

BILL ANALYSIS

Senate Research Center
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H.B. 2533
By: Darby (Nichols)
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Engrossed

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

In 2019, three federal agencies that regulate United States financial institutions increased the "appraisal exemption" threshold for residential and small commercial properties, meaning that smaller (below +/- \$400,000 for residential and +/- \$1,000,000 for commercial) real estate transactions do not require an "appraisal" to secure financing, and instead may rely on an "evaluation" to determine the market value of a property. However, under Texas state law licensed appraisers are required to follow Uniform Standards of Professional Appraisal Practice (USPAP).

Seeking clarity as to whether licensed appraisers could perform the newly allowed evaluations (which would require a deviation from USPAP), the Texas Appraiser and Licensing Board (TALCB) sought an attorney general opinion. In November 2020, the Texas Office of the Attorney General indicated that current state law does not allow licensed appraisers to deviate from USPAP and thus does not allow them to perform evaluations. H.B. 2533 seeks to harmonize current state law with federal regulations and to allow licensed, certified appraisers to perform evaluations without complying with USPAP, when the lending guidelines do not require a full appraisal for a financial transaction. It requires the appraiser to disclose that the evaluation is not an appraisal that meets the USPAP standards. And it makes clear that an employee of a financial institution can provide an evaluation.

H.B. 2533 amends current law relating to the performance of a real property evaluation for use by certain financial institutions.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Section 1103.003, Occupations Code, by adding Subdivisions (4-b), (6-c), and (7-a) to define "automated valuation model," "federally regulated financial institution," and "non-bank financial institution" in Chapter 1103 (Real Estate Appraisers).

SECTION 2. Amends Section 1103.004, Occupations Code, as follows:

Sec. 1103.004. New heading: APPLICABILITY OF CHAPTER. Provides that Chapter 1103 does not apply to, rather than does not prohibit:

(1) - (3) makes conforming changes to these subdivisions.

(4) an employee of a federally regulated financial institution or any other person engaged by the institution who performs an evaluation of real property for use by the institution in a transaction for which the institution is not required to use the services of a licensed or certified appraiser under federal regulations adopted under Title XI, Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (12 U.S.C. Section 1833e) or under applicable state law;

(5) an employee of a non-bank financial institution or any other person engaged by the institution who provides an analysis, assessment, opinion, conclusion, notation, or compilation of data concerning the value of an interest in real property for use by the institution; or

(6) the purchase of an automated valuation model.

SECTION 3. Amends Section 1103.405, Occupations Code, as follows:

Sec. 1103.405. PROFESSIONAL STANDARDS. (a) Creates this subsection from existing text. Requires a person who holds a certificate, license, or registration issued under Chapter 1103, except as provided by Subsection (b), to comply with certain standards.

(b) Provides that a certified or licensed appraiser is not required to comply with the standards described by Subsection (a) to provide:

(1) an evaluation of real property described by Section 1103.004(4); or

(2) an analysis, assessment, opinion, conclusion, notation, or compilation of data concerning the value of an interest in real property described by Section 1103.004(5) for use by a non-bank financial institution.

(c) Requires that a document provided under Section 1103.004(4) or (5) contain on the first page of the document the following notice: "This is not an appraisal performed in accordance with the Uniform Standards of Professional Appraisal Practice."

SECTION 4. Makes application of this Act prospective.

SECTION 5. Effective date: upon passage or September 1, 2021.