

Honolulu, Hawaii

FEB 14 2024

RE: S.B. No. 2728

S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Second State Legislature  
Regular Session of 2024  
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred S.B. No. 2728 entitled:

"A BILL FOR AN ACT RELATING TO APPRAISAL MANAGEMENT COMPANIES,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Reestablish the Appraisal Management Company Registration Program within the Department of Commerce and Consumer Affairs to conform with the minimum standards of the Appraisal Management Companies Final Rule and federal Dodd-Frank Wall Street Reform and Consumer Protection Act;
- (2) Reestablish registration requirements, standards, and penalties for violations; and
- (3) Make an appropriation from the Compliance Resolution Fund.

Your Committee received testimony in support of this measure from the Hawai'i Association of REALTORS, Hawaii Credit Union League, Real Estate Valuation Advocacy Association, Hawaii Financial Services Association, Hawaii Bankers Association,



Mortgage Banker Association of Hawaii, Solidifi US Inc., Appraisal Institute, Rehkemper Brothers LLC, and two individuals.

Your Committee received comments on this measure from the Department of Commerce and Consumer Affairs.

Your Committee finds that, in 2017, the Legislature enacted Act 118, Session Laws of Hawaii 2017 (Act 118), formerly codified as chapter 466L, Hawaii Revised Statutes (HRS), to establish a regulatory framework for appraisal management companies in Hawaii in conformance with the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act). However, the framework established by Act 118 was subject to a statutory sunset, and has since been repealed as of June 30, 2023.

Your Committee finds that the continuation of the Appraisal Management Company Registration Program established by Act 118 is in the public's best interest, and that the lack of a program could result in serious unintended and adverse consequences for Hawaii consumers and others involved in the residential appraisal process in the State. The Office of the Auditor likewise concluded in its sunset review of Act 118 (Report No. 23-01) that, while appraisal management companies are not a "profession" or "vocation" that would require regulation pursuant to the Hawaii Regulatory Licensing Reform Act, the public interest justifies the reenactment of the program. Therefore, this measure permanently reenacts the Appraisal Management Company Registration Program established by Act 118.

Notwithstanding, your Committee acknowledges the concerns raised by the Real Estate Valuation Advocacy Association and Hawaii Financial Services Association that time is of the essence in the reestablishment of the Appraisal Management Company Registration Program, and that reimplementing should be expedited. Accordingly, this measure requires amendments to address this issue.

Therefore, your Committee has amended this measure by:

- (1) Inserting an effective date of September 30, 2024, for the provisions of this measure reestablishing the Appraisal Management Company Registration Program;



- (2) Deleting language that would have allowed an appraisal management company to remove an independent appraiser from an appraiser panel without prior written notice, if the removal occurs within the first ninety days after the independent appraiser is added to an appraiser panel;
- (3) Making appropriations from the Compliance Resolution Fund for fiscal year 2023-2024 in addition to fiscal year 2024-2025 for the implementation of the program; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2728, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2728, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Commerce and  
Consumer Protection,



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JARRETT KEOHOKALOLE, Chair



The Senate  
 Thirty-Second Legislature  
 State of Hawai'i

**Record of Votes**  
**Committee on Commerce and Consumer Protection**  
**CPN**

Bill / Resolution No.:* <i>SB 2728</i>	Committee Referral: <i>CPN, WRAM</i>	Date: <i>1/31/24</i>
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The Committee is reconsidering its previous decision on this measure.  
 If so, then the previous decision was to: \_\_\_\_\_

The Recommendation is:

<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310	<input type="checkbox"/> Recommit 2313
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Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
MCKELVEY, Angus L.K.	✓			
RICHARDS, III, Herbert M. "Tim"				✓
AWA, Brenton	✓			
<b>TOTAL</b>	<i>4</i>			<i>1</i>

Recommendation:  Adopted  Not Adopted

Chair's or Designee's Signature:  
*Carol Fukunaga*

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\*Only one measure per Record of Votes