

# STATEMENT OF SCOPE

## Department of Safety and Professional Services

**Rule No.:** Chapter SPS 88

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**Relating to:** Real estate appraisal management companies

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**Rule Type:** Permanent

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### **1. Finding/nature of emergency (Emergency Rule only):**

N/A

### **2. Detailed description of the objective of the proposed rule:**

In consultation with the Real Estate Appraisers Board, the Department of Safety and Professional Services will promulgate rules to implement subch. III of ch. 458, Stats., as created by 2017 Wisconsin Act 113, which provides for the regulation of real estate appraisal management companies.

### **3. Description of the existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:**

Current rules do not provide for the regulation of real estate appraisal management companies. The proposed rules will create a new chapter, ch. SPS 88, to provide for the regulation of real estate appraisal management companies in accordance with the provisions of 2017 Wisconsin Act 113.

The alternatives of either partially updating or not updating these rules would be less beneficial to affected entities.

### **4. Detailed explanation of statutory authority for the rule (including the statutory citation and language):**

Section 458.33 (2) (c), Stats., requires the department to promulgate rules "... that require an applicant for a license under this subsection to demonstrate that the applicant is qualified to competently perform appraisal management services in compliance with all applicable state and federal laws."

Section 458.37 (4), Stats., provides "[a] licensed appraisal management company shall regularly review the work of appraisers performing appraisal services for the appraisal management company to ensure that the services comply with the Uniform Standards of Professional Appraisal Practice described under s. 458.24 and with any standards prescribed by the department by rule."

Section 458.44 (3) (b), Stats., provides the department may deny a license, and the Real Estate Appraisers Board may conditionally or unconditionally limit, suspend, or revoke a license issued under s. 458.33 (2), Stats., or reprimand a licensed appraisal management company if the department or board determines that the applicant or licensed appraisal management company, or a controlling individual of the applicant or licensed appraisal management company, has “[e]ngaged in unprofessional or unethical conduct, as determined by the department by rule.”

Section 458.46, Stats., requires the department to “... promulgate rules to implement this subchapter, including, to the extent the department, in consultation with the board, deems necessary, rules establishing standards of professional conduct for licensed appraisal management companies exempt from licensure under s. 458.34 (2).”

**5. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule :**

80 hours

**6. List with description of all entities that may be affected by the proposed rule :**

Appraisal management companies and their clients

**7. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule :**

The Dodd-Frank Wall Street Reform and Consumer Protection Act added section 1124 to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989. This section establishes minimum requirements to be applied by states in the registration and supervision of appraisal management companies. Specifically, pursuant to section 1124(a), participating states must require that appraisal management companies (1) register with, and be subject to supervision by, the state appraiser certifying and licensing agency in the state or states in which the company operates; (2) verify that only state-certified or state-licensed appraisers are used for federally related transactions; (3) require that appraisals comply with the Uniform Standards of Professional Appraisal Practice; and (4) require that appraisals are conducted in accordance with the statutory valuation independence standards pursuant to the Truth in Lending Act (15 U.S.C. 1639e) and its implementing regulations. An appraisal management company that is a subsidiary owned and controlled by an insured depository institution and regulated by a federal financial institutions regulatory agency is subject to all of the minimum requirements, except the requirement to register with a state.

The regulations in the proposed rule will comply with the above requirements.

**8. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):**

The proposed rule will have minimal to no economic impact on small businesses and the state’s economy as a whole.

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Approved for publication:

Approved for implementation: