

MINUTES
HOUSE COMMERCE & HUMAN RESOURCES COMMITTEE

DATE: Monday, March 07, 2016
TIME: 1:30 PM or Upon Adjournment
PLACE: Room EW05
MEMBERS: Chairman Hartgen, Vice Chairman Anderson, Representatives Harris, Holtzclaw, Romrell, Chaney, Horman, Nielsen, Packer, Redman, King, Chew, Rudolph
**ABSENT/
EXCUSED:** Representative(s) Packer
GUESTS: Tim Sullivan, Appraisal Institute; Sarah Fuhriman, Bill Scoggin, REVAA; Mike Brassay, ID Services Assn; Trent Wright, Idaho Bankers Association

Chairman Hartgen called the meeting to order at 3:00 P.M.

S 1318: **Bill Scoggin**, REVAA, presented **S 1318**. This legislation is needed because before the late 2000's and the mortgage crisis a mortgage loan consumer would go to a loan officers get a loan and have an appraiser come out and get the house appraised and that would be it, the value would be what appraiser said. This caused the to be collusion between appraisers and lender. Appraisers would get a lot of pressure to have the appraisal match the amount of loan. The government responded by creating policies to separate the lenders and appraisers. The Federal Agencies issued the appraisal independence requirement that requires appraisals to be outsourced to an appraisal management company or the bank could develop a appraisal department inside their institute that was separate from all other departments within that institute. This legislation is needed because in the rules that Federal Financial Agency issued it states that states need to have some sort of minimal structures in place to oversee appraisal management companies to ensure the independence requirement is being met. If there is not a process in place by December of 2018 lenders will be unable to use appraisal management companies in those states and they can only use a federal related transaction option. Appraisal Management Companies in Idaho couldn't do appraisals for these mortgage loans that have a federal related agency involved. This legislation does a minimal thing and asks for regulation of appraisal management companies. Appraisal management companies want this as well so in 2018 there will be no disruption to the process.

In response to committee questions **Mr. Scoggin** explained that if this legislation doesn't get enacted by 2018 there is no state oversight plan in place than any residential transaction that involves a federal related agency, those types of transaction cannot be appraised by an outside appraiser and lenders would be extremely limited on who could provide appraisals.

Tim Sullivan, Government affairs Chairman for the Southern Idaho Chapter Appraisal Institute, encourages the passage of **S 1318**. Idaho has been licensing appraisers since 1991. The Bureau of Occupational Licensing and the Real Estate Appraisal Board over sees that program. The boards the primary objective of appraisal licensing is for the protection of the public. standards are set for appraisers to follow. Appraisal management companies administer the appraisal process for their clients which are usually banks. Often these companies are not licensed in the State of Idaho. The legislation before you would register these companies with state of Idaho. Similar to appraisal licensing, the Bureau of Occupational Licensing and the Real Estate Appraisal Board will over see that these appraisal companies would meet a certain level of standards.

Mike Brassey, Idaho Financial Services Association, strongly encourages the committee to pass this legislation.

Trent Wright, Idaho Banker Association- states this legislation is vital for what we need to go forward, and encouraged the committee to send to the floor with a do pass recommendation.

In response to committee questions, **Mr. Wright** explained that it would be unlikely for all community banks to come together and create their own independent appraising board. This legislation would only imply to the mortgage process for which it is a federally backed mortgage, such as a veteran affairs loan. .These standards would apply to banks but not credit unions.

Scott Calvin, Commercial Real Estate Appraiser, testified in support of **S 1318**. He stated the folks that drafted this legislation have done a great job allowing the Real Estate Appraisal Board to give input and edits. This legislation is something the board is comfortable with the administration of and believe all issues have been addressed and resolved.

In response to committee questions, **Mr. Calvin** explained that this legislation is only for administration of the appraisal process by the lender on primary residential mortgages in federally regulate transactions. It adds an independence piece in the bidding and review process. This legislation does not reduce the number of appraisers in the state. There will be an increase in fees to public but it will be minimal. An appraiser is usually chosen based on quickest return time an lowest bid. Government backed loans have higher requirements because they get spot audited to ensure compliance.

MOTION: **Rep. Romrell** made a motion to send **S 1318** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote.** **Rep. Rudolph** will sponsor the bill on the floor.

S 1288: **Ken Edmunds**, Director of the Department of Labor, presented **S 1288**. This legislation will strengthen the Workforce Development Fund and broaden applications around the state. The fund is used as a training fund, and is important especially due to shortage of the workforce gap Idaho will soon encounter that for about every two jobs there will only be one person to fill those positions. The workforce training group provides important guidance for the fund. They oversee the expansion of the this fund for example they oversaw the expansion of the industry sector grants and micro grants. The fund is evolved but with that it has created needs for changes like when the grant fund was set up any unobligated funds over 6 million dollars would go into their reserve fund and could not be transferred back. This has caused some problems by restricting funds that can be used for other grants, and losing that money to general reserve fund, because it cannot be returned into the training fund. This legislation strikes that 6 million dollar cap from the bill. This legislation would changed the word perpetual to annual. It is also asking for re training activities in addition to initial training activities to be included. The last thing would be to have the repealed date change to the year 2022 which would prevent them from having to come back every 2 years asking for re approval.

In response to committee questions, **Mr. Edmunds** explained that they try to coordinate all training activities with the Professional Technical Education, but sometimes they do not use technical education groups, so it's a matter of coordination.

MOTION: **Rep. Nielson** made a motion to send **S1288** to floor with **DO PASS** recommendation. **Rep. Nielson** will sponsor bill on floor.

ADJOURN: There being no further business to come before the committee, the meeting was adjourned at 3:33 P.M.

Representative Hartgen
Chair

Chelsea Cantrell
Secretary