

# HOUSE BILL REPORT

## SSB 5676

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### As Passed House-Amended:

April 9, 1997

**Title:** An act relating to real estate appraisers.

**Brief Description:** Regulating real estate appraisers.

**Sponsors:** Senate Committee on Commerce & Labor (originally sponsored by Senators Newhouse, Schow and Anderson).

### Brief History:

#### Committee Activity:

Commerce & Labor: 3/31/97, 4/2/97 [DPA].

#### Floor Activity:

Passed House-Amended: 4/9/97, 93-4.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** Do pass as amended. Signed by 9 members: Representatives McMorris, Chairman; Honeyford, Vice Chairman; Conway, Ranking Minority Member; Wood, Assistant Ranking Minority Member; Boldt; Clements; Cole; Hatfield and Lisk.

**Staff:** Pam Madson (786-7166).

**Background:** Only a licensed or certified appraiser may issue a licensed or certified appraisal. Certain federally related transactions require certified or licensed appraisals. *A person who is not certified or licensed can appraise real estate in this state for compensation, except for these federally-related transactions.* A federally-related transaction is defined by agency rule.

A broker's price opinion is an oral or written report of property value that is prepared by a licensed real estate broker or salesperson for listing, sale, purchase, or rental purposes.

Under new provisions of the real estate appraiser's law that become effective July 1, 1997, only licensed or certified real estate appraisers may receive compensation for a real estate appraisal. A licensed real estate broker who conducts a broker's price opinion for a prospective buyer, seller, lessor, or lessee that is not disseminated to a

third party and is intended solely for the use of these clients, is exempt from the requirements of the real estate appraiser's law.

Under provisions of the real estate appraiser's law that will become effective July 1, 1997, appraisals or appraisal reviews performed for a financial institution by an employee or a third party are exempt from the requirement that real estate appraisals be done only by licensed or certified appraisers if the appraisals are not required to be licensed or certified appraisals.

**Summary of Bill:** A broker's price opinion is a report of property value prepared by a licensed real estate broker or salesperson with no limitation as to the purpose of the report. A broker's price opinion may be issued to anyone requesting such an opinion. If an opinion is issued to someone who is not a prospective buyer, seller, lessor or lessee, the opinion must contain a statement that the opinion is not a real estate appraisal under state law and was performed by a real estate licensee who either is or is not a licensed or certified appraiser. This disclosure statement or a statement substantially similar must be made when a broker's price opinion is used as evidence in a legal proceeding or in oral testimony.

A broker's price opinion may not be used as an appraisal in a federally related transaction. A federally related transaction is defined in statute rather than by agency rule.

A licensed real estate broker or salesperson may receive compensation for a broker's price opinion.

Only appraisals or appraisal reviews performed for financial institutions by employees are exempt from certain provisions of the real estate appraisal law. Third parties who perform such appraisals are no longer exempt.

**Appropriation:** None.

**Fiscal Note:** Not requested.

**Effective Date:** The bill contains an emergency clause and takes effect on July 1, 1997.

**Testimony For:** Last year, changes were adopted to the real estate appraiser's law that will take effect July 1, 1997. After passage of the bill, questions were raised about the interpretation that would be given to certain provisions of the law. The parties have worked out changes to help clarify provisions of the act. There is a need for consumers to have a choice about the level of complexity they need when seeking information on the valuation of property. They may want something less than a full-blown appraisal. Broker's price opinions have historically been used in circumstances

other than a real estate transaction, and that practice should continue. Individuals who are licensed both as an appraiser and a real estate licensee need to be able to do broker's price opinions in their capacity as real estate licensee. Disclosure statements help increase the public's awareness of the product they are receiving, and whether it is an appraisal or a price opinion. The bill assures consumer protection and consumer options.

**Testimony Against:** None.

**Testified:** Glen Hudson, Washington Association of Realtors; Ken Nelson; Ed Murphy; DeWayne Grannaki, Olympia-Thurston County Association of Realtors; and Jim Irish, Washington State Appraisal Institute, Washington State Appraisers.