

LEGISLATIVE BUDGET BOARD
Austin, Texas

FISCAL NOTE, 82ND LEGISLATIVE REGULAR SESSION

March 25, 2011

TO: Honorable John Carona, Chair, Senate Committee on Business & Commerce

FROM: John S O'Brien, Director, Legislative Budget Board

IN RE: SB734 by Carona (Relating to the registration and regulation of appraisal management companies; providing administrative penalties.), **As Introduced**

Estimated Two-year Net Impact to General Revenue Related Funds for SB734, As Introduced: an impact of \$0 through the biennium ending August 31, 2013.

The bill would make no appropriation but could provide the legal basis for an appropriation of funds to implement the provisions of the bill.

General Revenue-Related Funds, Five-Year Impact:

Fiscal Year	Probable Net Positive/(Negative) Impact to General Revenue Related Funds
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

All Funds, Five-Year Impact:

Fiscal Year	Probable (Cost) from <i>General Revenue Fund</i> 1	Probable Revenue Gain from <i>General Revenue Fund</i> 1	Change in Number of State Employees from FY 2011
2012	(\$454,579)	\$454,579	5.0
2013	(\$376,628)	\$376,628	5.0
2014	(\$376,637)	\$376,637	5.0
2015	(\$376,646)	\$376,646	5.0
2016	(\$376,655)	\$376,655	5.0

Fiscal Analysis

The bill amends the Occupations Code relating to the registration and regulation of appraisal management companies; providing administrative penalties.

The bill would establish the Texas Appraiser Licensing and Certification Board (TALCB) to oversee appraisal management companies, which the bill defines as a party, authorized either by a creditor of a loan secured by a consumer's principal dwelling or by an underwriter or other principal in the secondary mortgage markets, that performs appraisal management services in connection with valuing properties collateralizing mortgage loans or mortgages incorporated in a securitization. The TALCB would register and regulate appraisal management companies; levy and collect a registration or renewal application fee sufficient to cover administrative costs but not more than \$2,500; and collect a

national registry fee annually from each registered company, deposit the fees to new GR Account—Appraiser Registry, and send the fees to the appraisal subcommittee of the Federal Financial Institutions Examination Council. The bill would require the agency to issue a unique registration number to each appraisal management company and publish annually a list of the registered companies. The bill would allow the agency to assess an administrative penalty not to exceed \$25,000 per violation.

The bill would also require the Texas Appraiser Licensing and Certification Board to adopt rules, fees, and forms no later than January 1, 2012. The bill would take effect September 1, 2011. Section 1104.101 and Subchapter F, Chapter 1104, Occupations Code would take effect March 1, 2012 under the provisions of the bill.

Methodology

For the purposes of this analysis, TALCB estimates that 180 appraisal management companies (AMCs) would be registered in Texas. The agency estimates that the base registration fee for each AMC to cover costs of administering the program would be approximately \$2,081 in FY2012 and \$2,065 in subsequent years. In addition, companies would pay a \$20 fee for each panelist. This analysis assumes that 4,000 panelists will be registered in FY2012 and that 250 additional panelists would added in each subsequent year.

To implement the provisions of the bill TALCB estimates it would need five additional FTEs which include: 1 Attorney IV, 2 Appraiser III, 1 Legal Assistant and 1 Administrative Assistant IV, totaling \$279,715 in salaries in fiscal years 2012-16. Additional operating costs would total \$174,864 in fiscal year 2012 and \$96,913 in fiscal years 2013-16 for professional fees, equipment, and employee benefits. Based on the analysis of the agency, it is assumed that the TALCB would adjust license fees to cover any additional costs associated with the implementation of this bill.

Based on the analysis of the State Office of Administrative Hearings and the Office of the Attorney General, duties and responsibilities associated with implementing the provisions of the bill could be accomplished by utilizing existing resources.

Technology

According to the analysis of the agency, implementation of this legislation would require changes to the agency's licensing system. TALCB indicates that in FY2012, the licensing computer system would require programming to accommodate registration and renewal of appraisal management companies. It will also require programming to track persons owning more than ten percent of the appraisal management company and the designated controlling person or primary contact. The analysis submitted by TALCB estimates a technology cost of \$65,835 in fiscal year 2012 and \$5,985 in each subsequent year.

Local Government Impact

No fiscal implication to units of local government is anticipated.

Source Agencies: 302 Office of the Attorney General, 304 Comptroller of Public Accounts, 329 Real Estate Commission, 360 State Office of Administrative Hearings

LBB Staff: JOB, NV, AG, MW