

Economic Impact Statement

LSA Document #10-346

IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**1. Estimated Number of Small Businesses Affected by Industry Sector Number:**

NAICS Code 531320 – Offices of Real Estate Appraisers

The licensing of AMCs is a new layer of regulation that only recently has been instituted in other states. In an attempt to estimate the total number of AMCs that will seek licensure in Indiana, IPLA and the Board researched other states currently registering AMCs. The following is a nonexhaustive list of states that presently regulate AMCs and the total number of registered AMCs in that state: Arkansas 79, California 45, New Mexico 64, and Utah 65.

IPLA determined, however, that the above numbers are not indicative of the total number of AMCs that will register with Indiana as these states continue to educate stakeholders and implement this novel regulation—meaning that these numbers presently skew low and will continue to increase over time. Through research with federal regulators and national real estate trade associations, IPLA estimates that registrations per capita will be higher than the states sampled above. In so doing, IPLA estimates 100 AMCs will be required to register with the Board¹.

2. Estimated Average Annual Administrative Costs That Small Businesses Will Incur:

Any given small business seeking to provide appraisal management company services in Indiana will incur a \$500 initial application fee in the first year of the fee rule's implementation. Actual administrative costs above and beyond the initial application fee are nominal. IPLA has already set up an on-line registration that can be completed in a matter of minutes. Once the application is complete, the certificate of registration is issued and no further action is necessary on the part of the AMC applicant.

3. Statement Justifying Rule:

Effective July 1, 2010, and in accordance with the Indiana General Assembly's passage of House Enrolled Act 1235, the state of Indiana is newly required to register and regulate AMCs². The regulation of AMCs is tasked to the Board who must first set a registration fee before it may issue a certificate of registration for AMCs to do business in Indiana.

The General Assembly mandated the establishment of this registration fee and directed the Board to promulgate this rule³. In accordance with this statutory mandate, the Board submits the attached proposed rule, which establishes the initial licensing and renewal fees to be paid by an AMC seeking licensure with the Board as required by [IC 25-34.1-11](#).

4. Estimated Total Economic Impact on Small Businesses:

IPLA estimates the total economic impact on small businesses to be approximately \$50,000 in the first year based on the approximate 100 small businesses that will be impacted, presuming an application fee of \$500. Any administrative costs in applying for licensure on-line are so insignificant as to be incalculable.

5. Regulatory Flexibility Analysis:

There are no alternative methods to consider regarding the fee rule. The application fee is required to implement the regulation of AMCs in Indiana, as mandated by the General Assembly.

The fee amount of \$500 is the lesser of the two options given by the General Assembly in assessing the fee. [IC 25-34.1-11](#) states the fee must be the lesser of: (1) the amount determined by the board to be sufficient for the administration of appraisal management registrations under this chapter when aggregated with all the registration fees paid by appraisal management companies seeking registration under this chapter; or (2) five hundred dollars (\$500).

IPLA and the Board calculated the administrative costs to be approximately \$440,000 annually⁴. IPLA and the Board calculated the total revenue from a \$500 fee to be \$25,000 annually. Consequently, the \$500 statutory default fee amount is the lesser of the two options provided by the General Assembly (that is, administrative costs are greater than \$500 per application and renewal fee) and the fee should be set as such.

6. Supporting Data, Studies, or Analyses:

IPLA consulted with the following organizations regarding the estimates used in this statement:

Appraisal Institute (<http://www.appraisalinstitute.org/about/>)

The Appraisal Foundation (<http://www.appraisalfoundation.org>)

Appraisal Subcommittee (<https://www.asc.gov/Home.aspx>)

There are no data or studies to consider regarding the necessity of the rule as the rule is required to

implement the General Assembly's mandate to regulate AMC businesses in Indiana.

¹ IPLA notes that the number of small businesses impacted may be significantly less than the estimated 100 stated herein as figures for the number of independently owned, Indiana-based AMCs with fewer than 100 employees and a gross income of \$5,000,000 is simply not reasonably attainable data. IPLA therefore presumes that any business required to be registered as an AMC to do business in Indiana falls within the definition of a small business for the purposes of this analysis.

² Effective July 1, 2010, the Indiana Code reads as follows: [IC 25-34.1-11-8](#). An appraisal management company may not perform appraisal management services unless the appraisal management company has obtained a certificate of registration from the board under this chapter.

³ [IC 25-34.1-11](#) Sec. 15. (a) The board shall establish the registration fee to be paid by an appraisal management company seeking registration under this chapter.

⁴ The aggregate cost of administering the statute, as calculated by the OAG and IPLA, is approximately \$441,218. Based on this estimation, the state would have to set the fee at \$4,400 per registration to cover the first year of administrative costs (based on the 100 estimated businesses that will register). The state will generate approximately \$25,000 in revenue with the fees set at \$500 (renewal cycle of every two years).

Annual revenue generated (\$500 fee):	\$25,000
Annual cost to administer program:	(\$441,218)
Annual net gain (loss):	<u>(\$416,218)</u>

[IC 25-34.1-11-15](#)(a) states, "The amount of the registration fee must be **the lesser of:** (1) the amount determined by the board to be sufficient for the administration of appraisal management registrations under this chapter when aggregated with all the registration fees paid by appraisal management companies seeking registration under this chapter (\$4,400); or (2) five hundred dollars (\$500). **(Emphasis added.)**

As such, the suggested \$500 registration fee is the lesser of the estimated \$4,400 registration fee and, therefore, is the proper fee amount as required by the General Assembly's method of calculation.

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