

# ALASKA STATE LEGISLATURE



REPRESENTATIVE ANDY JOSEPHSON

## House Bill 329 Real Estate Valuation Advocacy Association's Answers to Sponsor's Questions

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

It is not possible to know how many AMCs are operating in Alaska as the state does not yet regulate them. However, in states that do regulate AMCs, there is an average of 137 AMCs registered per state (ranging from 85 in Montana to 248 in California, most are around 100).

Please note, AMCs are competitive with one another so many more will seek a license so that they can be ready to do business in Alaska in the future for their lender clients, than will do business right away.

While possible, there are likely no homegrown Alaskan AMCs. While they are licensed in every state, they are not required to be physically located in every state. There is nothing preventing home grown AMCs, it'd be encouraged. AMCs will be contracting with Alaska licensed and certified independent appraisers.

### **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?**

This is one of the hardest definitions to truly understand. AMCs are not privy to info to determine if a transaction is federally related. Lenders don't know how they will tell the difference as it is not a problem today, there are no states that have failed to regulate AMCs. As such, they haven't had to discern the difference between FRT and non-FRT. Furthermore, a transaction can change from a FRT to non-FRT, and vice versa, during its lifetime in the secondary mortgage market.

*The sponsor edited REVAA's answer to Question #2 for brevity. REVAA's full answer is available from the sponsor upon request.*

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

As outlined above, according to federal banking regulators the best guess is believed that 10% of residential mortgage transactions are federally related.

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

This is impossible to estimate as there is no regulation in the state or public accounting. We do know there is a significant number of transactions aided by an AMC. All national lenders and some in-state lenders use AMCs to facilitate their appraisal needs on residential transactions. This follows the national trend toward the use of AMCs, which is expanding among credit unions and community banks.

Without the use of an AMC, a lender still must comply with the federal appraisal independence requirement. They may choose other non-AMC options or take this responsibility in-house, but this is counter to efforts in the past decade to outsource appraisal management to AMCs.

**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?**

Please refer to our answer for question 6. In the big picture, having simple regulation in place avoids significant disruption in Alaska's mortgage marketplace for all involved. The biggest positive to Alaska consumers and real estate professionals is the important role that AMCs play in protecting appraiser independence, eliminating fraud and collusion, protecting public safety and ensuring quality.

**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?**

AMCs only support state regulation because it allows them to work for their lender clients, who collectively serve Alaska consumers, in facilitating an appraisal for a residential transaction.

- AMCs would be unregulated to serve lenders on up to 90% of their assignments - non-FRTs – but prohibited from serving these same lenders on FRTs. So, basically, taking away an AMCs business and placing a significant burden on lenders.
- Lenders would have to adjust to find an alternative to facilitate appraisals for FRTs – 10% or less. In addition, lenders may need to adjust their product offerings to Alaska consumers.
- It could hinder lender ability to sell loans on the secondary market, leading to increased loan costs to consumers when getting a mortgage in Alaska.
- Some AMCs do non-origination work for mortgage lenders/ clients (i.e., default, desktop, alternative valuations, etc.). AMC deregulation may interfere with the ability to do these transactions as well.

The result would be that lenders would have to figure out how to service the 10% or so of transactions that would be considered a federally related transaction. For lenders, this means they would have to reconfigure (significant cost and resource commitment) how they will get appraisals completed and comply with appraiser independence.

This may mean creating an inhouse process (now outsourced) or could perhaps include stopping this type of transaction in Alaska.

The residual impact, beyond the costs and resource issue for lenders, this would disrupt the mortgage lending process in the state and all of those involved including buyers, sellers, appraisers, realtors and lenders.

*The sponsor edited REVAA's answer to Question #6 for brevity. REVAA's full answer is available from the sponsor upon request.*

**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?**

Please review the answer to question 6

**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?**

Hard to say if the Alaska appraiser board wants to regulate AMCs. Per Dodd-Frank the licensing of AMCs must exist in the same place as appraiser licensing, which is currently the appraiser board. All costs associated with the regulation of AMCs are paid annually by AMCs through licensing and other fees.

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