



STATE OF CONNECTICUT
DEPARTMENT OF CONSUMER PROTECTION

Notice of Decision to Take Action
on Proposed Regulation

Re: Regulations concerning Appraisal Management Companies

The Department of Consumer Protection held a public hearing on Tuesday December 4, 2012 to solicit public input regarding proposed new administrative regulations concerning Appraisal Management Companies. Said public hearing had been properly noticed through the Connecticut Law Journal on October 30, 2012. The administrative record was held open through December 12, 2012 to allow additional written testimony to be submitted by interested parties for consideration by the Department.

The proposed regulations allow real estate appraisal management companies to operate in Connecticut. The regulations set the qualification for these businesses to obtain certification, as well as the parameters for these companies to operate. The statutory authority is Public Act 2010-77. The subject of real estate appraisal is an area of law already regulated by the Department of Consumer Protection.

At the public hearing, Richard Maloney, the Director of the Department of Consumer Protection's Division of Trade Practices, provided oral and written comments (entered into the record as Exhibit "E") supporting the adoption of the proposed regulations. After the public comment period closed, the Department considered changes to the text of the proposed regulation. Then-Commissioner William Rubenstein drafted a letter dated April 3, 2014 to those parties expressing interest in this regulation or who submitted remarks during the public comment period, explaining several changes that the Department was making to the text, in furtherance of the Department's goals. Said letter was sent to those interested parties on April 4, 2014.

This Regulation was previously reviewed and approved for legal sufficiency by the Attorney General on May 2, 2014. After submittal to the Regulation Review Committee, the Department decided to withdraw the regulation to perform additional edits. This regulation is therefore being re-sent to the Attorney General pursuant to Connecticut General Statutes Section 4-169. All of the changes being made since the previous letter of Commissioner Rubenstein are set forth below.

1. In the introductory paragraph of section 20-529e-1, the word "will" in the second line shall be substituted by the word "shall" for proper form;
2. Section 20-529e-1 "Definitions" will be corrected by removing definitions (1) "Appraisal"; definition (3) "Appraisal management company"; (4) "Appraisal management services"; (11) Commissioner"; (12) "Commission"; (13) "Compliance Manager"; (14) "Controlling person"; and (19) "USPAP" because said terms are defined in the underlying statute, Conn. Gen. Stat. section 20-500. The subsequent definitions shall be re-numbered accordingly.
3. Section 20-529e-1 (2) "Appraisal practice" will be corrected, to wit:

(2) "Appraisal practice" means the work or services performed by appraisers, defined by [three] two terms: 1. appraisal, and 2. appraisal review [and real estate consulting];

4. The last line of section 20-529e-1 (8) "Appraisal Subcommittee or (ASC)" will be updated by specifying the source of the referenced industry term "Title XI.3" as follows:

"(8) "Appraisal Subcommittee or (ASC)" means The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC). The ASC oversees the real estate appraisal process as it relates to federally related transactions as defined in Title XI.3 of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989;"

5. The last line of section 20-529e-1 (18) "National Registry" will be updated by clarifying the industry term FFIEC as follows:

"(18) "National Registry" means a database containing selected information about state certified and licensed appraisers maintained by the Appraisal Subcommittee of the Federal Financial Institutions Examining Council (FFIEC) which was created on August 9, 1989, pursuant to Title XI of Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI);"

6. Section 20-529e-2(a)(4) will be re-stated for clarity, as follows:

"(4) Require that appraisals are conducted independently and are free from inappropriate influence or coercion, [or encourage an appraiser] and that appraisers are not encouraged by any means to misstate the value of a subject property [by any means], pursuant to section 20-529b(d) of the Connecticut General Statutes."

7. The last sentence of section 20-529e-2(d)(4) will be updated by clarifying the industry term FFIEC as follows:

"...of the Federal Financial Institutions Examining Council (FFIEC), which was created on August 9, 1989, pursuant to Title XI of Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (Title XI);"

8. The third line of Section 20-529e-2(e) will now begin as follows:

"or engages in unethical conduct regarding an appraisal..."

9. The definition of "compliance manager" listed in section 20-529e-9 is not needed, as it is defined in Section 20-529e-1. The first sentence will be corrected, as follows:

“The compliance manager[, as defined in section 20-500 of the Connecticut General Statutes,] shall be a certified real estate appraiser pursuant to sections 20-500 through 20-528, inclusive, of the Connecticut General Statutes...”

10. Section 20-529e-9(c) will be re-numbered, as follows:

(c) The compliance manager shall be responsible for:

(1) The retention and maintenance of records relating to appraisals conducted by or on behalf of the appraisal management company;

(2) The maintenance of a record of all appraisers in Connecticut who perform appraisals for the appraisal management company, including a log of payments to such appraisers.

(d) If an appraisal management company intends to change its compliance manager, it shall submit an application for approval of the new compliance manager not later than fourteen days prior to the effective date of the change.

(e) All records required to be maintained pursuant to sections 20-529e-1 through 20-529e-17, inclusive, of the Regulations of Connecticut State Agencies may be stored and submitted to the department in an electronic form approved by the department.

11. The reference to “the Uniform Standards of Professional Appraisal Practice” in section 20-529e-12(a)(2) will be substituted by the previously-defined abbreviation “USPAP.”

12. The regulatory reference in the second line of Section 20-529e-14(e) will be substituted by the following for proper form:

“...issued or issuable [under section] pursuant to sections 20-529e-1 through 20-529e-17 inclusive, of the Regulations of Connecticut State Agencies...”

13. The regulatory reference in the last part of section 20-529e-16(a)(2) will be substituted by the following for proper form:

“...individual or person subject to [Section] sections 20-529e-1 to 20-529e-17[,] inclusive, of the Regulations of Connecticut State Agencies...”

The above changes and edits will be made to the regulation in addition to those set forth in the previous letter of Commissioner Rubenstein dated April 3, 2014. A copy of said letter is attached hereto.

A copy of the final version of these regulations is attached hereto. The process leading to approval of this proposed regulation by the Regulation Review Committee of the General Assembly will continue. The next step is submittal to the Attorney General for a determination as to the legal sufficiency of the

modified regulation, as well as the Department's compliance with the procedures related to the promulgation of regulations.

Thank you for your interest in this proposed regulation and the work of the Department of Consumer Protection.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'J.A. Harris', written over a vertical line.

Jonathan A. Harris
Commissioner

Dated: 6/23/15

Attachments: Regulations (final copy); Letter of Commissioner Rubenstein dated April 3, 2014.