

ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

House Bill 329 Appraisal Board Chair's Answers to Sponsor's Questions

- 1) Please provide a list of AMCs currently operating in Alaska. Indicate which AMCs are "Alaska Grown."

Answer: I am unable to compile a comprehensive list and there is no current registry of AMCs, but my feeling is there may be 25 or so operating in the state off and on. I am not aware of any independent (not affiliated with a bank, credit union, etc.) Alaska based AMCs. Many of these "outside" AMCs are contracting with lower 48 based lenders who have somewhat sporadic borrower loan requests, resulting in sporadic appraisal requests. This lender/AMC activity is almost exclusively residential, and primarily single family residential (SFR). Examples of those "outside" lenders are: Lending Tree, Quicken Loans, Rocket Mortgage, Navy Federal Credit Union, etc.

My office exclusively does **commercial**, large multi-family, land, etc., which are primarily handled in-house by:

- Wells Fargo subsidiaries
- Key Bank subsidiary
- Alaska USA
- Northrim Bank
- Denali FCU

From Appraisal Board members active in the **residential market** we have identified the following AMCs operating in Alaska: Accurate Group, AMC Links, AMO Services, Amerisave/Novo, Axis, Broadstreet, Clear Capital, Collateral Management, Consolidated Analytics, Interthinxs, Independent Settlement Services, Landsafe, LRES, ProTeck, TCV Murcor, RELS Corelogic, Streetlinks, TSI Appraisal, Valligent, Valuetrac/PRMG. None of these AMC are Alaska headquartered or "Alaska Grown".

- 2) Please provide an ironclad definition of what constitutes a federally-related transaction, and provide a list of such transactions. VA? FHA? Fannie Mae? Freddie Mac?

Answer: Federally related transaction defined:

“The term “federally related transaction” means any real estate-related financial transaction which—

- (A) a federal financial institutions regulatory agency or the Resolution Trust Corporation engages in, contracts for, or regulates; and*
- (B) requires the services of an appraiser.”*

[12 U.S.C. S 3350; S 1121 Definitions]

Note that implicit in this definition is the definition of “real estate related financial transaction”. Accordingly, defined as:

“The term “real estate-related financial transaction” means any transaction involving—

- (A) The sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;*
- (B) the refinancing of real property or interests in real property; and*
- (C) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.”*

[12 U.S.C. S 3350; S 1121 Definitions]

There are exceptions to when a real estate related transaction triggers a need for an appraisal. I have included a separate paper titled Federally Related Transactions which details the exclusions.

- 3) What percentage of 2017 AMC work in Alaska was on federally-related transactions?

Answer: To my knowledge there is no record data of this. The AMC itself may not know that answer, likely only the originating lender. My unsupported estimate, recognizing that Fannie, Freddie, FHA, etc. could be exempt, would be 35+/-%.

- 4) What percentage of 2017 Alaska real estate transactions occurred sans an AMC?

Answer: Following the preceding question/answer, it would be 65%+/- . But again an unsupported estimate.

- 5) How would regulating AMCs (so that they can continue to engage in federally-related transactions) benefit the Alaska:
- a) Real estate buyer?
 - b) Seller?
 - c) Appraiser?
 - d) Realtor?
 - e) Lending institution?

Answer: By allowing the registration and regulation of AMCs the market for potential financing sources is broadened without the confusion on the originating lenders part of whether a loan or loan transaction may be classified as a “federally related transaction”. This would benefit all of the players in the real estate market; buyers/sellers, real estate agents/brokers, appraisers, title companies, etc. It simply opens up more potential financing sources primarily for the Alaska residential housing market.

- 6) If Alaska does not regulate AMCs, what negative effects would be experienced by the Alaska:
- a) Real estate buyer?
 - b) Seller?
 - c) Appraiser?
 - d) Realtor?
 - e) Lending institution?

Answer: It simply restricts the potential financing sources for buyers, which in turn adversely impacts all of the other parties to real estate transactions. Housing financing requires a huge amount of capital or sheer dollars, so allowing the broadest source of funding is a benefit to all Alaskans.

- 7) Would absence of regulation after the Dodd-Frank August 2018 deadline:
- a) Prevent real estate transactions? How many?
 - b) Drive up the cost of federally-related transactions
 - i) By how many dollars or by what percentage?
 - ii) Who would pay any additional cost?
 - c) Increase the time it takes to close federally-related real estate transactions? How many days longer?

Answer: a) Yes it would prevent some; the number would just be a guess. If the answer to question #3 is correct, it could be 35%. But again, it's the single family housing market that would be impacted most.

- b) i) Likely no increase in costs, just fewer transactions
- ii) n/a

c) Probably no increase in time, just few if any AMC transactions.

8) Why does the Alaska Board of Certified Real Estate Appraisers wish to regulate AMCs? Why is the appraiser board the appropriate home for AMC regulation?

Answer: AMCs had a history of abuses nationally, related to dealing with appraisers. Those abuses included onerous completion time deadlines, discounted fees, delayed payment of fees to the appraisers, and in some cases influencing values or modifying property characteristics to meet a lender (AMC client's) underwriting requirement. Those abuses were disclosed and regulation of them became an important part of the financial reforms that are contained in the Dodd-Frank legislation. A major thrust of Dodd-Frank is appraiser reforms/oversight and recognizing the link between the appraiser and the AMC, Dodd-Frank encompassed both. Since the nationwide, state appraisal board system was already established, they apparently determined that the natural regulatory entity would be the state appraisal boards. Although Dodd-Frank was enacted in 2010, it has taken until June 2015 for the "AMC rule" to be finalized, and in the interim, the AMC industry has reformed. Likely a result of AMC regulations put in place in 46 states to date.

Following that, if AMCs have reformed, why does Alaska need AMC oversight? It comes back to the issue of national consistency, and allowing the broadest source of financing for Alaska residents. If Alaska doesn't have AMC regulation and an AMC can't operate in Alaska, except for non "federally related transactions", then it's the lenders job (who contracts with an AMC) to determine at inception of a loan application if they can or can't do this deal. As a result, those lower 48 lenders, will likely opt for the typical response, and simply say, we don't do loans in Alaska.

So, **the short answer:** we as a Board want all the financing resources available for our fellow residents, and selfishly we want the appraisal business for our peers. We are the natural home for regulatory oversight since we have a nexus with the AMCs.

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