

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2015

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HOUSE BILL 577

Short Title: Reasonable & Customary Appraisal Fees. (Public)

Sponsors: Representatives Szoka and Lewis (Primary Sponsors).

For a complete list of Sponsors, refer to the North Carolina General Assembly Web Site.

Referred to: Banking, if favorable, Finance.

April 6, 2015

1 A BILL TO BE ENTITLED
2 AN ACT TO EMPOWER THE NORTH CAROLINA APPRAISAL BOARD TO
3 ESTABLISH AND ENFORCE THE PAYMENT OF REASONABLE AND
4 CUSTOMARY FEES FOR REAL ESTATE APPRAISALS.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 93E-1-4 reads as rewritten:

7 **"§ 93E-1-4. Definitions.**

8 When used in this Chapter, unless the context otherwise requires, the term:

9 ...

10 (7c) "Client" means an entity that requests or enters into an agreement for the
11 performance of real estate appraisal services.

12 (7d) "Comparative market analysis" and "broker price opinion" mean an estimate
13 prepared by a licensed real estate broker that details the probable selling
14 price or leasing price of a particular parcel of or interest in property and
15 provides a varying level of detail about the property's condition, market, and
16 neighborhood, and information on comparable properties, but does not
17 include an automated valuation model.

18 ...

19 (9a) "Net compensation" means the amount of compensation received by an
20 appraiser, after all fees charged to the appraiser by the appraisal management
21 company have been assessed.

22"

23 **SECTION 2.** Article 1 of Chapter 93E of the General Statutes is amended by
24 adding a new section to read:

25 **"§ 93E-1-9.1. Customary and reasonable rate; periodic review.**

26 (a) The Board shall determine and publish, at least every three years, a schedule of
27 customary and reasonable rates of compensation for appraisals based upon the market area
28 where the real property is situated. Evidence for such rates may be established by objective
29 third-party information, such as government agency fee schedules, academic studies, and
30 independent private sector surveys. Fee studies shall exclude assignments ordered by known
31 appraisal management companies. The customary and reasonable rate of compensation for
32 appraisals shall be measured by the net compensation amount received by the appraiser.

33 (b) Notwithstanding subsection (a) of this section, for appraisals involving a complex
34 assignment, the customary and reasonable rate shall reflect such factors as increased time,



1 difficulty, and scope of work required, and may include an amount over and above the
2 customary and reasonable rate for non-complex assignments.

3 (c) This section shall only apply for appraisals of one- to four-family residential
4 properties."

5 **SECTION 3.** G.S. 93E-2-4 reads as rewritten:

6 **"§ 93E-2-4. Qualifications for registration; duties of registrants.**

7 ...

8 (h) Upon application for renewal of registration under G.S. 93E-2-6, the appraisal
9 management company shall provide to the Board, itemized by market area, for the previous
10 registration period, all of the following:

11 (1) The number of appraisals performed.

12 (2) The total net compensation paid for all appraisals performed.

13 (3) The number of complex property appraisal assignments performed.

14 (4) The total net compensation paid for all complex property appraisal
15 assignments performed."

16 **SECTION 4.** G.S. 93E-2-8 reads as rewritten:

17 **"§ 93E-2-8. Disciplinary authority.**

18 (a) The Board may, by order, deny, suspend, revoke, or refuse to issue or renew a
19 registration of an appraisal management company under this Article or may restrict or limit
20 activities of a person who owns an interest in or participates in the business of an appraisal
21 management company if the Board determines that an applicant, registrant, or any partner,
22 member, manager, officer, director, compliance manager, or person occupying a similar status,
23 performing similar functions, or directly or indirectly controlling the applicant or registrant has
24 done any of the following:

25 (1) Filed an application for registration or renewal that, as of its effective date or
26 as of any date after filing, contained any statement that, in light of the
27 circumstances under which it was made, is false or misleading with respect
28 to any material fact.

29 ...

30 (9) Failed to pay reasonable and customary fees to appraisers for appraisals as
31 provided under G.S. 93E-1-9.1.

32 ...

33 (g) If the Board has reasonable grounds to believe that an appraisal management
34 company has violated the provisions of this Article or that facts exist that would be the basis for
35 an order against an appraisal management company, the Board may at any time, either
36 personally or by a person duly designated by the Board, investigate or examine the books,
37 accounts, records, and files of any registrant or other person relating to the complaint or matter
38 under investigation. The Board may audit the books, accounts, records, and files of any
39 registrant at any time in order to determine the appraisal management company's compliance
40 with G.S. 93E-1-9.1.

41"

42 **SECTION 5.** Article 2 of Chapter 93E of the General Statutes is amended by
43 adding a new section to read:

44 **"§ 93E-2-12. Appraiser compensation and fees; disclosure.**

45 (a) An appraisal management company shall separately state to the client all of the
46 following:

47 (1) The amount of net compensation paid to an appraiser for the appraisals
48 performed.

49 (2) Any fees charged by the appraisal management company for appraisal
50 management services associated with the administration of the appraisal
51 process, including procurement of the appraiser's services.

1 (b) An appraisal management company shall not include any fees for appraisal
2 management services performed by the company in the amount the company reports as charges
3 for the actual completion of an appraisal by the appraiser."

4 **SECTION 6.** G.S. 53-244.111 reads as rewritten:

5 **"§ 53-244.111. Prohibited acts.**

6 In addition to the activities prohibited under other provisions of this Article, it shall be
7 unlawful for any person in the course of any residential mortgage loan transaction:

8 ...
9 (24) To fail to disclose and distinguish, in writing, the separate amounts paid as
10 compensation to an appraiser for the appraisal performed and for appraisal
11 management services reported by an appraisal management company in
12 accordance with the provisions of G.S. 93E-2-12."

13 **SECTION 7.** Section 2 of this act is effective when it becomes law, and the Board
14 shall publish the rate schedule no later than 180 days after that date. The remainder of this act is
15 effective when it becomes law.