with a mortgage financing transaction unless there is a reasonable basis to believe that the initial appraisal was flawed or tainted and such basis is clearly and appropriately noted in the loan file, or unless such appraisal or automated valuation model is done pursuant to a bona fide pre- or post-funding appraisal review or quality control process or underwriting guidelines, and so long as the lender adheres to a policy of selecting the most reliable appraisal, rather than the appraisal that states the highest value.
- (9) Forcing an appraiser to accept an assignment where the delivery times are so short that they force the appraiser to render a misleading report.

B. Nothing in Subsection A of this Section shall be construed as prohibiting the appraisal management company from requesting that an independent appraiser do either of the following:

- (1) Provide additional information about the basis for a valuation.
- (2) Correct objective factual errors in an appraisal report.

#### §3415.17. Alteration of appraisal reports

An appraisal management company shall not alter, modify, or otherwise change a completed real estate appraisal service report submitted by an appraiser.

§3415.18. Adjudication of disputes between an appraisal management company and an appraiser

A. Except within the first thirty days after an independent appraiser is first added to the appraiser panel of an appraisal management company, an appraisal management company may not remove an appraiser from its appraiser panel, or otherwise refuse to assign requests for real estate appraisal services to an independent appraiser without doing all of the following:

(1) Notifying the appraiser in writing of the reasons why the appraiser is being removed from the appraiser panel of the appraisal management company. If the appraiser is being removed from the panel for illegal conduct, violation of the Uniform Standards of Professional Appraisal Practice, or a violation of state licensing standards, the nature of the alleged conduct or violation shall be identified.

(2) Providing an opportunity for the appraiser to respond to the notification of the appraisal management company.

B. An appraiser that is removed from the appraiser panel of an appraisal management company for alleged illegal conduct, violation of the Uniform Standards of Professional Appraisal Practice, or violation of state licensing standards, may file a complaint with the board for a review of the decision of the appraisal management company, except that in no case shall the board make any determination regarding the nature of the business relationship between the appraiser and the appraisal management company which is unrelated to the actions specified in Subsection A of this Section.

C. If an appraiser files a complaint against an appraisal management company pursuant to Subsection B of this Section, the board shall adjudicate the complaint.

D. If, after opportunity for hearing and review, the board determines that an appraiser did not commit a violation of law, a violation of the Uniform Standards of Professional Appraisal Practice, or a violation of state licensing standards, the board shall order that an appraiser be reinstated to the appraiser panel of the appraisal management company that was the subject of the complaint without prejudice.

E. Following the adjudication of a complaint to the board by an appraiser against an appraisal management company, an appraisal management company may not refuse to make assignments for real estate appraisal services to an appraiser, or reduce the number of assignments, or otherwise penalize the appraiser, if the board has found that the appraisal management company acted improperly in removing the appraiser from the appraiser panel.

§3415.19. Enforcement

A. The board may censure an appraisal management company, conditionally or unconditionally suspend, or revoke any license issued under this Chapter, levy fines or impose civil penalties not to exceed fifty thousand dollars, if in the opinion of the board, an appraisal management company is attempting to perform, is performing, has performed, or has attempted to perform any of the following acts:

(1) Committing any act in violation of this Chapter.

(2) Violating any rule or regulation adopted by the board in the interest of the public and consistent with the provisions of this Chapter.

(3) Procuring a license by fraud, misrepresentation, or deceit.

B.(1) In addition to any other civil remedy or civil penalty provided for in this Chapter, the board may issue a subpoena to any person or persons who the board

has probable cause to believe has engaged in real estate appraisal activity without a currently valid license.

(2) Subpoenas issued by the board shall comply with the notice requirements of R.S. 49:955. These subpoenas shall be served upon the unlicensed individual personally or by any type of mailing requiring a return receipt and shall include a statement of the manner in which the unlicensed person shall be required to respond to the commission.

C. The board may impose a civil penalty of no more than five thousand dollars upon any unlicensed person who, after a hearing or informal resolution in accordance with all provisions of this Chapter and the Administrative Procedure Act, is found to have engaged in real estate appraisal activity without a currently valid license having been issued by the board pursuant to the provisions of this Chapter. In addition, the board may assess costs and attorney fees against the unlicensed person found to have been engaged in real estate appraisal activity without a current license.

D. No person engaged in real estate appraisal activity without a currently valid license shall have the right to receive any compensation for services so rendered. In addition to any other penalties imposed under this Chapter, the board may require that any person engaged in real estate appraisal activity without a license return any fees collected for engaging in real estate appraisal activity.

§3415.20. Disciplinary hearings

A. The conduct of adjudicatory proceedings in accordance with the Administrative Procedure Act for violations of this Chapter is vested in the board, subject to the following provisions:

(1) Before censuring, suspending, or revoking any registration, the board shall notify the licensee in writing of any charges made, at least twenty days prior to the date set for the hearing and shall afford the licensee an opportunity to be heard in person or by counsel.

(2) The written notice shall be satisfied by personal service on the controlling person of the licensee, or the licensee's agent for service of process in this state, or by sending the notice by certified mail, return receipt requested to the controlling person of the licensee to the licensee's address on file with the board, or by board personnel hand delivering a copy of the charges to the licensee.

(3) The board shall have the power to subpoena and issue subpoenas duces tecum and to bring before it any person in this state, or take testimony by deposition, in the same manner prescribed by law in judicial proceedings in the courts of this state, or to require production of any records relevant to an inquiry or hearing by the board. Any final decision or determination of the board shall be reviewable by the Nineteenth Judicial District Court in the Parish of East Baton Rouge.

(4) The hearing on the charges shall be at a time and place prescribed by the board and in accordance with the provisions of Chapter 13 of Title 49 of the Louisiana Revised Statutes of 1950.

(5) The board may make findings of fact and shall deliver or mail such findings to the licensee charged with an offense under this Chapter. Any finding of fact by the board pursuant to the provisions of this Section shall be conclusive.

B.(1) The Nineteenth Judicial District Court of the state may review questions of law involved in any final decision of the board. Any application for review made by an aggrieved party shall be filed within thirty days after the final decision of the board.

(2) If the court finds that the Louisiana Real Estate Appraisers Board has regularly pursued its authority and has not acted arbitrarily, it shall affirm the decision, order, or ruling of the board. If a petition to review the final decision of the board is filed, the case shall be specifically fixed for trial within thirty days from the filing of an answer by the board.

C. Administrative proceedings under this Chapter before the board are not exclusive remedies. Criminal action under the terms of this Chapter may be simultaneously instituted and maintained against the accused for any violation of this Chapter. The board may also separately or simultaneously bring and carry on an action by injunction to restrain a licensed or unlicensed individual from further violation of any of the provisions of this Chapter, during the pendency of the criminal proceeding or proceedings before the board and against any unlawful practice thereafter.

§3415.21. Rulemaking authority; effective date

A. The board shall have the power to adopt any rules and regulations in accordance with the Administrative Procedure Act necessary for the enforcement of this Chapter.

B. Notwithstanding any law to the contrary, these rules shall require the affirmative approval by the House of Representatives Committee on Commerce and the Senate Committee on Commerce, Consumer Protection and International Affairs.

C. Any appraisal management company doing business in this state at the time of passage of this Act may continue to perform such services without a license until the earlier of either such time that the rules and regulations pertaining to this Chapter have been approved in accordance with Subsections A and B of this Section or January 1, 2011.

Section 2. If any provision or item of this Act, or the application thereof, is held invalid, such invalidity shall not affect other provisions, items, or applications of the act which can be given effect without the invalid provision, item, or application and to this end the provisions of this Act are hereby declared severable.

Section 3. This Act shall become effective January 1, 2010."

Respectfully submitted,

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Representative Frank A. Hoffmann

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Senator Ann Duplessis

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Representative Jeffery "Jeff" J. Arnold

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Senator Robert "Rob" Marionneaux, Jr.

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Representative Charles R. "Bubba" Chaney

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Senator "Nick" Gautreaux