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MORTGAGE BANKERS ASSOCIATION

June 10, 2019

Honorable Aaron Michlewitz  
Chair  
House Committee on Ways and Means  
24 Beacon Street, Room 243  
Boston, MA, 02133

Honorable Denise C. Garlick  
Vice Chair  
House Committee on Ways and Means  
24 Beacon Street, Room 238  
Boston, MA, 02133

Dear Chairman Michlewitz and Vice Chair Garlick;

The Mortgage Bankers Association<sup>1</sup> writes to express support for H.1114 (Stanley), *An Act Relative to Appraisal Management Companies*, and respectfully requests the legislation's expedited passage. If enacted, this bill would establish a regulatory structure in Massachusetts for appraisal management companies (AMCs).

The *Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010* included a provision that directed states to enact minimum requirements in the registration and supervision of AMCs. The law also directed six federal agencies – Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Bureau of Consumer Financial Protection and the Federal Housing Finance Agency – to promulgate regulations<sup>2</sup> to facilitate the implementation of these consumer protection standards. In addition, the federal government provided a three-year timeline upon the publication of the final rule in the *Federal Register* to implement these standards.

Importantly, while Congress directed states to implement these standards, it did not, however, mandate them nor did it penalize states for failing to establish an AMC regulatory structure. Instead, the law and the interagency regulations establish a painful economic prohibition that penalizes consumers and lenders alike. After August 10, 2018, in states which did not establish the Dodd-Frank required supervisory regime,

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<sup>1</sup> *The Mortgage Bankers Association (MBA) is the national association representing the real estate finance industry, an industry that employs more than 280,000 people in virtually every community in the country. Headquartered in Washington, D.C., the association works to ensure the continued strength of the nation's residential and commercial real estate markets, to expand homeownership, and to extend access to affordable housing to all Americans. MBA promotes fair and ethical lending practices and fosters professional excellence among real estate finance employees through a wide range of educational programs and a variety of publications. Its membership of over 2,300 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's Web site: [www.mba.org](http://www.mba.org).*

<sup>2</sup> <https://www.federalregister.gov/documents/2015/06/09/2015-12719/minimum-requirements-for-appraisal-management-companies>

lenders are not allowed to utilize AMCs for federally-related transactions<sup>3</sup> unless the AMC is owned and controlled by a federally-regulated depository institution. States were provided a means to obtain a one-year extension to comply, but the extension provided Massachusetts and other states sunsets in a few short weeks on August 10, 2019.

AMCs perform a number of essential quality control functions in residential real estate transactions. However, before Dodd-Frank there was inconsistent oversight of the AMC industry. As of this writing, 49 states have established the required minimum standards. Only Massachusetts, the District of Columbia and Puerto Rico have not.

It is vital that the consumer protections in H.1114 be enacted into law ahead of the August 10, 2019 deadline in order to avoid market disruption that will result from lenders being unable to use AMCs with respect to federally-related transactions. The many lenders who depend on AMCs to manage the appraisal process will need to develop expensive new processes, costs that will likely be passed onto consumers and could even lessen the availability of affordable mortgage credit in the state.

Thank you for your consideration and prompt action.

Respectfully,

A handwritten signature in black ink, appearing to read "Pete Mills", with a stylized flourish at the end.

Pete Mills  
Senior Vice President  
Residential Policy and Member Engagement

CC: Honorable Thomas M. Stanley

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<sup>3</sup> For example, mortgage loans associated with the Federal Housing Administration, Veterans Administration and the Department of Agriculture Single Family Housing Guaranteed Loan Program.