



House Civil Justice Committee
HB 213 Proponent Testimony
Dustin Holfinger

Chairman Butler, vice chair Hughes, and ranking member Boggs, the Ohio Bankers League appreciates the time allowed by your committee to give the banking industry's perspective on the Appraisal Management Company Bill before you today. Under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, and subsequent regulations, states have 36 months to adopt regulations regulating AMC's. If a state does not regulate AMC's, lenders will not be able to use AMC's to facilitate Federally Related Transactions in the state (estimated at 10% of transactions). However, lenders would be able to use AMC's for non-Federally Related Transactions.

OBL members of all sizes use AMC's as valued third-party service providers to safeguard appraiser independence and compliance. This includes large national lenders, regional lenders, local lenders, non-bank lenders, and independent community banks. Some have divested from in-house appraisal operations to efficient outsourced partnerships with AMC's.

HB 213 does two very important things – first, it puts in place a regulatory program for AMC's based on the minimum federal standards. Secondly, it prevents major disruption of residential appraisal facilitation in Ohio. If Ohio regulates AMC's, it is business as usual – lenders may use AMC's for FRT and non-FRT's. However, if Ohio doesn't regulate AMC's, the vital role AMC's play in protecting consumers will be shifted to lenders. AMC's help ensure that appraisals are completed in compliance with federal and state law, and that the opinion of value was achieved by the appraiser independently, without undue influence. Prevention of coercion is critical to avoiding collusion within the valuation process and therefore potential fraud.

Consumers are provided an extra layer of safety and protection as AMC's complete background checks of appraisers before they can be employed or empaneled. Further, AMC's continue to monitor their appraisers while they are employed to ensure that unqualified appraisers or those that may pose a threat to public trust or safety are removed.

If this is not enacted, it would create a compliance nightmare for lenders - lenders, not AMC's, would be responsible for determining whether a transaction is an FRT. Furthermore, a transaction can morph from a non-FRT to an FRT, and vice versa. At origination, lenders, generally, do not know the ultimate path a residential mortgage loan is going to follow. And a lender is not able to "un-ring the bell" if they have used an AMC for an appraisal they believed in good faith to be a non-FRT transaction, and it turns out to be an FRT.

OBL members could lose a valuable business partner in AMC's if we do not move on this bill. AMC's act as a compliance partner for AMC regulations by ensuring efficiency and compliance with state and federal AMC regulations. The banks I have spoken to appreciate the support on lender compliance with federal banking regulations (e.g., Fed, FDIC, OCC, CFPB) governing mortgage lending (i.e., appraisal review).

In other states, and nationally, bankers Associations support AMC state regulation, as do other lender organizations. We ask that you support this legislation as well.

