

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE

House Bill 42 (Delegate Conaway)
Economic Matters

Real Estate Appraisers - Knowledge of Value of Real Estate - Prohibited

This bill prohibits real estate appraisers from providing appraisal services if they are aware of the asking or selling price of the real estate being appraised. Violators are guilty of a misdemeanor and are subject to fines of \$500 for a first offense, \$1,000 for a second offense, and \$5,000 for a third or subsequent offense. The second and third offenses carry a mandatory 90-day suspension of the real estate appraiser's license or certification.

Fiscal Summary

State Effect: Potential significant general fund expenditure increase for enforcement purposes, and potential significant increase or decrease in general fund revenues. The Commission of Real Estate Appraisers and Home Inspectors anticipates a high volume of violations because the bill's provisions conflict with current practice under the Uniform Standards of Professional Appraisal Practice (USPAP).

Local Effect: None.

Small Business Effect: Potential meaningful. Adherence to the bill's provisions violates USPAP standards. Thus, certified or licensed appraisers in the State may not be able to provide their services in federally related real estate transactions.

Analysis

Current Law/Background: The State Commission of Real Estate Appraisers and Home Inspectors regulates real estate appraisers pursuant to the federal Financial Institutions Reform, Recovery, and Enforcement (FIRREA) Act of 1989. FIRREA recognizes USPAP as the generally accepted appraisal standards and requires USPAP compliance

for appraisers in federally related real estate transactions. State appraiser certification and licensing boards; federal, State, and local agencies; appraisal services; and appraisal trade associations require compliance with USPAP.

When information indicating the market value of a property is available “in the normal course of business,” USPAP Standard Rule 1-5 requires appraisers to analyze all agreements of sale, options, and listings of the property as of the date of the appraisal. Appraisers must also analyze all sales of the property that occurred within three years of the effective date of the appraisal.

The Department of Labor, Licensing, and Regulation advises that, as of June 1, 2009, there were 3,119 licensed or certified appraisers and 1,201 appraiser trainees in Maryland.

State Fiscal Effect: The commission may incur costs in investigating consumer complaints and pursuing criminal charges as a result of the bill. To the extent that a high volume of consumer complaints is received and the commission is the primary agency responsible for enforcement of the bill’s provisions, the fiscal and operational impact on the commission may be significant.

If a high number of violations is reported and fines are assessed, general fund revenues also increase as a result of the bill. Given the significant number of real estate appraisers in the State and the fact that their standards of professional conduct compel them to violate the bill’s provisions, the commission may receive a high volume of violations. Thus, some of the increased enforcement costs resulting from the bill may be offset by fine revenue. Alternatively, general fund revenues may drop substantially if the number of licensed and certified appraisers drops as a result of the bill. Because the number of violations reported as a result of the bill cannot be estimated, the fiscal impact on the commission cannot be estimated reliably.

Additional Comments: Legislative Services advises that the bill’s requirements appear to conflict with a section of USPAP standards regarding appraiser practice when property value information is available.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

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