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January 20, 2011

The Honorable xxxx
XXXXXXXXXXXXXXXXXXXXXXXXXX
XXXXXXXXXXXXXXXXXXXXXXXXXX
Helena, MT 59620

Dear Senator/Representative xxxxxx:

As a Montana licensed real estate appraiser, I am writing to strongly urge you to pass HB0188 during the 2011 legislative session.

Passage of HB0188 will add new consumer protection measures for Montana citizens when they finance real estate. It will require greater accountability, responsibility, and transparency from third-party brokers of appraisal services. These brokers are known as appraisal management companies (AMCs).

Appraisal Management Companies contract with independent appraisers to fulfill real estate appraisal assignments on behalf of lenders. The “third-party” AMC recruits, qualifies, verifies licensure, negotiates fees and service level expectations with a network of appraisers who actually complete the appraisal assignments.

AMC’s today control tens of thousands of appraisal assignments without any State standards or guidance. Because of this, we have found tthat the citizens of Montana are not protected from unscrupulous participants. In fact, there has been at least one instance (in another state) where disbarred appraiser has formed an AMC outside the reach of any state regulatory agency, much to the dismay of his state appraiser board.

HB0188 would enact a reasonable registration and regulatory structure for AMCs operating in Montana. As currently drafted, HB0188 would:

- Require AMCs operating in Montana to register with the Board of Real Estate Appraisers (Section 3);
- Prohibit AMCs from being owned by individuals who have had an appraiser license or certification denied, refused, cancelled or revoked (Section 5);
- Require the identification of a “contact individual” for each AMC that will serve as the main point of contact for the Board (Section 6);
- Enact requirements that employees of AMCs are familiar with the real estate appraisal process and applicable standards (Section 7);

- Require AMCs to have systems in place to: 1) verify that they only utilize licensed or certified appraisers; and 2) ensure that all appraisals are in compliance with the Uniform Standards of Professional Appraisal Practice (Section 11, 12, and 13);
- Enact requirements that ensure that appraisers are free from coercion or inappropriate influence from AMCs, including provisions that prohibit an AMC from withholding payment to an appraiser that doesn't hit a predetermined property value (Section 17); and
- Prohibit the alteration of appraisal reports by AMCs (Section 19); and
- Establish violations and penalties (Section 22).

We appreciate your thoughtful consideration of this extremely important legislation, and urge the Montana legislature to enact HB0188 as soon as possible.

If you should have any questions, please do not hesitate to contact Darwin Ernst at 406-239-2222. He is a member of the Montana Board of Real Estate Appraisers who has been assigned as a technical contact for this legislation.

Sincerely,