HOUSE BILL REPORT
HB 2477

As Reported by House Committee On:
Consumer Protection & Business

Title: An act relating to actions arising out of real estate appraisal activity.

Brief Description: Concerning actions arising out of real estate appraisal activity.

Sponsors: Representatives Low, Goodman and Barkis.

Brief History:
Committee Activity:
Consumer Protection & Business: 1/28/26, 2/4/26 [DPS].

Brief Summary of Substitute Bill

- Requires claims or causes of action against appraisers, appraiser trainees, appraisal companies, and appraisal management companies arising out of an appraisal report to be brought within the earlier of two years of discovery of the act or omission or five years of signing the appraisal report, except in cases of fraud.
- Deems who an appraisal report is considered to be prepared at the request of and exclusively for the benefit or use of, for purposes of limiting who appraisers, appraiser trainees, appraisal companies, and appraisal management companies may be found to have liability to, arising out of an appraisal report.

HOUSE COMMITTEE ON CONSUMER PROTECTION & BUSINESS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 15 members: Representatives Walen, Chair; Hackney, Vice Chair; McClintock, Ranking Minority Member; Dufault, Assistant Ranking Minority Member; Abbarno, Berry, Corry, Donaghy, Kloba, Morgan, Reeves, Ryu, Santos, Steele and Volz.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Staff: Peter Clodfelter (786-7127).

Background:

Appraisers and Appraisal Management Companies.
Real estate appraisal is regulated under the Real Estate Appraiser Act and laws regulating appraisal management companies, with the Department of Licensing (DOL) issuing certificates, licenses, or registrations to qualified individuals or businesses. "Appraisal" means the act or process of estimating value; an estimate of value; or pertaining to appraising and related functions. "Appraiser" means a person who is licensed or certified under Washington law or under similar laws of another state.

There are two categories of state-certified real estate appraisers, one category of state-licensed real estate appraisers, and one category of state-registered appraiser trainees as follows:

- the state-certified general real estate appraiser;
- the state-certified residential real estate appraiser;
- the state-licensed real estate appraiser; and
- the state-registered appraiser trainee.

"State-certified general real estate appraiser" means a person certified by the Director of the DOL (Director) to develop and communicate real estate appraisals of all types of property. A state-certified general real estate appraiser may designate or identify an appraisal rendered by them as a "certified appraisal."

"State-certified residential real estate appraiser" means a person certified by the Director to develop and communicate real estate appraisals of all types of residential property of one to four units without regard to transaction value or complexity, and nonresidential property having a transaction value as specified in rules adopted by the Director. A state-certified residential real estate appraiser may designate or identify an appraisal rendered by them as a "certified appraisal."

"State-licensed real estate appraiser" means a person licensed by the Director to develop and communicate real estate appraisals of noncomplex one to four residential units and complex one to four residential units and nonresidential property having transaction values as specified in rules adopted by the Director.

"State-registered appraiser trainee," "trainee," or "trainee real estate appraiser" means a person registered by the Director to develop and communicate real estate appraisals under the immediate and personal direction of a state-certified real estate appraiser. Appraisals are limited to those types of properties that the supervisory appraiser is permitted by their current credential, and that the supervisory appraiser is competent and qualified to appraise. By signing the appraisal report, or being identified in the certification or addenda as having lent significant professional assistance, the state-registered appraiser trainee accepts total

and complete individual responsibility for all content, analyses, and conclusions in the report.

"Appraisal management company" means an entity that performs appraisal management services, regardless of the use of the term appraisal management company, mortgage technology provider, lender processing services, lender services, loan processor, mortgage services, real estate closing services provider, settlement services provider, vendor management company, or any other term.

"Appraisal management services" means to perform any or all of the following functions on behalf of a lender, financial institution, mortgage broker, loan originator, or any other person: (1) administer an appraiser panel; (2) recruit, qualify, verify licensing or certification, and negotiate fees and service level expectations with persons who are part of an appraiser panel; (3) receive an order for an appraisal from one person, or entity, and deliver the order for the appraisal to an appraiser that is part of an appraiser panel for completion; (4) track and determine the status of appraisal orders; (5) conduct quality control of a completed appraisal prior to the delivery of the appraisal to the person that ordered the appraisal; and (6) provide a completed appraisal performed by an appraiser to one or more persons who have ordered an appraisal.

Limitations on Commencement of Actions.
Claims and causes of action must be commenced within certain periods provided in law after the cause of action accrues. The commencement of an action must be within 10 years for actions for the recovery of real property, or for the recovery of the possession of real property; and no action may be maintained for the recovery unless it appears that the plaintiff, their ancestor, predecessor, or grantor was seized or possessed of the premises in question within 10 years before the commencement of the action.

The commencement of an action must generally be within six years for actions upon a contract in writing, or liability express or implied arising out of a written agreement.

Actions that must be commenced within three years include an action for taking, detaining, or injuring personal property, including an action for the specific recovery of the personal property, or for any other injury to the person or rights of another not otherwise enumerated in statute. Actions related to fraud must also be commenced within three years, but in an action for relief upon the ground of fraud, the cause of action in the case does not accrue until the discovery by the aggrieved party of the facts constituting the fraud.

Actions that must be commenced within two years include an action for libel, slander, assault, assault and battery, or false imprisonment; and also an action upon a statute for a forfeiture or penalty to the State of Washington. Additionally, an action for relief not otherwise provided for, must be commenced within two years after the cause of action accrues.

Summary of Substitute Bill:

Except in cases of fraud, any claim or cause of action against a state-certified or state-licensed real estate appraiser, state-registered appraiser trainee, appraisal management company, or real estate appraisal company or business, arising out of an appraisal report completed on or after the effective date of the bill, must be brought within the earlier of the two following periods:

- within two years from the date of discovery of the act or omission giving rise to the claim or cause of action; or
- within five years from the date the state-certified or state-licensed real estate appraiser or state-registered appraiser trainee signs or affixes their signature electronically or otherwise to the appraisal report.

However, this does not apply to limit the Department of Licensing's authority to conduct investigations or take disciplinary action under the Real Estate Appraiser Act or laws regulating appraisal management companies.

An appraisal report is deemed prepared at the request of and exclusively for the benefit or use of: (1) the client; (2) an intended user of the appraisal report as specified within the appraisal report; and (3) the immediate successor in interest of a financial institution or mortgage lender that is the client, if transferring the appraisal report to another lender. An appraisal report is deemed prepared for the intended use specified in the appraisal report.

A state-certified or state-licensed real estate appraiser, state-registered appraiser trainee, appraisal management company, or real estate appraisal company or business, may not be held liable in any court of law in any action arising out of an appraisal report to any person or entity other than a person or entity who is the client, an intended user of the appraisal report as specified within the appraisal report, or if the client is a financial institution or mortgage lender, then its immediate successor in interest if transferring the appraisal report to another lender.

Substitute Bill Compared to Original Bill:

As compared to the original bill, the substitute bill:

- moves the proposed codification of the new limitation on claims and causes of action against appraisal professionals and companies, arising out of an appraisal report, from chapter 18.140 RCW (Real Estate Appraiser Act) and chapter 18.310 RCW (appraisal management companies) to chapter 4.16 RCW (limitation of actions); and
- adds that the new limitation on claims and causes of action arising out of an appraisal report does not limit the Department of Licensing's authority to conduct investigations or take disciplinary action pursuant to laws regulating appraisal professionals and companies.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) Real estate appraisers are involved in almost every real estate transaction. However, there has been a drop in new entrants to the real estate appraisal industry. There is currently no statute of limitations for real estate appraisals, which over 30 other states have enacted. In the last 100 years, no cases have been brought against an appraiser outside of the proposed five-year window in the bill. Yet appraisers must keep extensive documentation for many years, even after retirement. The total number of licensed appraisers in Washington has decreased by about 20 percent in the last three years, and more than half of those licenses are held by people over age 55, with a significant number of those over age 65. Appraisers rely on appraiser trainees to fill the ranks, but they are also on a significant decline from around 450 in 2022 to around 150 currently. The state of the housing market is a contributing factor in declining business volume. Appraisers are finding themselves unable to afford to take on a trainee, or pay the license renewal fee. While the real estate market will eventually turn around, there may not be enough appraisers to meet demand. The appraiser is the only unbiased person in the real estate transaction with no vested interest in the transaction and who protects consumers from predatory practices. The bill is a small way for the state to help appraisers, which will in turn protect consumers.

(Opposed) None.

Persons Testifying: Representative Sam Low, prime sponsor; and Kathy Walsh, Appraisers Coalition of WA.

Persons Signed In To Testify But Not Testifying: None.