



**House
Legislative
Analysis
Section**

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APPRAISAL PROCEDURE IN MORTGAGE LOANS

House Bill 5116

Sponsor: Rep. Raymond M. Murphy
Committee: Corporations & Finance

Complete to 5-21-90

A SUMMARY OF HOUSE BILL 5116 AS INTRODUCED 9-28-89

Public Act 135 of 1977 prohibits certain mortgage lending practices by credit granting institutions and, among other things, requires lenders to submit regular reports regarding mortgage lending practices to the Financial Institutions Bureau within the Department of Commerce. The bill would amend the act to specify that if a credit granting institution or "real estate appraiser" (which would mean an individual or business entity who appraised residential real property, who contracted with a lender to appraise residential property, or who was an employee of a lender who appraised one to four family residential real property) collected an application fee and conducted an appraisal in connection with a mortgage loan application, the loan applicant would have to be given a copy of the appraisal. Further, a real estate appraiser could not vary the appraisal procedure due to 1) racial or ethnic characteristics or trends in the neighborhood in which the real estate was located, or 2) the age of the structure proposed as security on a loan application or of other nearby structures (although the physical condition and probable remaining useful life of the structure and others within a 750 foot radius could be considered).

Also, the act currently requires certain credit granting institutions to file copies of various reports with the FIB commissioner not more than 90 days after the end of the institution's fiscal year, but exempts from these requirements a state chartered or federally regulated institution with total assets at the end of its last full fiscal year of \$10 million or less. The bill would, instead, require copies of the required reports to be sent not later than 90 days after the end of each calendar year, and would specifically exempt "depository" institutions (that is, state or nationally chartered banks, savings and loans, or credit unions), instead of credit granting institutions, that met the \$10 million ceiling for total assets from the reporting requirements. However, a credit granting institution exempt from the reporting requirements which later became subject to them would have to file its first report at the end of the first full year in which it became subject to the act's disclosure provisions.

MCL 445.1601, et al.

House Bill 5116 (5-21-90)