

Call to Order

STATE OF ALASKA  
DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT DIVISION OF  
CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING  
*Tentative Meeting Agenda*

Board of Real Estate Appraisers

February 7, 2023

Join Zoom Meeting Link: <https://us02web.zoom.us/j/83491593732>

Meeting ID: 834 9159 3732 Passcode: 211133

Call In #: +1 253 215 8782

- |     |       |   |               |
|-----|-------|---|---------------|
| 1.  | 10:00 | Call to Order/Roll Call<br>-Review/Approve Agenda<br>-Ethics Report<br>-Continuing Education Statement  | Chair Stetson |
| 2.  | 10:10 | Review/Approve Past Meeting Minutes<br>-November 1, 2022  | Chair Stetson |
| 3.  | 10:15 | Public Comment  |               |
| 4.  | 10:30 | Division Update<br>-FY23 Q1, Q2<br>-Fee Analysis  | Ms. Dumas     |
| 5.  | 11:30 | Investigations<br>-Investigative Report<br>-Review Current Complaint Policy<br>-Review Current Disciplinary Process/Matrix<br>-Fannie Mae Tips                      | Ms. Gabriel   |
| 6.  | 12:30 | Lunch   |               |
| 7.  | 1:00  | Regulation Project(s)<br>-Consideration of AQB, CAP, IDECC Automatic Acceptance<br>in regulation verbiage<br>-PAREA   | Chair Stetson |
| 8.  | 2:00  | Continued Review from ASC Off Site Assessment<br>-Update from Ms. Hayes<br>-Continued Review of ASC Form Suggestions<br>-Licensed Appraiser License Type Discussion | Chair Stetson |
| 9.  | 2:45  | Continued AARO Conference Summary<br>-Out of State and Mass Appraisal Experience Hours<br>-MPAT Research Update from Ms. Hayes                                      | Ms. Hayes     |
| 10. | 3:30  | Board Business<br>-Which Board Member is going to the Spring AARO Conference<br>-Annual Report Planning<br>-Review Work Product Checklist<br>-Elect new Chair       |               |

Adjourn

# Ethics Report

**CONFIDENTIAL**

**ETHICS SUPERVISOR DETERMINATION FORM**

(Board or Commission Member)

Board or Commission: \_\_\_\_\_

Member Disclosing Potential Ethics Violation: \_\_\_\_\_

I have determined that the situation described on the attached ethics disclosure form

☐ does or would violate AS 39.52.110 - .190. Identify applicable statute below.

☐ does not or would not violate AS 39.52.110 - .190.

\_\_\_\_\_  
Signature of Designated Ethics Supervisor (Chair)

\_\_\_\_\_  
Printed Name of Designated Ethics Supervisor

Date: \_\_\_\_\_

COMMENTS (Please attach a separate sheet for additional space):

**Note: Disclosure Form must be attached.** Under AS 39.52.220, if the chair or a majority of the board or commission, not including the disclosing member, determines that a violation of AS 39.52.110-39.52.190 will exist if the member participates, the member shall refrain from voting, deliberating, or participating in the matter. A member will not be liable under the Ethics Act for action in accordance with such a determination so long as the member has fully disclosed all facts reasonably necessary to the determination and the attorney general has not advised the member, chair, or board or commission that the action is a violation. Forward disclosures with determinations to the State Ethics Attorney as part of your quarterly report. Quarterly reports are submitted to Litigation Assistant, Opinions, Appeals & Ethics, Department of Law, 1031 W. 4<sup>th</sup> Avenue, Suite 200, Anchorage, AK 99501.

Revised 2012



# Continuing Education Statement



THE STATE  
of **ALASKA**

Department of Commerce, Community and Economic Development  
Division of Corporations, Business and Professional Licensing

**APR**

FOR DIVISION USE ONLY

**Real Estate Appraisers Program**

PO Box 110806, Juneau, AK 99811-0806

Phone: (907) 465-2550

Email: [RealEstateAppraisers@Alaska.Gov](mailto:RealEstateAppraisers@Alaska.Gov)

Website: [ProfessionalLicense.Alaska.Gov/RealEstateAppraisers](http://ProfessionalLicense.Alaska.Gov/RealEstateAppraisers)

## Continuing Education Credit for Participation

This form certifies attendance at a meeting of the Alaska Board of Certified Real Estate Appraisers for continuing education credit. 12 AAC 70.210(g)(1-5)

<b>Full Legal Name:</b>	First	Middle	Last
<b>Alaska Certification #:</b>			

<b>Board Meeting Date:</b>	mm/dd/yyyy	<input type="checkbox"/> In Person	<input type="checkbox"/> Teleconference
<b>Attendance Hours:</b>		<b>Hours Claimed:</b> (7 Hours Max)	

***I certify the information reported above is true and correct and that I maintained attendance for the duration of the hours claimed.***

<b>Signature:</b>		<b>Date:</b>	mm/dd/yyyy
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### BELOW IS FOR DEPARTMENTAL AND BOARD USE ONLY

**Verified Hours of Attendance**

(From Board Meeting Minutes)

\_\_\_\_\_

**Via Electronic or Mail Ballot:** ☐ Approved ☐ Denied

**OR**

**Via in Person Board Meeting:** ☐ Approved ☐ Denied

<b>Board Member Signature:</b>		<b>Date:</b>	mm/dd/yyyy
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**If denied, reason for denial:**

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## Review Past Meeting Minutes

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT  
DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING  
***ALASKA BOARD OF CERTIFIED REAL ESTATE APPRAISERS***

CONDENSED MINUTES OF THE MEETING HELD 11/1/2022

These draft minutes were prepared by the staff of the Division of Corporations, Business and Professional Licensing. They have not been reviewed or approved by the Board.

Date:	11/1/22
Time:	10:06 am
Location:	Zoom
Attending:	Board Members: Ashlee Stetson, Val Kudryn, Mae Hayes, Leon McKean Staff: Sara Sather, Patrick Kase, Sara Chambers Public: Scott DiBiasio, David Wright, Amanda Wright
Absent:	None

1. November 1, 2022 Agenda		
Brief Discussion:	The Board has reviewed the agenda and motioned to approve as written.	
Motion:	On a motion duly made by Mr. Kudryn, second by Mae Hayes, it was RESOLVED to approve the meeting agenda for November 1, 2022 as written.	
Recorded Votes:	Ashlee Stetson - Y	
	Valery (Val) Kudryn - Y	
	William (Leon) McKean - Y	
	Mae Hayes - Y	
Action Items:	Meeting continues with agenda as written.	
2. Ethics Report and Continuing Education		
Brief Discussion:	Board Members stated that they do not have any ethics disclosures at this time.	

	Board Member Mae Hayes is requesting continuing education hours for Board Meeting.	
	No public members requesting continuing education hours.	
Motion:	No motion needed for this agenda item.	
Recorded Votes:	Ashlee Stetson -	
	Valery (Val) Kudryn -	
	William (Leon) McKean -	
	Mae Hayes -	
Action Items:	Staff will email Board Member Mae Hayes continuing education statement.	
<b>3. Review August 9, 2022 Meeting Minutes</b>		
Brief Discussion:	Board Members do not have any requested changes to prior meeting minutes.	
	August 9, 2022 Meeting Minutes approved as written.	
Motion:	On a motion made duly by Mae Hayes, second by Val Kudryn, it was RESOLVED to approve the August 9, 2022 meeting minutes as written.	
Recorded Votes:	Ashlee Stetson - Y	
	Valery (Val) Kudryn - Y	
	William (Leon) McKean - Y	
	Mae Hayes - Y	
Action Items:	Staff will forward meeting minutes to Chair Stetson for signature.	
<b>4. Public Comment</b>		

Brief Discussion:	Scott DiBiasio with Appraisal Institute is observing at this point. No public comment.	
	David Wright (Licensee) speaking for himself and his wife, Amanda Wright, asked for clarification on pg 4 #7 within the Residential application to provide a copy of successful completion of the national exam. He expressed as he understands the applicant has to have education and experience hours verified by the Board prior to taking the nation exam. He asked for clarification, are they to submit the application minus the national exam results and then be notified if approved to take the exam. Mr. Kudryn and Ms. Sather provided verification that, yes, the application is submitted minus the exam for Board review and then upon Board approval of their review the exam approval will be issued. Licensure is issued after Board approval and successful exam completion.	
	Amanda Wright (Licensee) no public comment.	
	No other public present via zoom, phone, or in person.	
Motion:	No motion necessary for this agenda item.	
Recorded Votes:	Ashlee Stetson -	
	Valery (Val) Kudryn -	
	William (Leon) McKean -	
	Mae Hayes -	
Action Items:	Public comment attendance and notation of no oral comment received for the publicly noticed regulation project will be provided to the regulation specialist.	
5. Investigative Report		
Brief Discussion:	Mr. Kase presented the Investigation Report for dates between 7/27/22 – 10/25/22. There are 5 open cases and 4 closures. No Board questions regarding the report.	
	Mr. Kase presented Board Order 2019-001261. The Board motioned to move into executive session at 10:25 am.	
Motion:	I, Valery Kudryn, move that the Alaska State Board of Certified Real Estate Appraisers enter into executive session in accordance with AS 44.62.310(c)(2) and (3), and Alaska Constitutional Right to Privacy Provisions, for the purpose of discussing the Board matter under case number 2019-001261. Second by Leon McKean.	

	At 10:42 on a motion duly made by Mr. Kudryn, second by Leon McKean, it was RESOLVED to end executive session and return to the record.	
	On a motion duly made by Mr. Kudryn, second by Leon McKean, it was RESOLVED after review of the information available to proceed with the order of revocation by default in the case of number 2019-001261 in relation to Dekay Bayliffe.	
Recorded Votes:	Ashlee Stetson - Y	
	Valery (Val) Kudryn - Y	
	William (Leon) McKean - Y	
	Mae Hayes - Y	
Action Items:	Chair Stetson will sign the needed forms. Staff will provide signed forms to Investigations.	
	Investigations will proceed with documenting the case as necessary.	

## 6. Review of ASC Off Site Assessment Observations

Brief Discussion:	Ms. Stetson provided an introduction that statute changes are very different than how the Board has proceeded with regulation (code) changes. This current Board has not worked through a statute change process to date. This current Board has worked through regulation changes.
	<p>The 10/12/22 letters from Clair Brooks were reviewed.</p> <p>Appraiser Program:</p> <ul style="list-style-type: none"> <li>-States are required to track all temporary practice permits using a permit log which includes the name of the applicant, date application received, date completed application received, date of issuance and date of expiration, if any. The State's tracking log did not include the date the application was received and the date the application met all the requirements.</li> </ul> <p>Appraisal Management Companies (AMC):</p> <ul style="list-style-type: none"> <li>-States are required to enforce and document ownership limitations for State-Registered AMCs consistent with the AMC Rule. The Amc Rule requires the state to determine if the AMC has an owner, in whole or in part, directly or indirectly, who had an appraiser credential refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any Sate for substantive cause. The State's AMC application instructs the applicant to determine substantive cause.</li> <li>-States are required to define a federal regulation AMC consistent with the AMC Rule. AMC Statute 08.08.160(B) incorrectly includes the Consumer Financial Protection Bureau, the</li> </ul>

	Federal Housing Finance Agency and the National Credit Union Administration in the definition of federally regulated AMCs.	
	<p>Chair Stetson asked Ms. Sather for clarification in regards to the error within the tracking procedures for the Temporary Practice Log (Courtesy Licenses). Ms. Sather explained that our database currently allows for entering the date received, date effective/issued, and date of expiration. Within the checklist, that is attached to each application, these dates are tracked in addition to the date each required item is received and therefore when the application is considered complete. During the ASC review staff did offer to go into each record to obtain the date the application was considered complete to provide to the ASC, however, ASC stated they did not need that information at that time. They are looking for an easy to access log that shows this information readily for all courtesy licenses. In response to this staff have taken it upon themselves to keep a separate spreadsheet that includes all required dates. At this time adding that additional date of considered complete within our program is unknown. When this workaround of using a separate spreadsheet tracking this required data was shared with ASC it was noted that this would suffice.</p> <p>The Board discussed if any formal acknowledgement needs to come from the Board regarding this additional process staff are taking. Ms. Sather shared that through her supervisors ASC is not looking for a formal letter of response in regards to the Off Site Visits, as they are considered informal, and do not require formal Board response. The formal On Site Visits would require response, which Alaska's On Site Visit should be in 2024. Chair Stetson requested that specific notation of this separate tracking log be clearly noted in meeting minutes to confirm that the ASC requirement has been addressed.</p>	
	<p>Annual Federal Registration Application Form #3. The recommendation is to remove the last part of the question "...for substantive cause, as determined by the State, and the credential has not been reinstated." The process would then be to ask for the documentation if the applicant answers yes within the professional fitness questions and for the Board/Program to determine substantive cause and verify and document that the license has been reinstated.</p> <p>Chair Stetson requested verification that application changes can be made through a process. Ms. Sather confirmed that with renewals coming up in June of 2023 it is standard practice to review applications and any changes the Board would like to be made from the ASC observations can be made during that time.</p>	
Motion:	No motion necessary for this agenda item.	
Recorded Votes:	Ashlee Stetson -	
	Valery (Val) Kudryn -	
	William (Leon) McKean -	



	Mae Hayes -	
Action Items:	Review and conversation to continue through later agenda item.	
7. Statute Change Process & Division Update		
Brief Discussion:	<p>Director Chambers provided a review of the Division Update for the FY22 End of Year Report.</p> <p>Revenue is down from last year and explained this is to be expected as this is not a renewal year.</p> <p>Director Chambers explained the new line item General Fund Received. Starting in 2021 in response to COVID the Governor proposed to fund licensing needs through General Fund instead of through fee increases.</p> <p>The total revenue and expenditures were reviewed.</p> <p>It was explained that licensing expenditures are up and it was discussed this is partly due to hiring dedicated staff to the Board of Real Estate Appraisers. It was noted, regulation and legal support are also within this category.</p> <p>Chair Stetson shared that the addition of Sara Sather to our team has been a huge blessing, she is an absolute asset to the Division and Board and it has been a wonderful transition.</p> <p>Indirect expenditures were also reviewed to include the division, department, and state level indirect.</p> <p>No Board Member questions after this overview.</p> <p>Total expenditures were reviewed. At \$182,793 this puts the program at a \$130,856 surplus. It was explained there was a deficit for the year with rollover from the previous year. Director Chambers stated a fee analysis is recommended at this time. Director Chambers explained a fee analysis is a discussion with the Board and a public notice process, however, ultimately the decision comes from the Director.</p> <p>Mr. Kudryn shared that license numbers have been increasing. As the Board has had a recent fee reduction, he suggested it might be wise to see how the next renewal period goes before making fee adjustments.</p>	
	<p>Director Chambers provided a review of the statute change process.</p> <p>Generally speaking, when a Board believes they need to have a statute change the Board is to discuss those changes and place a motion on the record that says we support these following statute changes. In companion to that, the Board is to also make a motion to nominate a member who will lead this process and be available for questions and discussions without having to reconvene the Board. Director Chambers explained this role is for them to be a representative of the Board as a spokesperson. This may also require</p>	

legislative testimony. If a Bill is introduced, it is the expectation that one or more Board Members will call in and testify as special technical experts of the profession are often needed. It is possible to have one person identified as the spokesperson and other members testify.

Then the next step is to seek a sponsor. If it is early enough in the year, which is not the case with this ASC observation falling later in the year, but if it is early enough in the year the Board could make a case to request the Division to include it within their recommendations for the Governor's Bill. With it being November, the Board will need to go forward to identify a potential sponsor. If the Board has a licensee who is a sitting legislator, it might be a conversation to reach out to them initially. Other legislators are options to speak with to see if they are willing to sponsor a bill as well. A state association is another option to speak with. Lastly, even though it is too late for a recommendation on the Governor's Bill, it has been done in the past, due to the Federal Government oversight and their requirements the Director and Division are sometimes able to become more vocal to express that this is not a wish, it is a requirement from the Federal Government to get this done.

If a legislator is willing to sponsor Leg Legal drafts the changes and communicates with the Board.

Legislation is scheduled to begin session in mid January and is a two year term, so if the Bill does not pass this spring it would be alive for two years.

Chair Stetson requested clarification that the Board does not need to go through Department of Law as they do with regulation changes. Director Chambers stated that the Board's attorney can assist, however, Leg Legal typically does the majority of the work.

No additional Board member questions.

Chair Stetson spoke to her commitment to this project, however, her term ends in March and therefore she would recommend that nominating another Board Member as the point person may be best.

Director Chambers did share an additional thought for the Board to contemplate their current configuration and if it is best serving the industry and conducive to Board Members having enough time to complete the requirements of their position roles. The Board currently has one person per role and would it be beneficial for the Board to be larger and have more seats available to smooth out the workload for application and investigative reviews. She expressed, if you are seeking legislative changes this might be a time to add this additional item if it is something the Board would like to see.

Ms. Hayes spoke to her interest in this concern. She would be in favor of adding more Residential and General seats. Additionally, Ms. Hayes expressed she would be in favor of discussing additional seat types such as an Assessor or Broker. Ms. Hayes shared that during the AARO Conferences she was very intrigued to hear about the different structures various states have and how this has benefited their Boards.

	Ms. Stetson also spoke to her interest in taking a look into Board seats as the Board has seen challenges with the current seats they have filled and the seat vacancies.	
Motion:	No motion necessary for this agenda item.	
Recorded Votes:	Ashlee Stetson -	
	Valery (Val) Kudryn -	
	William (Leon) McKean -	
	Mae Hayes -	
Action Items:	Discussion to continue in later agenda items.	
	11:48 the Board is off record for Lunch break. Leon McKean asked for the Board’s permission to be absent until about 1. Granted as the Board is scheduled to be in discussion during that time.	
	12:30 back on record with Ashlee Stetson, Val Kudryn, Mae Hayes present. Absent – Leon McKean	
<b>8. Continued Review of ASC Off Site Assessment Observations &amp; Discussion Regarding Next Steps with Statute/Regulation Amendments(s)</b>		
Brief Discussion:	Brief recap of this morning’s initial review of ASC Off Site Assessment Observations.  Continued review of ASC listed requirements:  Sec.08.87.155 (a)(2) and (b) legislative change to strike statute sections followed by amendment to applications. ASC states this cannot be required of a Federally Regulated AMC. The Board is in agreement to strike these sections as it is stated as a requirement from the Federal Government.  Sec.08.87.160 legislative change to strike additional license controllers. The recommendation is for the Alaska Legislature to limit this to just the three agencies ASC has noted and remove “Consumer Financial Protection Bureau” and “Federal Housing Finance Agency.” The Board is in agreement to strike these sections as it is stated as a requirement form the Federal Government.  Sec.08.87.900 legislative change to align definition with ASC’s definition. The recommendation is for the Alaska Legislature to amend the definition of “appraiser panel”	

to align with the AMC Rule definition. The Board is in agreement to amend this section as it is stated as a requirement from the Federal Government.

The Board moved to review the ASC recommendations:

Licensed and Certified Residential License Types – ASC findings showed that at this time Alaska’s statute and regulation do not include a Licensed Residential Credential. This may be something to look at moving forward as an alternative path to licenser for those who do not have a college degree considering the barriers to entry and the shortage within the industry.

The Board discussed if this was something that PAREA would address. The Board discussed the cap of what you can appraise within this license type and the concern that this could potentially be an additional barrier to Alaskan licensees due to the property types within the state.

Ms. Hayes spoke to the AARO conference highlighting the large concern the profession is seeing with a shortage of appraisers and the importance of supporting entry to the profession.

Mr. Kudryn requested additional time to more thoroughly go through the statute/regulations and AQB criteria before proceeding with discussion to add a license type to ensure that all aspects and restrictions are understood to ensure this would be a good fit for Alaska.

Chair Stetson agreed that adding a license type will require great thought and attention. Chair Stetson also spoke to advocating for the Board to not take on too many projects at once and potentially miss something within the heavy workload that would bring. The Board agreed to group these suggestions into what needs to or can be addressed now and which items will be tabled for later to ensure they receive the attention they require. The Board is in agreement to discuss this license type at a later time.

Sec.08.87.100 legislative change to update transaction value. Recommendation to change statute to updated values from \$250,000 to \$400,00.

Mr. Kudryn spoke to discrepancy in Alaska verbiage not matching AQB criteria as it mentions commercial and to change to match AQB criteria verbatim.

Board agrees to table this at this time for additional research into verbiage and prior Board intent.

Sec.08.87.135 legislative change to update ownership verbiage in statute and applications to follow as well as strike substantive cause.

The recommendation is to update verbiage to align with the AMC Rule, which uses “more than 10 percent” whereas Alaska uses “at least 10 percent.” The Board is in agreement to align with AMC Rule in using their verbiage of “more than 10 percent.”

As required by AMC Policy Statement 8.2.D.2.A the state must determine substantive cause, not the applicant. It is suggested to strike the end of this statement. The Board requested if Ms. Sather can request clarification as to how the statement would be reworded. The Board reviewed email notes from ASC and Ms. Saviers which stated “The recommendation is to remove the last part of the question – ‘for substantive cause, as determined by the State, and the credential has not been reinstated’ – correct? Yes, that

would be best. Then the process would be to ask for the documentation if the applicant answers yes and for the Board/Program to determine if the discipline was for substantive cause and verify and document that the license has been reinstated.” Ms. Sather spoke to ASC stating it is the State and or Board’s responsibility to determine substantive cause and not the applicant. Discussion was held that ASC verbiage can be put in place of Alaska verbiage. Mr. Kudryn spoke to Alaska including probation which is not within their verbiage. Chair Stetson spoke to keeping probation. The Board is in agreement to proceed with suggested edits.

Sec.08.87.900 legislative change to strike unnecessary section within the Definitions. It is recommended to remove “administration of an appraiser panel” as this is not a service but a requirement of AMCs. The Board discussed rephrasing this to meet AMC Rule or to strike that section. Mr. Kudryn spoke to meeting the AMC Rule by switching B to A, C to B, leave D as is, and switch A to C (which is their #3) “managing the process of having an appraisal performed.” The Board spoke to the intent of the requirement is the same, it is the current wording that does not align. The Board is in agreement to these revisions.

12 AAC 70.108(a) recommended to update verbiage of “cumulative” instead of “continuously” as AQB provides a definition for cumulative. The Board is in agreement to update Alaska verbiage.

12 AAC 70.935 The Board is in agreement to correct the form to say “In addition” as ASC recommends. The Board would like to table the review of the current requirement of 3 years of good standing within that state prior to becoming a supervisor, in regards to ASC sharing that Alaska exceeds criteria by requiring good standing for three years.

AMC Annual Federal Registration Form question #4 suggests striking the end of the question as the State/Board determines substantive cause and not the applicant. The Board discussed the relation to statute, however, the appropriateness to update the form. It was disclosed that owners of 10% or more are disclosed in separate parts of the application. Concerns were discussed when moral character and prior legal actions are not disclosed. The Board expressed there needs to be an opportunity for the applicant to disclose this information if it pertains to them. The Board discussed removing question #4 in entirety and replacing with professional fitness questions. The Board is in agreement to table this form to allow for due diligence.

The Board has also agreed to table the review and discussion of the additional suggested form edits at this time, due to time restrictions.

12 AAC 70.108 regulation change to add verbiage for clarity and strike verbiage to align with AMC Rule.

The Board is in agreement to add “All” at the beginning to add more clarity as well as to strike probation to follow the AMC Rule. Mr. Kudryn spoke to the Board taking action to be in line with the AMC Rule in other areas, so it would be appropriate to continue to follow the AMC Rule verbiage within this section as well. Chair Stetson and Mr. McKean spoke to agreement with this as well.

Motion:	On a motion duly made by Leon McKean, second by Val Kudryn, it was RESOLVED to have the record show the Alaska Board of Real Estate Appraisers has intent to move forward with the required and suggested statute changes from the Appraisal Subcommittee Off Site Assessment with Mae Hayes as the point person with regard to statute changes.
Recorded Votes:	Ashlee Stetson - Y
	Valery (Val) Kudryn - Y
	William (Leon) McKean - Y
	Mae Hayes - Y
Action Items:	Staff will update Director Chambers of the Board's intent regarding statute changes.
	Mae Hayes will continue with the Board's intent in regards to lobbying for the statute changes.
<b>9. Review Public Comment &amp; Next Steps</b>	
Brief Discussion:	<p>Board review of public comments provided in written form for the online education regulation project and courtesy licenses amendments that were publicly noticed. No oral comments were received during the public comment period this morning.</p> <p>Chair Stetson spoke to the Board receiving numerous letters for support of the proposed education regulation changes. There have also been some letters of opposition and reconsideration received. The Appraisal Institute Alaska Chapter letter was reviewed.</p> <p>Chair Stetson asked if Board Members had any edits or changes they would like to address after reviewing the received public comments. Mr. Kudryn suggested reviewing the suggested edits from the Department of Law.</p> <p>The Board is in agreement to adopt the suggested Department of Law edit for leaving "education" out in 12 AAC70.215(c) to match 12 AAC 70.990(13) to read as "synchronous and asynchronous" instead of "asynchrony education or synchronous education." The Board is in agreement to adopt the suggested Department of Law edit to change the word "includes" to "means" within 12 AAC 70.990(13). The Board agrees that there is not a current need to add a definition for synchronous and asynchronous as these are understood in layman's terms.</p>

Mr. Kudryn expressed appreciation for all responses the public made, as it aids in the Board making decisions for the public good and the profession as a whole. The expressed pros for online education include; cost reduction, the quality of technology has improved, courses still facilitate interaction with instructors as you can communicate electronically and are not just reading a book, online courses will still be reviewed and approved by the Board which will still allow control for the quality of online courses, online courses are approved by AQB and IDECC to again ensure quality of education, approving online courses puts Alaska in line with other states as from his research there are only 6 that are not accepting online education, online education provides a lot more flexibility on the individual instead of the state deciding for the individual how the course needs to be taken which will support individual learning styles. The cons discussed include; recognizing the comments that online education may not provide enough peer to peer or anecdotal conversations. It was discussed that with providing various course platforms people can still choose to take in person courses.

Mr. Kudryn expressed he feels the Board should still proceed with approving the proposed regulations and sees that this will improve the profession for the majority.

Ms. Hayes spoke to agreeing with this. She recognizes that people have different preferred ways to learn as well as the cost restrictions of being able to afford to go out of state to take a course.

Mr. Kudryn added that classes are not the only place applicants/licensees interact in person. He personally stated, even with the change to allow for online education he would still attend an in person class if it was offered locally and likes traveling when he can.

Ms. Hayes spoke to needing more appraisers within the profession. Making education available for all is an important part of addressing this need.

Chair Stetson spoke to Alaska being geographically unique and how limiting it can be for applicants/licensees with our remote communities and distance from the lower 48 to travel for courses. Furthermore, she spoke to us living in a time where an entire degree can be earned online without traveling. In regards to the received written concerns of attendance for online courses, she spoke to clarify that verification of attendance is something the Board is able to look at when reviewing a course, so she does not feel this is an area of large concern as the Board and AQB/IDECC have procedures in place to ensure attendance is monitored.

Mr. McKean spoke to the barrier to entry that is created by education and the distance Alaskan's face. He shared he sees this as an economic barrier and asked, do we want to create this as a barrier to entry for a profession? He went on to share that we can conduct business electronically, so why would we not allow for education to continue online. If you want to grow this population of appraisers some of the barriers to entry may not be realistic.

Motion:	<p>On a motion duly made by Val Kudryn, second by Mae Hayes, it was RESOVLED to proceed with the publicly noticed regulations as amended.</p> <p>In considering public comments received and cost to private persons, I move to adopt the proposed regulation changes dealing with 12 AAC 70.140 (f), 12 AAC 70.210(e), 12 AAC 70.215(c)(3) as amended removing education after asynchrony and synchrony, 12 AAC 70.220 (d), 12 AAC 70.920 (b), 12 AAC 70.920(e) and 12 AAC 70.990(13) as amended switching the word “includes” with “means”, as proposed and amended.</p>								
Recorded Votes:	<table> <tr> <td>Ashlee Stetson - Y</td><td></td></tr> <tr> <td>Valery (Val) Kudryn - Y</td><td></td></tr> <tr> <td>William (Leon) McKean - Y</td><td></td></tr> <tr> <td>Mae Hayes - Y</td><td></td></tr> </table>	Ashlee Stetson - Y		Valery (Val) Kudryn - Y		William (Leon) McKean - Y		Mae Hayes - Y	
Ashlee Stetson - Y									
Valery (Val) Kudryn - Y									
William (Leon) McKean - Y									
Mae Hayes - Y									
Action Items:	<p>Staff will provide forms for Chair Stetson’s signature and return to the office.</p> <p>Staff will provide the edits and signatures to the regulation specialist to review and forward to the Department of Law for next steps.</p>								
<b>10. PAREA Regulation Project</b>									
Brief Discussion:	<p>The Board acknowledged and thanked Mr. DiBiasio for the suggested edits he has provided for discussion. Mr. DiBiasio shared that these are simply suggestions as was discussed during the last meeting. He is not an expert nor is he pushing a thought on the Board.</p> <p>Mr. Kudryn spoke to concerns he is hearing about geographic competency not entirely being achieved through PAREA. He spoke to some clients requiring a minimum of 2 years of geographic competency before an appraiser is able to join and this would potentially be a barrier for new licensees. He also spoke to the very unique property types within Alaska and new licensees not being able to gain experience with this through PAREA.</p> <p>Mr. Kudryn suggested an idea of accepting PAREA Residential at 75% and require 25% with a supervisor in Alaska, which would require about 375 hours and 50 reports before being certified. Or 100% acceptance if mentor was geographically competent in Alaska.</p> <p>Ms. Hayes invited Mr. DiBiasio to address Mr. Kudryn’s comments. Mr. DiBiasio spoke to the proposed being no different to the traditional supervisor model. If someone receives all experience in Fairbanks and were to take an assignment in Anchorage or Juneau they would have to become geographically competent in that area. He stated “PAREA teaches you to know when you are competent to complete an assignment and how to make yourself competent if you are not.” Additionally, he spoke to someone coming in with a reciprocal license and they will need to determine if they are competent for that assignment, make themselves competent, or remove themselves from the assignment.</p>								



Speaking to accepting PAREA at 75% Mr. DiBiasio expressed this does not solve the current problem with the difficulty of finding a supervisor. They still would need to find a supervisor for 25% of required hours. Additionally, he shared there are only two states, CA and KS, that have indicated they will not accept PAREA at 100% and are reconsidering their decisions.

Ms. Hayes spoke to hearing that PA has done something similar with changing their requirements for accepting PAREA at 100%.

Ms. Hayes spoke to a practicum in Mississippi that she was hearing about while at the AARO Conference. She stated it appears the State Board could go through the Appraisal Subcommittee to receive a grant to purchase a license from Mississippi and alter the program to fit Alaska. She was curious if Mr. DiBiasio could speak to this. Mr. DiBiasio stated the MPAT course is fundamentally very different from PAREA. PAREA is a technology based program and the MPAT is a practicum course. It was discussed that the applicants within the program have not passed the national exam to date, as they are still working on the assignments. Ms. Hayes spoke to wondering if this is something that would benefit Alaska's unique geographical area as well as PAREA. There was discussion as to how MPAT was developed (with the Board developing the program and then having to review the applicants for the program they created). Ms. Hayes spoke to the idea of Alaska purchasing a license from Mississippi so they would not be in the same situation of Alaska approving licenses for a course they created.

Mr. Kudryn asked for verification that PAREA will produce 3 compliant reports, will they all be the same, and what would the work products be like? Mr. DiBiasio shared that the AQB has a requirement of a minimum of 3 USPAP compliant reports. For Appraisal Institute, these will be on a variety of property types. The property types may be different person to person. Within the Appraisal Institute's program they will have completed all or part of 30 appraisal reports before receiving certificate of completion. Some modules they may complete highest and best use, next module may be just sales comparison or income approach. Ultimately they will complete at least 3 complete USPAP compliant reports that will be reviewed by reviewers. If there are any discrepancies they will not be issued the certificate of completion.

Ms. Hayes asked how easy it will be to attract mentors. Mr. DiBiasio stated for Appraisal Institute (AI) the request has already been sent out and there have been many members interested. He spoke how it will be different then the supervisor relationship as the mentor will not be taking responsibility of the report as these are simulated assignments. The supervisor does not need to sign on right hand side of report, there is no liability, the time commitment is less, and AI will compensate their mentors. It will be a requirement to be an AI designated member, go through a mentor program, they themselves will be supervised as they won't be employees but they will be a reporting structure to ensure they are successfully completing their responsibilities. He is also seeing that some members are looking at retirement and to becoming a mentor as the next steps to share their knowledge and continue to make some income. It was shared that AI is speaking to September of 2023 as their release date. AI is dedicated to not necessarily being the first

	<p>PAREA program released but are dedicated to being one of the best, so they are wanting to give the due diligence to the development of the program.</p> <p>Mr. Kudryn spoke to understanding needing to become geographically competent in assignments and the other safeguards the state has in place to monitor this. Mr. Kudryn expressed that he does really like that this will create uniform knowledge and skills for each individual to learn how to be capable of becoming geographical competency. He recognizes the similarities with the previous conversation today with education moving to online and recognizes the large change. Mr. Kudryn expressed that he does see how this is a logical next steps.</p> <p>Mr. DiBiasio spoke to the work products still being able to be reviewed and encourages Board members to continue to review the work products completed within PAREA much as they do know with work product completed through the traditional supervisor model.</p> <p>Chair Stetson spoke to the Board wanting to support Alaska with being on the cutting edge of the profession.</p> <p>The Board formally made a commitment on record stating that they intend to continue to move forward with adopting PAREA and taking on a regulation project.</p>	
Motion:	No motion required for this agenda item.	
Recorded Votes:	Ashlee Stetson -	
	Valery (Val) Kudryn -	
	William (Leon) McKean -	
	Mae Hayes -	
Action Items:	PAREA will continue to be on the agenda for the next meeting.	
	Board members will continue to review and draft proposed regulation edits.	

11. AARO Conference Summary	
Brief Discussion:	Chair Stetson opened the discussion to items Ms. Sather and Ms. Hayes wanted to review from the AARO Conference.

Ms. Sather shared she spoke with some education providers in regards to what attracts them to apply with various states. The answer received was not an explanation of what, but a response that they were very interested in submitting applications to provide courses within our state. The education providers did come back the next day stating they were unable to proceed because of the fee. Within the state of Alaska our education application fee is \$400. They shared states they apply to in the lower 48 are anywhere from \$10 – \$100. Additionally, these education providers shared they could have 4 or 5 courses ready within a month if they were able to apply. Ms. Sather spoke to not knowing the background of the higher course application fee. With the recommendation of a fee analysis discussed earlier during the Division Update it might be of interest to review the cost of education course application fees to encourage additional education providers to apply within the state and provide additional options to our licensees. Board Members spoke to an interest in conducting a fee analysis and considering the cost of education course application fees.

Ms. Sather shared the Appraisal Subcommittee presented and one of the items they will be looking for is when work products are being reviewed that the reasoning is clearly documented as to why it was or was not approved. We do not currently have a checklist for when work products are reviewed. We have been taking communication from Board Members that it does or doesn't meet USPAP. It was suggested to create a checklist so that it is very clearly and formally documented that the work products were reviewed, as the Board does put in great time while reviewing. Mr. Kudryn spoke to using a field report currently used and adopting it to be a checklist for this purpose. Ms. Hayes volunteered to take on the project to create a checklist. Ms. Hayes asked about sharing her draft for other members to review. Ms. Sather suggested the draft come to her which can then be put on OnBoard for review.

Ms. Sather spoke to other states referencing the AQB Criteria within regulations instead of explicitly listing out x y and z criteria. This intrigued staff's attention as it would potentially save a lot of time. For example, the education regulations we have been working on might not have been necessary if regulations were written to accept AQB criteria as we would not have had to redefine education.

In addition to this, some states are automatically accepting education courses if they have CAP and IDECC approvals. AQB has positions dedicated to reviewing courses for the criteria. As our regulations are written the Board still requires Board review of courses whether they have CAP and IDECC approval or not.

Chair Stetson requested that these be on the next meeting agenda for continued discussion. She sees the benefit of saving time and efforts if items are already being independently reviewed. This will maximize time together, provide more efficiency, follow in lines with the Board's intent, and the Governor's current Order.

Ms. Hayes asked for the Board's permission to look into the Mississippi MPAT program. She would like to talk to them about what their fees would be for licensing in Alaska and what requirements would look like. Chair Stetson spoke to the benefits of the Board learning about other programs that are out there and having Ms. Hayes present her findings to the Board. The Board agreed that Ms. Hayes fact gathering would not be a

conflict or an ethical concern. The Board continues to prioritize supporting entry into the profession.

Ms. Hayes spoke to formally requesting Chair Stetson to continue her position as Chair. Ms. Hayes spoke to the wealth of knowledge and skills Chair Stetson brings to the Board. If Ms. Hayes did not step into the Chair position it would allow her to work on some projects she would like to address and feels she would be unable to work on if in the Chair position.

Ms. Hayes spoke to adding additional seats to the Board. To have multiple Residential, General, and Lender seats. Ms. Hayes also suggested to consider adding additional seat types, such as other states who have Brokers, Assessors, and Investigators. The workload that each current seat holds was also discussed. The limited seats currently requires each person to hold large workloads. The impact this has on licensees and applicants was discussed. The Board is in agreement that this is a topic they would like to continue to discuss and remedy.

Ms. Hayes would like to discuss a disciplinary matrix as well as accepting out of state and mass appraisal experience within the next meeting, due to time limitations within today's meeting. Through the AARO Conference Ms. Hayes had discussions with other states and they are accepting out of state experience and mass appraisal experience.

Ms. Hayes spoke to the numerous topics within the AARO Conference regarding "Ghosting" where appraisers are not completing assignments and/or not communicating with their lenders/clients. She spoke to the presented call for the Boards to stop ignoring these by saying there is nothing we can do. Through AARO presenters it was stated to lean on the Ethics Rule in USPAP to enforce professionalism. Ms. Hayes clarified; she is not speaking about a few days late but to gross unprofessionalism. Ms. Hayes continued to share the Consumer Protection Agency has now created a department for the number of complaints they are receiving regarding appraisers abandoning their commitments and home buyers losing their rate locks or even houses due to this unprofessional behavior. The Board discussed they do not think we have a lot of terrible people, but it comes to the shortage of appraisers which results in a large workload and appraisers being overwhelmed. It was also discussed that Alaska is a challenging place for appraisals due to the diversity and location and assignment types.

Ms. Hayes spoke to the topic being shared at AARO that the Federal Government is watching and if States do not take this more seriously they are looking at the potential of taking over the regulation of this profession.

Chair Stetson spoke to the importance of clearly reviewing the Ethics Rule to understand how clear it is in disciplining this. Ms. Hayes asked how does the Board go about notifying staff these are complaints they would like to review.

Chair Stetson suggested drafting a memorandum to the Investigators informing them of the Board's interest to review these complaints.

It was discussed that there might not be current known disciplinary procedures, however, licensees should be informed that this is a concern and something that the Board is going to start taking a closer look at enforcing.

Ms. Sather stated she can reach out to the Investigation Division to inquire about their

	process with these types of complaints. In regards to a letter to licensees, it would need to be a letter the Board drafts and approves to send out.	
Motion:	No motion necessary for this agenda item.	
Recorded Votes:	Ashlee Stetson -	
	Valery (Val) Kudryn -	
	William (Leon) McKean -	
	Mae Hayes -	
Action Items:	Requested items will be added to the next meeting agenda.	
	Staff will inquire with Investigations on current procedures regarding “Ghosting” complaints.	
12. Board Business		
Brief Discussion:	Ms. Sather asked if the Board would be interested in starting a ListServ, which is basically a newsletter that can be pushed out if there are any important notifications to licensees. This is voluntary for licensees to sign up for.	
	The Board expressed interest in starting this up and the importance of keeping licensees informed.	
	Mr. Kudryn clarified, in regards to creating the work product checklist, the form he was referencing was F2000 and would suggest changing incomplete/complete to something with rating such as strong/poor/ acceptable/unacceptable.	
	Additionally, Mr. Kudryn stated he is for adding more members to the Board, but would urge the Board to consider how adding additional seat types might skew any votes if they do not have appraiser understanding. Maybe to consider more licensee seats.	
Motion:	On a motion duly made by Mae Hayes, second by Val Kudryn, it was RESOVLED to include the State of Alaska Board of Real Estate Appraisers in the ListServ program that goes out to the public.	

Recorded Votes:	Ashlee Stetson - Y	
	Valery (Val) Kudryn - Y	
	William (Leon) McKean - Y	
	Mae Hayes - Y	
Action Items:	Staff will initiate establishing a ListServ for the Board of Real Estate Appraisers.	
<b>13. Adjourn</b>		
Brief Discussion:	No additional business to discuss at this time.	
Motion:	On a motion duly made by Val Kudryn, seconded by Leon McKean, it was RESOLVED to adjourn.	
Recorded Votes:	Ashlee Stetson - Y	
	Valery (Val) Kudryn - Y	
	William (Leon) McKean - Y	
	Mae Hayes - Y	
Action Items:	Meeting adjourns at 3:58 pm	

Next Meeting:	February 7, 2023 10 am via Zoom
Adjournment:	11/1/22 at 3:58 pm

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Ashlee Stetson, Chair

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Date

DRAFT

# Public Comment



## Division Update & Fee Analysis

Department of Commerce Community, and Economic Development  
Corporations, Business and Professional Licensing

Summary of All Professional Licensing  
Schedule of Revenues and Expenditures

Board of Certified Real Estate Appraisers	FY 16FY 17Biennium			FY 18FY 19Biennium			FY 20FY 21Biennium			FY 22FY 23 1st QTR	
<b>Revenue</b>											
Revenue from License Fees	\$ 49,440	\$ 272,590	\$ 322,030	\$ 76,010	\$ 190,565	\$ 266,575	\$ 80,550	\$ 207,770	\$ 288,320	\$ 62,165	\$ 17,135
General Fund Received							\$ -	\$ -	\$ -	\$ 9,845	\$ -
Allowable Third Party Reimbursements	-	5,827	5,827	1,534	4,314	5,848	\$ 2,559	\$ -	2,559	\$ 3,600	\$ -
TOTAL REVENUE	\$ 49,440	\$ 278,417	\$ 327,857	\$ 77,544	\$ 194,879	\$ 272,423	\$ 83,109	\$ 207,770	\$ 290,879	\$ 75,610	\$ 17,135
<b>Expenditures</b>											
Non Investigation Expenditures											
1000 - Personal Services	40,694	13,307	54,001	45,123	91,165	136,288	98,414	54,866	153,280	97,525	11,137
2000 - Travel	12,596	13,106	25,702	16,384	11,267	27,651	1,933	-	1,933	4,067	-
3000 - Services	3,008	5,288	8,296	7,445	10,666	18,111	30,418	13,957	44,375	2,247	45
4000 - Commodities	22	13	35	716	161	877	602	-	602	-	-
5000 - Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
Total Non-Investigation Expenditures	56,320	31,714	88,034	69,668	113,259	182,927	131,367	68,823	200,190	103,839	11,182
Investigation Expenditures											
1000-Personal Services	3,464	19,945	23,409	25,013	18,383	43,396	38,249	18,727	56,976	23,942	5,984
2000 - Travel					1,050	1,050	2,547	-	2,547	452	-
3023 - Expert Witness	-	-	-	3,485	1,050	4,535	4,050	2,850	6,900	-	-
3088 - Inter-Agency Legal	-	-	-	33	33	66	2,453	14,131	16,584	2,998	-
3094 - Inter-Agency Hearing/Mediation	-	-	-	217	-	217	-	65	65	-	-
3000 - Services other					633	633	111	22	133	880	-
4000 - Commodities					-	-	-	-	-	-	-
Total Investigation Expenditures	3,464	19,945	23,409	28,748	21,149	49,897	47,410	35,795	83,205	28,272	5,984
Total Direct Expenditures	59,784	51,659	111,443	98,416	134,408	232,824	178,777	104,618	283,395	132,111	17,166
Indirect Expenditures											
Internal Administrative Costs	9,900	9,222	19,122	15,708	20,705	36,413	21,754	15,657	37,411	18,655	4,664
Departmental Costs	8,446	7,009	15,455	13,293	21,286	34,579	17,090	10,445	27,535	16,760	4,190
Statewide Costs	3,280	2,319	5,599	7,826	11,964	19,790	18,005	10,101	28,106	15,268	3,817
Total Indirect Expenditures	21,626	18,550	40,176	36,827	53,955	90,782	56,849	36,203	93,052	50,683	12,671
TOTAL EXPENDITURES	\$ 81,410	\$ 70,209	\$ 151,619	\$ 135,243	\$ 188,363	\$ 323,606	\$ 235,626	\$ 140,821	\$ 376,447	\$ 182,794	\$ 29,837
<b>Cumulative Surplus (Deficit)</b>											
Beginning Cumulative Surplus (Deficit)	\$ 198,553	\$ 166,583		\$ 374,791	\$ 317,092		\$ 323,608	\$ 171,091		\$ 238,040	\$ 130,856
Annual Increase/(Decrease)	(31,970)	208,208		(57,699)	6,516		(152,517)	66,949		(107,184)	(12,702)
Ending Cumulative Surplus (Deficit)	\$ 166,583	\$ 374,791		\$ 317,092	323,608		\$ 171,091	\$ 238,040		\$ 130,856	\$ 118,154
<b>Statistical Information</b>											
Number of Licenses for Indirect calculation	287	346		342	298		345	370		390	
<b>Additional information:</b> • Fee analysis required if the cumulative is less than zero; fee analysis recommended when the cumulative is less than current year expenditures; no fee increases needed if cumulative is over the current year expenses * • Most recent fee change: Fee change FY19 • Annual license fee analysis will include consideration of other factors such as board and licensee input, potential investigation load, court cases, multiple license and fee types under one program, and program c											

Appropriation Name (Ex)	(Multiple Items)
Sub Unit	(All)
PL Task Code	APR1

Sum of Budgetary Expenditures	Object Type Name (Ex)		
Object Name (Ex)	1000 - Personal Services	3000 - Services	Grand Total
1011 - Regular Compensation	9,338.10		9,338.10
1014 - Overtime	19.74		19.74
1023 - Leave Taken	1,282.75		1,282.75
1028 - Alaska Supplemental Benefit	653.48		653.48
1029 - Public Employee's Retirement System Defined Benefits	203.79		203.79
1030 - Public Employee's Retirement System Defined Contribution	520.32		520.32
1034 - Public Employee's Retirement System Defined Cont Health Reim	420.43		420.43
1035 - Public Employee's Retirement Sys Defined Cont Retiree Medical	108.01		108.01
1037 - Public Employee's Retirement Sys Defined Benefit Unfnd Liab	1,385.22		1,385.22
1040 - Group Health Insurance	2,515.38		2,515.38
1042 - Worker's Compensation Insurance	85.24		85.24
1047 - Leave Cash In Employer Charge	372.73		372.73
1048 - Terminal Leave Employer Charge	42.42		42.42
1053 - Medicare Tax	149.62		149.62
1077 - ASEA Legal Trust	14.92		14.92
1079 - ASEA Injury Leave Usage	7.61		7.61
1080 - SU Legal Trst	1.07		1.07
3046 - Advertising		45.46	45.46
<b>Grand Total</b>	<b>17,120.83</b>	<b>45.46</b>	<b>17,166.29</b>

Department of Commerce Community, and Economic Development  
Corporations, Business and Professional Licensing

Summary of All Professional Licensing  
Schedule of Revenues and Expenditures

Board of Certified Real Estate Appraisers	FY 16			FY 17			Biennium			FY 18			FY 19			Biennium			FY 20			FY 21			Biennium			FY 22			FY 23		
<b>Revenue</b>																																	
Revenue from License Fees																																	
General Fund Received																																	
Allowable Third Party Reimbursements																																	
<b>TOTAL REVENUE</b>																																	
<b>Expenditures</b>																																	
Non Investigation Expenditures																																	
1000 - Personal Services																																	
2000 - Travel																																	
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4000 - Commodities																																	
Total Investigation Expenditures																																	
<b>Total Direct Expenditures</b>																																	
Indirect Expenditures																																	
Internal Administrative Costs																																	
Departmental Costs																																	
Statewide Costs																																	
<b>Total Indirect Expenditures</b>																																	
<b>TOTAL EXPENDITURES</b>																																	
<b>Cumulative Surplus (Deficit)</b>																																	
Beginning Cumulative Surplus (Deficit)																																	
Annual Increase/(Decrease)																																	
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Appropriation Name (Ex)	(Multiple Items)
Sub Unit	(All)
PL Task Code	APR1

Sum of Budgetary Expenditures	Object Type Name (Ex)				
Object Name (Ex)	1000 - Personal Services	2000 - Travel	3000 - Services	4000 - Commodities	Grand Total
1011 - Regular Compensation	21,054.00				21,054.00
1014 - Overtime	570.40				570.40
1016 - Other Premium Pay	36.59				36.59
1023 - Leave Taken	2,482.19				2,482.19
1028 - Alaska Supplemental Benefit	1,482.62				1,482.62
1029 - Public Employee's Retirement System Defined Benefits	924.19				924.19
1030 - Public Employee's Retirement System Defined Contribution	1,081.74				1,081.74
1034 - Public Employee's Retirement System Defined Cont Health Reim	867.05				867.05
1035 - Public Employee's Retirement Sys Defined Cont Retiree Medical	224.41				224.41
1037 - Public Employee's Retirement Sys Defined Benefit Unfnd Liab	2,887.49				2,887.49
1040 - Group Health Insurance	7,387.83				7,387.83
1042 - Worker's Compensation Insurance	193.58				193.58
1047 - Leave Cash In Employer Charge	751.43				751.43
1048 - Terminal Leave Employer Charge	168.86				168.86
1053 - Medicare Tax	338.07				338.07
1077 - ASEA Legal Trust	37.53				37.53
1079 - ASEA Injury Leave Usage	7.61				7.61
1080 - SU Legal Trst	1.25				1.25
2012 - Out-State Employee Airfare			-		-
2013 - Out-State Employee Surface Transportation			52.91		52.91
2014 - Out-State Employee Lodging			-		-
2015 - Out-State Employee Meals and Incidentals			434.50		434.50
3000 - Training/Conferences				-	-
3045 - Postage				17.00	17.00
3046 - Advertising				616.46	616.46
3085 - Inter-Agency Mail				121.85	121.85
3088 - Inter-Agency Legal				1,551.83	1,551.83
4006 - I/A Commodity Purchases				10.00	10.00
<b>Grand Total</b>	<b>40,496.84</b>	<b>487.41</b>	<b>2,307.14</b>	<b>10.00</b>	<b>43,301.39</b>

# Investigations



THE STATE  
of **ALASKA**

Department of Commerce, Community,  
and Economic Development

DIVISION OF CORPORATIONS, BUSINESS AND  
PROFESSIONAL LICENSING

550 West Seventh Avenue, Suite 1500  
Anchorage, AK 99501-3567  
Main: 907.269.8160  
Fax: 907.269.8156

**MEMORANDUM**

DATE: January 24, 2023  
TO: Board of Certified Real Estate Appraisers  
THRU: Greg Francois, Chief Investigator ELP  
FROM: Anna Gabriel, Investigator *AG*  
RE: Investigative Report for the February 07, 2023 Meeting

The following information was compiled as an investigative report to the Board for the period of October 26, 2022 thru January 24, 2023; this report includes cases, complaints, and intake matters handled since the last report.

Matters opened by the Paralegals in Anchorage and Juneau, regarding continuing education audits and license action resulting from those matters are covered in this report.

**OPEN - 4**

<u>Case Number</u>	<u>Violation Type</u>	<u>Case Status</u>	<u>Status Date</u>
<b>REAL ESTATE APPRAISER</b>			
2021-000853	Violation of licensing regulation	Complaint	10/14/2021
2021-001048	Violation of licensing regulation	Complaint	11/22/2021
2022-001048	Violation of licensing regulation	Complaint	11/17/2022
2022-001192	Violation of licensing regulation	Complaint	12/22/2022

**Closed - 7**

<u>Case #</u>	<u>Violation Type</u>	<u>Case Status</u>	<u>Closed</u>	<u>Closure</u>
<b>REAL ESTATE APPRAISER</b>				
2022-001029	Unlicensed practice or activity	Closed-Intake	11/28/2022	Incomplete Complaint

2022-001051	License application problem	Closed-Intake	10/27/2022	Review Complete
2022-001081	License application problem	Closed-Intake	11/09/2022	Review Complete
2022-001112	Violation of licensing regulation	Closed-Intake	12/20/2022	Incomplete Complaint
2023-000061	License application problem	Closed-Intake	01/17/2023	Review Complete
2019-001261	Violation of licensing regulation	Closed-Investigation	01/18/2023	License Action
2022-000839	License application problem	Closed-Investigation	11/23/2022	Advisement Letter

***END OF REPORT***



**Consideration of AQB, CAP, IDECC Automatic Acceptance**  
**-Regulations from Pennsylvania, South Carolina, and Utah as**  
**examples**  
**-AQB CAP Policies**  
**-AQB Criteria**

## § 36.2. Application process.

(a) *Application form.* An individual who applies for licensure as a licensed appraiser trainee or for certification as a certified residential real estate appraiser or a certified general real estate appraiser shall do all of the following:

- (1) Submit an application to the Board on a form provided by the Board.
- (2) Submit an official criminal history record information check from the State Police or other state agency for every state in which the candidate has lived or worked during the past 5 years. A report must be dated within 90 days of the date of application.
- (3) Pay the required application fee in the amount prescribed in § 36.6 (relating to fees).
- (4) Satisfy the requirements for licensure or certification in this subchapter.
- (5) Satisfy the requirements in the AQB Qualification Criteria.

(b) *Application fee.* The payment of a fee for processing an application is nonrefundable and must satisfy the following conditions:

- (1) The application fee must be in the amount in § 36.6.
- (2) Payment of the application fee must be in the form of a personal check or money order payable to “Commonwealth of Pennsylvania” or an electronic payment in a form or method approved by the Commissioner of Professional and Occupational Affairs.

(c) *Approved applications.* Residential real estate appraiser and general real estate appraiser certification applications approved by the Board are subject to all of the following conditions:

(1) Approval by the Board of an initial application for certification as a residential real estate appraiser or a general real estate appraiser constitutes approval to take the examination approved by the AQB with all of the following limitations:

- (i) Approval of the application will be valid for 1 year from the date of approval.
- (ii) Approval of the application will be subject to subsection (e).
- (iii) If an applicant does not pass the certification examination approved by the AQB within 1 year of the date of approval, the application will be deemed to be withdrawn.

(iv) If an applicant wishes to take the certification examination approved by the AQB more than 1 year after the date of approval of an application, the applicant shall file a new application that complies with subsections (a) and (b).

(2) Approval by the Board of an application for licensure as an appraiser trainee, certification as a residential real estate appraiser or certification as a general real estate appraiser under section 7 of the act (63 P.S. § 457.7), regarding reciprocity, constitutes approval to issue a license or certificate to the applicant.

(d) *Disapproved applications.* Subject to subsection (e), an applicant for licensure as an appraiser trainee, certification as a residential real estate appraiser or certification as a general real estate appraiser whose application has been disapproved by the Board will be notified in writing of the reasons for the disapproval, and will have 1 year from the date of disapproval to correct the deficiencies or to file a request for reconsideration.

(1) A request for reconsideration must give the reason for the applicant's request, must be accompanied by documentary materials not previously submitted which the applicant wishes the Board to consider and may include a request for an informal interview with the Board.

(2) If a request for reconsideration is denied or, subject to subsection (e), an applicant is unable to correct the deficiencies which resulted in the disapproval of the application within 1 year from the date of disapproval, a new application, along with the required fee, shall be submitted to the Board.

(e) *Compliance with new requirements.*

(1) *Residential real estate appraiser and general real estate appraiser applicants.* Except as otherwise provided in § § 36.11 and 36.12 (relating to qualifications for certification as residential real estate appraiser; and qualifications for certification as general real estate appraiser) or as required by the AQB Qualification Criteria, an applicant for certification as a residential real estate appraiser or general real estate appraiser shall comply with any increased education or experience requirements that take effect between the applicant's filing of an initial application and the applicant's passing the certification examination.

(2) *Appraiser trainee applicants.* Except as otherwise provided in § 36.12a (relating to qualifications for licensure as appraiser trainee), or as required by the AQB Qualification Criteria, an applicant for licensure as an appraiser trainee shall comply with any increased education requirement that takes effect between the applicant's filing of an application that is disapproved and the applicant's filing of a new application.

(f) *Notification of AQB Qualification Criteria changes.*

(1) Whenever the AQB adopts changes to the AQB Qualification Criteria, the Board will:

(i) Post a notice on the Board's web site.

(ii) Notify licensees by means of e-mail.

(iii) Announce the AQB Qualification Criteria changes at the next scheduled Board meeting.

(2) The Board may in its discretion publish notice of AQB Qualification Criteria changes in the *Pennsylvania Bulletin*.

### **§ 36.11. Qualifications for certification as residential real estate appraiser.**

(a) *General qualifications.* An applicant for certification as a residential real estate appraiser shall:

(1) Be of good moral character.

(2) Satisfy the education and experience requirements prescribed by this section prior to the date of examination.

(3) Pass an AQB-approved examination for certification as a residential real estate appraiser.

(4) Satisfy the requirements in the AQB Qualification Criteria for certification as a residential real estate appraiser.

(b) *Appraisal classroom hours.* An applicant for certification as a residential real estate appraiser shall submit evidence to the Board of having completed the classroom hours required by the AQB Qualification Criteria as of the date of the application.

(1) *Length of classroom hour and courses; course examination requirement.*

(i) The length of classroom hours and courses must comply with the requirements in the AQB Qualification Criteria.

(ii) Credit toward the classroom hour requirement will be granted only if the applicant successfully completes an examination pertinent to the course and attends at least the minimum length of time, as required by the AQB Qualification Criteria, to receive course credit.

(iii) The course examination must comply with the requirements in the AQB Qualification Criteria.

(2) *Providers of appraisal courses.* Credit for the classroom hour requirement may be obtained from types of providers set forth in the AQB Qualification Criteria subject to the following:

(i) Credit for the classroom hour requirement may be obtained from accredited colleges or universities and community or junior colleges.

(ii) Real estate appraisal or real estate related organizations, State or Federal agencies or commissions, proprietary schools, and other providers are subject to Board approval under § 36.31 (relating to provider registration/appraisal courses).

(3) *Distance education.* Distance education courses must comply with the requirements in the AQB Qualification Criteria. A distance education course is acceptable to meet the classroom hour requirement if the course is approved by the Board and meets all of the following conditions:

(i) The course is presented by one of the following:

(A) An accredited (Commission on Colleges or a regional accreditation association) college or university that offers distance education programs in other disciplines.

(B) A course provider that has received approval for course design and delivery mechanism from the IDECC and approval for course content from the Board or from the AQB through its Course Approval Program.

(ii) The applicant successfully completes a written examination proctored by an official approved by the college, university or other course provider.

(iii) The length and content of the course meet the requirements of paragraph (1) and subsection (c), respectively.

(c) *Content of appraisal education.*

(1) The content of an applicant's appraisal education must comply with the qualifying education requirements in the AQB Qualification Criteria and as specified in the Required Core Curriculum in the AQB Qualification Criteria.

(2) All courses must consist of instruction in the subject areas in Guide Note 1 of the AQB Qualification Criteria or any successor Guide Note.

(d) *Postsecondary education.* An applicant for certification as a residential real estate appraiser shall satisfy the postsecondary education requirements in the AQB Qualification Criteria.

(e) *Experience.* An applicant's experience must comply with all of the following:

(1) An applicant for certification as a residential real estate appraiser shall satisfy the experience requirements in the AQB Qualification Criteria.

(2) At least 75% of the total experience requirement shall be in the actual preparation of real estate appraisal reports, which includes physical inspections of the interior and exterior of the

subject properties, in accordance with § 36.13 (relating to experience options for preparation of appraisal reports; experience logs).

(3) Effective January 1, 2008, experience must be acquired after January 30, 1989, and must comply with USPAP. Experience acquired after August 2, 1993, will not be accepted unless the applicant completed 45 classroom hours of appraisal education, including 15 hours on USPAP prior to acquiring the experience. Effective January 1, 2020, experience credit may be obtained only by individuals who possess a license as an appraiser trainee.

(4) Acceptable categories of appraisal experience include all of the following:

(i) Fee and staff appraisals.

(ii) Ad valorem tax appraisals, if the applicant can demonstrate that the applicant used techniques to value properties similar to those used by appraisers and that the applicant effectively used the appraisal process.

(iii) Review appraisals.

(iv) Appraisal analysis (synonymous with an appraisal).

(v) Real estate counseling, if the counselor can satisfactorily demonstrate that:

(A) The client clearly asked for counseling services.

(B) The client was informed that the counselor's time would be devoted to counseling services, which are separate from other real estate functions such as appraising, sales management and mortgage lending.

(C) A file memorandum was prepared on each assignment indicating the nature of the assignment, recommendations and disposition.

(D) Compensation for the counseling services was separate from other real estate services rendered.

(vi) Highest and best use analysis.

(vii) Feasibility analysis/study.

(viii) Real estate related experience such as that of an officer of a lending institution, if the experience consists of the actual performance or professional review of real estate appraisals.

(ix) Evaluations under FIRREA in accordance with requirements of Federal financial institution regulatory agencies.

(x) Case studies or practicum courses that are approved by the AQB Course Approval Program.

### § 36.12. Qualifications for certification as general real estate appraiser.

(a) *General qualifications.* An applicant for certification as a general real estate appraiser shall:

- (1) Be of good moral character.
- (2) Satisfy the education and experience requirements prescribed by this section as of the date of the examination.
- (3) Pass an AQB-approved examination for certification as a general real estate appraiser.
- (4) Satisfy all the requirements in the AQB Qualification Criteria for certification as a general real estate appraiser.

(b) *Appraisal classroom hours.* An applicant for certification as a general real estate appraiser shall submit evidence to the Board of having completed the classroom hours required by the AQB Qualification Criteria as of the date of application.

(1) *Length of classroom hour and courses; course examination requirement.*

(i) The length of classroom hours and courses must comply with the requirements in the AQB Qualification Criteria.

(ii) Credit toward the classroom hour requirement will be granted only if the applicant successfully completes an examination pertinent to the course and attends at least the minimum length of time, as required by the AQB Qualification Criteria, to receive course credit.

(iii) The course examination must comply with the requirements in the AQB Qualification Criteria.

(2) *Providers of appraisal courses.* Credit for the classroom hour requirement may be obtained from the types of providers set forth in the AQB Qualification Criteria subject to all of the following:

(i) Credit for the classroom hour requirement may be obtained from accredited colleges or universities and community or junior colleges.

(ii) Real estate appraisal or real estate related organizations, State or Federal agencies or commissions, proprietary schools, and other providers are subject to Board approval under § 36.31 (relating to provider registration/appraisal courses).

(3) *Distance education.* Distance education courses must comply with the requirements in the AQB Qualification Criteria. A distance education course is acceptable to meet the classroom hour requirement if the course is approved by the Board, and meets all of the following conditions:

(i) The course is presented by one of the following:

(A) An accredited (Commission on Colleges or a regional accreditation association) college or university that offers distance education programs in other disciplines.

(B) A course provider that has received approval for course design and delivery mechanism from the IDECC and approval for course content from the Board or from the AQB through its Course Approval Program.

(ii) The applicant successfully completes a written examination proctored by an official approved by the college, university or other course provider.

(iii) The length and content of the course meet the requirements of paragraph (1) and subsection (c), respectively.

(c) *Content of appraisal education.*

(1) The content of an applicant's appraisal education must comply with the qualifying education requirements in the AQB Qualification Criteria and as specified in the Required Core Curriculum in the AQB Qualification Criteria.

(2) All courses must consist of instruction in the subject areas outlined in Guide Note 1 of the AQB Qualification Criteria or any successor Guide Note.

(d) *Postsecondary education.* An applicant for certification as a general real estate appraiser shall satisfy the postsecondary education requirements in the AQB Qualification Criteria.

(e) *Experience.* An applicant's experience must comply with all of the following:

(1) An applicant for certification as a general real estate appraiser shall satisfy the experience requirements in the AQB Qualification Criteria.

(2) At least 50% of the total experience requirement must be in the actual preparation of real estate appraisal reports, which includes physical inspections of the interior and exterior of the subject properties, in accordance with § 36.13 (relating to experience options for preparation of appraisal reports; experience logs).



(3) Effective January 1, 2008, experience must be acquired after January 30, 1989, and must comply with USPAP. Experience acquired after August 2, 1993, will not be accepted unless the applicant completed 45 classroom hours of appraisal education, including 15 hours on USPAP prior to acquiring the experience. Effective January 1, 2020, experience credit can be obtained only by individuals who possess a license as an appraiser trainee or a certification as a residential real estate appraiser.

(4) Acceptable categories of appraisal experience include:

(i) Fee and staff appraisals.

(ii) Ad valorem tax appraisals, if the applicant can demonstrate that the applicant used techniques to value properties similar to those used by appraisers and that the applicant effectively used the appraisal process.

(iii) Review appraisals.

(iv) Appraisal analysis (synonymous with an appraisal).

(v) Real estate counseling, if the counselor can satisfactorily demonstrate that:

(A) The client clearly asked for counseling services.

(B) The client was informed that the counselor's time would be devoted to counseling services, which are separate from other real estate functions such as appraising, sales management and mortgage lending.

(C) A file memorandum was prepared on each assignment, indicating the nature of the assignment, recommendations and disposition.

(D) Compensation for the counseling services was separate from other real estate services rendered.

(vi) Highest and best use analysis.

(vii) Feasibility analysis/study.

(viii) Real estate experience such as that of an officer of a lending institution, if the experience consists of the actual performance or professional review of real estate appraisals.

(ix) Evaluations under FIRREA in accordance with requirements of Federal financial institution regulatory agencies.

(x) Case studies or practicum courses that are approved by the AQB Course Approval Program

### § 36.12a. Qualifications for licensure as appraiser trainee.

(a) *General qualifications.* An applicant for licensure as an appraiser trainee shall:

- (1) Be of good moral character.
- (2) Satisfy the education requirements prescribed by this section.
- (3) Complete a course that, at a minimum, complies with the specifications for course content established by the AQB Qualification Criteria, which is specifically oriented to the requirements and responsibilities of supervisory appraisers and licensed appraiser trainees.
- (4) Satisfy the requirements in the AQB Qualification Criteria for licensure as an appraiser trainee.

(b) *Appraisal classroom hours.* An applicant for licensure as an appraiser trainee shall comply with the qualifying educational standards required by the AQB Qualification Criteria.

(1) *Content of appraisal education.*

(i) The content of an applicant's appraisal education must comply with the qualifying education requirements in the AQB Qualification Criteria.

(ii) All courses must consist of instruction in the subject areas outlined in Guide Note 1 of the AQB Qualification Criteria or any successor Guide Note.

(2) *Length of classroom hour and courses; course examination requirement.* The length of classroom hours and course requirements must comply with all of the following:

(i) The length of classroom hours and courses must comply with the requirements in the AQB Qualification Criteria.

(ii) Credit toward the classroom hour requirement will be granted only when the applicant successfully completes an examination pertinent to the course and attends at least the minimum length of time, as required by the AQB Qualification Criteria, to receive course credit.

(iii) The course examination must comply with the requirements in the AQB Qualification Criteria.

(3) *Providers of appraisal courses.* Credit for the classroom hour requirement may be obtained from the types of providers set forth in the AQB Qualification Criteria subject to all of the following:

(i) Credit for the classroom hour requirement may be obtained from accredited colleges or universities and community or junior colleges.

(ii) Real estate appraisal or real estate related organizations, State or Federal agencies or commissions, proprietary schools, and other providers are subject to Board approval under § 36.31 (relating to provider registration/appraisal courses).

(4) *Distance education.* Distance education courses **must comply with the requirements in the AQB Qualification Criteria**. A distance education course is acceptable to meet the classroom hour requirement if the course is approved by the Board and meets all of the following conditions:

(i) The course is presented by one of the following:

(A) An accredited (Commission on Colleges or a regional accreditation association) college or university that offers distance education programs in other disciplines.

(B) A course provider that has received approval for course design and delivery mechanism from **the IDECC and approval for course content from the Board or from the AQB through its Course Approval Program**.

(ii) The applicant successfully completes a written examination proctored by an official approved by the college, university or other course provider.

(iii) The content and classroom hours of the course meet the requirements of paragraphs (1) and (2).

(c) *Noneligibility for licensure.* A certified real estate appraiser is not eligible to be licensed as an appraiser trainee.

(d) *Limitation on license renewal.* An appraiser trainee license may not be biennially renewed more than four times unless the Board, for good cause shown and on a case-by-case basis, should determine that one or more additional renewals is warranted.

### **§ 36.41. Continuing education requirement.**

(a) Continuing education for certified real estate appraisers and licensed appraiser trainees is necessary to ensure that they maintain and increase their skill, knowledge and competency in real estate appraising. Except as provided in subsection (b), certified real estate appraisers and licensed appraiser trainees **shall satisfy the continuing education requirements in the AQB**

**Qualification Criteria**, which must include at least 2 hours on the act, this chapter and the policies of the Board during each biennial renewal period as a condition of renewal of certification for the next biennial renewal period.

(b) A certified general real estate appraiser, residential real estate appraiser or licensed appraiser trainee whose initial certification or license becomes effective between January 1 and June 30 of a biennial renewal year will not be required to furnish proof of continuing education as a condition of renewal of certification in that biennial renewal year.

### 137–100.02. Qualifications.

(A) In order to qualify as a state apprentice, licensed or certified appraiser, an applicant must meet the requirements set forth below, as well as any requirements established by the Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB) of the Appraisal Foundation, as subsequently endorsed by the Appraisal Subcommittee pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989.

(B) In order to qualify as an apprentice appraiser, an applicant:

(1) must have received 75 hours of Core Curriculum prescribed by the AQB in qualifying education covering thirty (30) hours in Basic Appraisal Principles, thirty (30) hours in Basic Appraisal Procedures, and fifteen (15) hours in National Uniform Standards of Professional Appraisal Practice or its equivalent as determined by the AQB;

(2) must attend a trainee/supervisor orientation conducted in compliance with AQB requirements.

(C) In order to qualify to become a state licensed real estate appraiser, an applicant:

(1) must have received one hundred fifty (150) hours of Core Curriculum prescribed by the AQB in qualifying education covering thirty (30) hours in Basic Appraisal Principles, thirty (30) hours in Basic Appraisal Procedures, fifteen (15) hour National Uniform Standards of Professional Appraisal Practice or its equivalent as determined by the AQB, fifteen (15) hours in Market Analysis and Highest and Best Use, fifteen (15) hours in Appraiser Site Valuation and Cost Approach, thirty (30) hours in Sales Comparison and Income Approaches, and fifteen (15) hours in Report Writing and Case Studies.

(2) Applicants for the Licensed appraiser classification must hold a high school diploma or certificate of equivalency.

(3) must have earned a minimum of one thousand (1,000) hours of appraisal experience in appraising either residential or nonresidential properties. However, the maximum number of hours which an applicant can earn in review (field, documentary, or desk) appraisal experience is limited to five hundred (500) hours. Qualifying experience must be obtained after January 1, 1992, be in appraisal work conforming to USPAP Standards where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), reporting conclusions, sufficient to demonstrate competency in all USPAP requirements; and

(4) must have at least six (6) months of real estate appraisal experience commencing as of the date that the first assignment is completed after the initial license is issued; and

(5) must stand for and pass an exam administered or approved by the Board. An applicant who does not become licensed within two years after passing the examination must retake the examination.

(D) In order to qualify to become a state certified residential real estate appraiser, an applicant:

(1) must have received two hundred (200) hours of Core Curriculum prescribed by the AQB in qualifying education covering thirty hours in Basic Appraisal Principles, thirty (30) hours in Basic Appraisal Procedures, fifteen (15) hour National Uniform Standards of Professional Appraisal Practice or its equivalent as determined by the AQB, fifteen (15) hours in Market Analysis and Highest and Best Use, fifteen (15) hours in Appraiser Site Valuation and Cost Approach, thirty (30) hours in Sales Comparison and Income Approaches, fifteen (15) hours in Report Writing and Case Studies, fifteen (15) hours in Statistics, Modeling, and Finance, fifteen (15) hours in Advanced Applications and Case Studies, and twenty (20) hours in appraisal subject matter electives;

(2) must have maintained a Licensed Appraiser credential for a minimum of five (5) years and have no record of any disciplinary action affecting the Licensed Appraiser's legal eligibility to engage in appraisal practice within the previous five (5) years, or must hold a Bachelor's degree or higher, or an Associate's degree in a field of study related to Business Administration, Accounting, Finance, Economics or Real Estate from an accredited college, community college, or university. In lieu of the degree requirement, an applicant for the certified residential appraiser credential shall successfully

complete thirty (30) semester hours of college-level education from an accredited college, junior college, community college or university in the following topic areas:

English Composition (3 hours)

Microeconomics (3 hours)

Macroeconomics (3 hours)

Finance (3 hours)

Algebra, Geometry or Higher Math (3 hours)

Statistics (3 hours)

Computer Science (3 hours)

Business or Real Estate Law (3 hours)

Two elective courses in any of the above topics, or in Accounting, Geography, Agricultural Economics, Business Management or Real Estate (3 hours each)

The college or university must be a degree-granting institution accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the U.S. Secretary of Education. If an accredited college or university accepts the College-Level Examination Program (CLEP) examination(s) and issues a transcript for the exam, showing its approval, it will be considered as credit for the college course.

(3) must have earned a minimum of one thousand five hundred (1,500) hours of appraisal experience in appraising either residential or nonresidential properties. However, the maximum number of hours which an applicant can earn in review (field, documentary, or desk) appraisal experience is limited to seven hundred fifty (750) hours. Qualifying experience must be obtained after January 1, 1992, be in appraisal work conforming to USPAP Standards where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), reporting conclusions, and be of a variety sufficient to demonstrate competency in all USPAP requirements;

(4) must have at least twelve (12) months of real estate appraisal experience commencing as of the date that the first assignment is completed after the initial license is issued; and

(5) must stand for and pass an exam administered or approved by the Board. An applicant who does not become certified within two years after passing the examination must retake the examination to qualify for residential certification.

(E) In order to qualify to become a state certified general real estate appraiser, an applicant:

(1) must have received three hundred (300) hours of Core Curriculum **prescribed by the AQB** in qualifying education covering thirty (30) hours in Basic Appraisal Principles, thirty (30) hours in Basic Appraisal Procedures, fifteen (15) hour National Uniform Standards of Professional Appraisal Practice or its equivalent as determined by the AQB, thirty (30) hours in General Appraiser Market Analysis and Highest and Best Use, fifteen (15) hours in Statistics, Modeling, and Finance, thirty (30) hours in General Appraiser Sales Comparison Approach, at least thirty (30) hours in General Appraiser Site Valuation and Cost Approach, sixty (60) hours in General Appraiser Income Approach, thirty (30) hours in General Appraiser Report Writing and Case Studies, and thirty (30) hours in appraisal subject matter electives;

(2) must hold a Bachelors degree or higher from an accredited college or university;

(3) must have earned a minimum of three thousand hours of appraisal experience, fifty (50%) percent of which must come from appraising nonresidential properties. The maximum number of hours which an applicant can earn in review (field, documentary, or desk) appraisal experience is limited to one thousand five hundred (1,500) hours. Qualifying experience must be obtained after January 1, 1992, be in appraisal work conforming to USPAP Standards where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), reporting conclusions, sufficient to demonstrate competency in all USPAP requirements;

(4) must have at least eighteen (18) months of real estate appraisal experience commencing as of the date that the first assignment is completed after the initial license is issued; and

(5) must stand for and pass an exam administered or approved by the Board. An applicant who does not become certified within two years after passing the examination must retake the examination to qualify for general certification.

(F) Courses taken in satisfying the qualifying education requirements should not be repetitive in nature. Each course credited toward the required number of qualifying education hours should represent a progression in which the appraiser's knowledge is increased.

(G) The Board may waive the examination requirements for those applicants who are currently licensed or certified in another state upon proof that the applicant has successfully passed an Appraisal Qualifications Board approved exam which served as a requirement for licensure or certification in the state where he is currently licensed or certified.

## Utah

<https://adminrules.utah.gov/public/rule/R162-2g/Current%20Rules#>

### **R162-2g-302. Application for Trainee Registration.**

(1) Registration required.

(a) Except for an individual who successfully completes an AQB-approved Licensed Residential PAREA module, an individual who intends to obtain a license to practice as a state-licensed appraiser shall first register with the division as a trainee. An individual who successfully completes an AQB-approved Licensed Residential PAREA module need not register as a trainee before making application to sit for the state-licensed appraiser exam.

(b) The division and the board shall not award or recognize experience hours toward licensure for any appraisal work that is performed by an individual during a period when the individual is not registered as a trainee.

(2) Character. An individual registering with the division as a trainee shall evidence honesty, integrity, and truthfulness.

(a) A trainee applicant shall be denied registration for:

(i) a felony that resulted in:

(A) a conviction occurring within five years of the date of application; or

(B) a jail or prison release date falling within five years of the date of application; or

(ii) a misdemeanor involving fraud, misrepresentation, theft, or dishonesty that resulted in:

(A) a conviction occurring within three years of the date of application; or

(B) a jail or prison release date falling within three years of the date of application.

(b) A trainee applicant may be denied registration upon consideration of the following:

(i) criminal convictions and pleas entered at any time before the date of application;

(ii) the circumstances that led to any criminal convictions or pleas under consideration;

(iii) past acts related to honesty, with particular consideration given to any such acts involving the appraisal business;

(iv) dishonest conduct that would be grounds under Utah law for sanctioning an existing licensee;

(v) civil judgments in lawsuits brought on grounds of fraud, misrepresentation, or deceit;

(vi) court findings of fraudulent or deceitful activity in civil lawsuits;

(vii) evidence of non-compliance with court orders or conditions of sentencing;

(viii) evidence of non-compliance with terms of a probation agreement, plea in abeyance, or diversion agreement; and

(ix) failure to pay taxes or child support obligations.

(3) An individual registering with the division as a trainee shall evidence competency. In evaluating an applicant for competency, the division and board may consider any evidence, including the following:

(a) civil judgments, with particular consideration given to any such judgments involving the appraisal business;

(b) failure to satisfy a civil judgment that has not been discharged in bankruptcy;

(c) the extent and quality of the applicant's training and education in appraisal;

(d) the extent of the applicant's knowledge of the Utah Real Estate Appraiser Licensing and Certification Act;

(e) evidence of disregard for licensing laws;

(f) evidence of drug or alcohol dependency; and

(g) the amount of time that has passed since any incident under consideration.

(4) Pre-licensing education.

(a) Within the five-year period preceding the date of application, an applicant shall successfully complete 81 hours:

(i) approved by the AQB; and

(ii)(A) certified by the division pursuant to Subsections R162-2g-307c(1) through (3); or

(B) not required to be certified by the division pursuant to Subsection R162-2g-307c(6).

(b) The 81 hours of required education shall include:

(i) 30 hours of appraisal principles;

(ii) 30 hours of appraisal procedures;

(iii) the 15-hour National USPAP course, or its equivalent; and

(iv) the six-hour Utah appraiser supervisor and trainee course.

(c) The 15-hour National USPAP Course or its equivalent may not be accepted by the division as qualifying education unless it is:

(i) taught by an instructor who:

(A) is a state-certified residential or state-certified general appraiser; and

(B) has been certified by the AQB; or

(ii) approved as a distance education course by the AQB and International Distance Education Certification Center.

(d) A person who applies for trainee registration shall have successfully completed the division approved Supervisory Appraiser and Appraiser Trainee Course:

(i) as taught by a division-approved instructor; and

(ii) within the two-year period preceding the date of application.

(e) An applicant shall evidence having passed the final examination in required pre-licensing courses.

(5) An applicant shall submit the following to the division:



- (a) a completed application as provided by the division;
  - (b) course completion certificates for the 75 hours of pre-licensing education;
  - (c) a course completion certificate for the six-hour Utah appraiser supervisor and trainee course;
  - (d)(i) two fingerprint cards in a form acceptable to the division; or
  - (ii) evidence that the applicant's fingerprints have been successfully scanned at a testing center;
  - (e) the court documents related to any past criminal proceeding;
  - (f) complete documentation of any sanction taken against any license in any jurisdiction;
  - (g) a signed letter of waiver authorizing the division to:
    - (i) obtain the fingerprints of the applicant;
    - (ii) review past and present employment records;
    - (iii) review education records; and
    - (iv) conduct a criminal background check;
  - (h) the fee for the criminal background check;
  - (i) the name of the state-certified appraisers with whom the trainee is affiliated;
  - (j) the name and business address of any appraisal entity or government agency with which the trainee is affiliated; and
  - (k) the nonrefundable application fee.
- (6) A trainee applicant shall affiliate with at least one supervising certified appraiser and evidence that affiliation by:
- (a) identifying each supervising certified appraiser on a form supplied by the division; and
  - (b) obtaining each supervising certified appraiser's signature on the application.

**R162-2g-304a. Application to Sit for the State-Licensed Appraiser Exam.**

- (1) An applicant to sit for the state-licensed appraiser exam shall provide the following to the division:
  - (a) an application signed by the applicant and by each supervising certified appraiser with whom the applicant is affiliated;
  - (b) evidence of having successfully completed a state-licensed appraiser pre-licensing required core curriculum of 156 hours of qualifying education as described in Appendix 4, Table 1 and that has been certified by the division pursuant to Section R162-2g-307c;
  - (c) evidence of having completed the required experience; and
  - (d) a nonrefundable application fee.
- (2) Evidence of the experience required in Subsection (1)(c) shall include:
  - (a) the successful completion of an AQB-approved PAREA Licensed Residential Module; or
  - (b) division-approved experience forms documenting the total number of experience hours completed by the applicant from the date of trainee registration to the date of application for licensure under the supervision of one or more certified appraisers with whom the trainee is affiliated; and
  - (c) at least 1,000 hours of appraisal experience;
    - (i) completed pursuant to Section R162-2g-304d;
    - (ii) completed during the time when the applicant was registered with the division as a trainee; and
    - (iii) accrued in no fewer than:
      - (A) six months for applicants submitting experience primarily from Appendices 1 and 2; or
      - (B) 12 months for applicants submitting experience primarily from Appendix 3.
  - (3) PAREA participants must complete, as a prerequisite before beginning an AQB-approved PAREA training module, 156 hours of qualifying education as specified in the Required Core Curriculum for the Licensed Appraiser classification.
- (4) The pre-licensing curriculum required by Subsection (1)(b) shall be conducted by:
  - (a) a college or university;
  - (b) a community or junior college;
  - (c) a real estate appraisal or real estate related organization;
  - (d) a state or federal agency or commission;
  - (e) a proprietary school;
  - (f) a provider approved by a state certification and licensing agency; or
  - (g) the Appraisal Foundation or its boards.
- (5)(a) Upon determining that the applicant satisfies the education and experience requirements, the division shall issue to the applicant a form permitting the applicant to register for the examination.
- (b) Upon being approved to register for the examination pursuant to Subsection (5)(a), an applicant shall:
  - (i) return the examination application form to the testing service designated by the division; and
  - (ii) pay a nonrefundable examination fee to the testing service designated by the division.
- (c) The permission to register to sit for the examination shall be valid for 24 months after issuance.

**R162-2g-304b. Application to Sit for the State-Certified Residential Appraiser Exam.**

(1) An applicant to sit for the state-certified residential appraiser exam shall provide the following to the division:

(a) completed experience forms, as required by the division, evidencing at least 1,500 hours of appraisal experience, at least 500 of which:

(i) meet the requirements of Section R162-2g-304d;

(ii) are completed during the time when the applicant is licensed as a state-licensed appraiser:

(A) with the division; or

(B) in another state, if licensure was required in that state when the appraisal was performed; and

(iii) are accrued in no fewer than:

(A) for applicants submitting experience primarily from Appendices 1 and 2, six months from the date the applicant received the state-licensed appraiser credential; or

(B) for applicants submitting experience primarily from Appendix 3, 12 months from the date the applicant received the state-licensed appraiser credential; or

(b) evidence of having obtained;

(i) 1,500 experience hours by successfully completing the AQB-approved PAREA modules for both the Licensed Residential Module and the Certified Residential Module;

(ii) 1,000 experience hours by successfully completing the AQB-approved Licensed Appraiser PAREA Module, plus at least 500 hours of supervised appraisal experience that meets the requirements of Subsections (a)(i), (ii), and (iii); or

(iii) 500 experience hours by successfully completing the AQB-approved Certified Residential Appraiser PAREA Module, plus at least 1,000 hours of supervised appraisal experience, at least 500 of which meet the requirements as described in Subsections (a)(i), (ii), and (iii);

(c) evidence of having completed at least one of the following six education options:

(i) option 1: received a Bachelor's degree or higher in any field of study from an accredited college or university;

(ii) option 2: received an Associate's degree from an accredited college or university in a field of study related to:

(A) Business Administration;

(B) Accounting;

(C) Finance;

(D) Economics; or

(E) Real Estate;

(iii) option 3: successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:

(A) English composition: three semester hours;

(B) micro economics: three semester hours;

(C) macro economics: three semester hours;

(D) finance: three semester hours;

(E) algebra, geometry, or higher mathematics: three semester hours;

(F) statistics: three semester hours;

(G) computer science: three semester hours;

(H) business law or real estate law: three semester hours; and

(I) two elective courses in: accounting, geography, agricultural economics, business management, or real estate: three semester hours each;

(iv) option 4: successful completion of at least 30 hours of College Level Examination Program 7 (CLEP7) examinations from the following subject matter areas:

(A) College Algebra;

(B) College Composition;

(C) College Composition Modular;

(D) College Mathematics;

(E) Principals of Macroeconomics;

(F) Principals of Microeconomics;

(G) Introductory Business Law; and

(H) Principals of Management.

(v) option 5: any combination of option 3 and option 4 that includes the topics identified in option 3; or

(vi) option 6: no college-level education is required for appraisers who have held a state-licensed appraiser credential for a minimum of five years and have no record of any adverse, final, and non-appealable disciplinary action affecting the state-licensed appraiser's legal eligibility to engage in appraisal practice within the five years immediately preceding the date of application for a state-certified residential credential;

(d) evidence of having successfully completed a state-certified residential appraiser pre-licensing required core curriculum as described in Appendix 4, Table 1 and that has been certified by the division pursuant to Section R162-2g-307c; and

(e) except as provided in Subsection (5)(a), a nonrefundable application fee.

(2) The pre-licensing curriculum required by Subsection (1)(d) shall be provided by:

(a) a college or university;

(b) a community or junior college;

- (c) a real estate appraisal or real estate related organization;
  - (d) a state or federal agency or commission;
  - (e) a proprietary school;
  - (f) a provider approved by a state certification and licensing agency; or
  - (g) the Appraisal Foundation or its boards.
- (3) PAREA participants must complete, as a prerequisite before beginning an AQB-approved PAREA training module, 206 hours of qualifying education as specified in the Required Core Curriculum for the Certified Residential Real Property Appraiser classification.
- (4)(a) Upon determining that the applicant satisfies the education and experience requirements, the division shall issue to the applicant a form permitting the applicant to register for the examination.
- (b) Upon being approved to register for the examination pursuant to Subsection (4)(a), an applicant shall:
- (i) return the examination application form to the testing service designated by the division; and
  - (ii) pay a nonrefundable examination fee to the testing service designated by the division.
- The permission to register to sit for the examination shall be valid for 24 months after issuance.
- (5)(a) A state-licensed appraiser who, within six months of renewing the license, submits an application and consequently qualifies for certification shall not be required to pay the entire application fee but shall instead pay the difference between the renewal fee and the application fee.
- (b) A certification that is obtained under Subsection (5)(a) shall expire on the date that the license was due to expire before the granting of certification.

#### **R162-2g-304d. Experience Hours.**

- (1)(a) Except as provided in Subsection (1)(b), appraisal experience shall be measured in hours according to the appraisal experience hours schedules found in Appendices 1 through 3 or according to AQB-approved experience hours for PAREA modules.
- (b)(i) An applicant who has experience in categories other than those shown on the appraisal experience hours schedules or who believes the schedules do not adequately reflect the applicant's experience or the complexity or time spent on an appraisal, may petition the board on an individual basis for approval of the experience as being substantially equivalent to that required for licensure or certification.
- (ii) Upon a finding that an applicant's experience is substantially equivalent to that required for licensure or certification, the board may award the applicant an appropriate number of hours for the alternate experience.
- (2) Appraisal experience obtained pursuant to Appendices 1 through 3 are restricted as follows:
- (a) An applicant may not accrue more than 2,000 experience hours in any 12-month period.
  - (b) The board may not award credit for:
    - (i) appraisal experience earned more than five years before the date of application;
    - (ii) appraisals that were performed in violation of:
      - (A) Utah law;
      - (B) the law of another jurisdiction; or
      - (C) the administrative rules adopted by the division and the board;
    - (iii) appraisals that fail to comply with USPAP;
    - (iv) the performance of an evaluation as defined in the Real Estate Appraiser and Certification Act that does not comply with USPAP;
    - (v) appraisals of the value of a business as distinguished from the appraisal of commercial real estate;
    - (vi) personal property appraisals; or
    - (vii) an appraisal that fails to clearly and conspicuously disclose the contribution made by the applicant in completing the assignment.
  - (c) At least 50% of the appraisals submitted for experience credit shall be appraisals of properties located in Utah.
  - (d) With regard to experience hours claimed from the schedules found in Appendices 1 and 2, no more than 25% of the total experience required for licensure or certification may be earned from appraisals where the interior of the subject property is not inspected.
  - (e) A maximum of 50% of required experience hours may be earned from appraisal of vacant land.
  - (f) Experience gained through the successful completion of an AQB-approved PAREA module may, when approved, exceed 50% of the total experience requirement. Except for AQB-approved PAREA modules, experience gained for work without a traditional client may qualify for experience hours but may not exceed 50% of the total experience requirement. Work without a traditional client includes the following:
    - (i) a client hiring an appraiser for a business purpose; or
    - (ii) a practicum course so long as the course is approved by the AQB course approval program and, if the course is taught in Utah either live or by distance education, also approved by the division.
  - (g) An applicant may receive credit only for experience hours actually worked by the applicant and as limited by the maximum experience hours described in these rules.

# APPRAISER QUALIFICATIONS BOARD

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## THE APPRAISAL FOUNDATION

*Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications*

### **Course Approval Program Policies and Procedures**

**Effective January 1, 2017**

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## INTRODUCTION

The Appraiser Qualifications Board (AQB) of The Appraisal Foundation has established the Course Approval Program (CAP) at the request of and as a service to state appraiser regulatory agencies and providers of real estate appraisal education. The AQB hopes this voluntary program will provide a minimum level of acceptance for real estate appraisal education courses meeting the *Real Property Appraiser Qualification Criteria* as established by the AQB.

The AQB was assisted in the development of CAP by three special task forces consisting of persons with outstanding qualifications as appraisers, state regulators, education providers and/or appraisal educators. These individuals devoted many hours to this difficult task and we are deeply indebted to them for their efforts.

The adoption and implementation of the *Real Property Appraiser Qualification Criteria* created a need to better identify existing appraisal education content in light of the new criteria requirements. A course matrix was developed that will assist in analyzing what subject matter areas are addressed by existing education courses. This process will enable appraisers and state regulators to uniformly grant education hours to appraisers.

When developing CAP, consideration was given to both the current status of real estate appraisal education and to future educational offerings. As the real estate appraiser education qualification criteria continue to evolve, CAP will evolve accordingly.

Appraiser Qualifications Board

**APPRAISER QUALIFICATIONS BOARD  
COURSE APPROVAL PROGRAM  
POLICIES AND PROCEDURES**

**SECTION 1. PROGRAM PURPOSES/DEFINITIONS AND PARTICIPATION**

- A. The Appraiser Qualifications Board (AQB) of The Appraisal Foundation (TAF) establishes this COURSE APPROVAL PROGRAM (CAP) to offer a VOLUNTARY national system for the approval of real property appraisal courses of instruction that satisfy the education criteria established by the AQB for the licensure and certification of real estate appraisers pursuant to Title XI of the Financial Institutions Recovery, Reform, and Enforcement Act (FIRREA).
- B. Specific purposes of this Program are:
1. To assist state appraiser regulatory agencies in the task of reviewing and awarding credit for courses to be applied toward the education requirement for initial real estate appraiser licensure or certification (i.e., "QUALIFYING EDUCATION" [QE] requirements) and the education requirements for retention of real estate appraiser licensure or certification (i.e., "CONTINUING EDUCATION" [CE] requirements).
  2. To encourage the development and availability of education programs for licensed and certified real estate appraisers.
  3. To encourage the development and implementation of *consistent standards* for the approval or recognition of education for licensed and certified real estate appraisers among the various state appraiser regulatory agencies, and to thereby:
    - a. Standardize the review of appraisal education and;
    - b. Promote reciprocity with regard to both appraiser education and licensure/certification.
  4. To provide a secure website for posting approved courses that will be available to state regulatory agencies for review of approved material and to reduce paper work for all participants of CAP.
  5. To provide a course equivalency matrix for conversion of existing and new courses to the *Real Property Appraiser Qualification Criteria*.



**IMPORTANT NOTE:** “Courses” of the COURSE APPROVAL PROGRAM shall refer to Qualifying Education (QE) or Continuing Education (CE). “Courses” **do not** refer to Practicum courses for the purposes of gaining experience, which are addressed in a separate section.

C. Definitions

1. **Asynchronous Distance Education** -- Any distance education course that does not require a student to take the course at a specific time (i.e. tied to a live, active, verbal presentation by an instructor). Examples of asynchronous courses include: internet or web-based courses or CD ROM based training.
2. **Classroom Education** – Any course delivered in a setting where there is no geographical separation between the instructor(s) and student(s). Also sometimes referred to as “live” or “traditional” education.
3. **Continuing Education (CE)** – Appraisal education that is creditable toward the renewal of a trainee, license or certified classification. All continuing education must be a minimum of 2 hours in length.
4. **Course** – An education offering that includes student material, instructor material, learning objectives, timed outline, a matrix (if applicable), and a Final Examination (if applicable). Each individual delivery method comprises one course.
5. **Course Approval Period** – Classroom courses are approved for three years from the date of approval by the AQB. Distance education courses are approved for up to three years from the date of approval by the AQB or the delivery mechanism approval, whichever comes first.
6. **Course Owner** – Any school, organization, person, or other entity that owns the proprietary rights to a course. Course owners may have developed their own materials or may have purchased the proprietary rights to course materials. Course owners are responsible for the actions of any secondary providers which utilize AQB approved educational material.
7. **Creditable Classroom Hour** – Fifty minutes of teaching out of each sixty-minute segment.
8. **Delivery Method** – Courses may be delivered to students in one of three formats: Classroom (in-person), Synchronous Distance Education or Asynchronous Distance Education.
9. **Distance Education** – Appraisal education that is creditable toward either QE or CE and where there is geographical separation of student and instructor.

10. **Final Examination** – End-of-course, closed-book, proctored cumulative assessment.
11. **Integrated Course** – A course which is based upon the *Real Property Appraiser Qualification Criteria* Guide Note 1 and contains any mix of modules.
12. **Joint Course Owner** - Any combination of schools, organizations, individuals, or other entities that own the proprietary rights to a course. Joint course owners may have jointly developed the course materials or may have purchased proprietary rights to the course materials. Each of the joint course owners is responsible for the actions of all secondary providers that utilize AQB approved educational material.
13. **Material Revision** – Changes and developments in the real estate field have a substantial impact on the appraisal profession. Course owners are expected to review and revise course materials as necessary for errors or deficiencies, and changes and developments within the industry. Changes made to a course which substantially affect course materials will be considered a “material revision.”
14. **Modular Course** – A course which is based upon the Real Property Appraiser Qualification Criteria Guide Note 1 and contains the prescribed number of hours per module.

**IMPORTANT NOTE:** *There is no requirement that any course title mirror the major module topic.*

15. **Presentation Ready** – Free of major methodological, spelling, mathematical and reference errors. No course is considered to be without error; however, significant errors or a series of minor errors will not be acceptable.
16. **Proctoring** – The observation of the test taker by an outside party(ies) to ensure the test taker is not using any unauthorized outside materials or aids while taking the examination. The observation may take many forms including but not limited to the physical presence of a proctor, video observation or electronic monitoring.
17. **Qualifying Education (QE)** – Appraisal education that is creditable toward obtaining a trainee, licensed or certified classification. All qualifying education must be a minimum of 15 hours in length and include a closed-book, proctored, Final Examination.
18. **Secondary Provider** – A school, organization, person or other entity that purchases rights to (but not proprietary rights), or otherwise lawfully acquires

from a course owner AQB approved course material. The secondary provider may independently conduct a course using such acquired course materials subject to CAP Policies & Procedures.

19. **Significant Deficiencies** – Errors in the material that result in a course not being “presentation ready.” These errors may include, but are not limited to: incorrect definitions, references, techniques and/or application of techniques, or any error which impacts the learning objectives of the course. Also, a course may contain a series of errors which might not be considered significant individually, but in the aggregate affects the overall quality of the course material; therefore, the course would be found to have significant deficiencies.
  20. **Synchronous Distance Education** – Any distance education course that requires a student to be engaged at a specific time (i.e., simultaneously tied to a live, active, verbal presentation by an instructor). The presentation may be delivered via any number of different technologies including the internet, satellite, or other telecommunications device.
- D. Participation in CAP by education providers is not mandatory. Similarly, state appraiser regulatory agencies are not obligated to utilize or recognize this program. Education providers that have obtained CAP approval of their course(s) must still satisfy any requirements for course approval or recognition promulgated by a state in which approval is sought.
  - E. The AQB will consult an advisory panel, as needed, to assist in providing recommendations to improve CAP. This panel may include representatives from the state appraiser regulatory agencies, education providers and others.
  - F. The AQB may at any time conduct an audit of any approved course to verify that course is being conducted in accordance with the rules and regulations of the CAP approval.

## SECTION 2. COURSE APPROVAL OVERVIEW

- A. Any school, organization, person or other entity that *owns* the proprietary rights to a course is eligible to apply for course approval under CAP.

**IMPORTANT NOTE:** *States wishing to approve qualifying education courses only for qualifying education may do so. This program allows for course approval for both qualifying and/or continuing education, but states may be more restrictive.*

- B. Initial course approval commences on the date of approval granted by the AQB and courses will be approved for up to a maximum of three (3) years. USPAP courses will expire the day prior to the effective date of the next edition of USPAP. Distance

education courses may be approved for up to a maximum of three (3) years from the date of AQB approval or the expiration of the distance education delivery method certification, whichever is less. Providers are required to maintain course content in a current form which includes theory, methodology, and USPAP requirements. Courses that include USPAP citations and references must be updated as necessary to reflect changes to USPAP.

- C. CAP approval does not apply retroactively (prior to the date approval is initially granted).
- D. After receiving course approval, the course owner may represent in any advertising or other materials that the course is a CAP approved course, provided that:
  - 1. The number of hours awarded by the AQB by module(s) are indicated; and
  - 2. All CAP approved course advertisements include the exact title and hours that were approved by the AQB; and
  - 3. “CAP Approved” or “AQB Approved” refers to the materials only and not course providers.
- E. Each delivery method of a course will require a separate application and separate delivery system approvals.
- F. Multiple courses may not be combined to reduce the total amount of application fees paid.
- G. The identity of an applicant during the application and course review process shall be disclosed only to those persons directly involved in the process.
- H. Applicants may not state in any advertising or other materials that a course is being or has been submitted to the AQB for review. If an applicant violates this provision, the AQB may suspend the review of the course in question until the violation is corrected. If the violation is not corrected within thirty (30) days of notice, then the application may be declined.

### **SECTION 3. APPLICATION FOR INITIAL COURSE APPROVAL**

- A. Course owners seeking initial AQB approval of their courses must:
  - 1. Complete the online application;
  - 2. Electronically submit in a PDF format all information required by the application; and
  - 3. Submit the appropriate application fee(s) as determined by The Appraisal Foundation found in Appendix 1.

- B. A complete application must be submitted in electronic format. The submission of an application for QE including modules or subtopics other than those listed in the *Real Property Appraiser Qualification Criteria* will result in an application being returned without action. Course material that is outside of listed modules and subtopics but is still considered appraisal education will be listed under electives as shown on the matrix.
- C. Current Offering and Presentation Method
1. The course must be a current offering that is presented by traditional classroom methods or distance learning methods as described in the AQB *Real Property Appraiser Qualification Criteria*.
  2. All courses submitted must be presentation ready.
  3. Distance education courses must include supporting documentation for course delivery approval.
- D. Course Submission Requirements
1. Course Description. The application materials must include a course description, which clearly describes the content of the course.
  2. Course Matrix (QE Courses). The application materials must include a course matrix reflecting hours of credit per module(s) and subtopic(s) based upon Guide Note 1 of the 2015 Criteria. The *15-Hour National USPAP Course* does not require breakout of the matrix topics.
  3. Timed Outline. An outline that accounts for the general flow and recommended time spent on topics contained within a course.
  4. Learning Objectives. The application materials must include a statement of specific learning objectives which:
    - a. Are appropriate for a qualifying and/or continuing education course;
    - b. Clearly state the specific knowledge and/or skills students are expected to acquire by completing the course;
    - c. Are consistent with the course description;
    - d. Are consistent with the textbook and/or other instructional materials;
    - e. Are reasonably achievable within the number of classroom hours allotted for the course; and

- f. Include material to adequately cover the depth and breadth of the required topic area.
- 5. Student/Instructor Materials. Student and instructor materials to be used by students and the instructor for the course must:
  - a. Cover the subject matter in sufficient depth to achieve the stated course learning objectives;
  - b. Provide appropriately balanced coverage of the subject matter in view of the stated course learning objectives and module(s)/subtopic(s);
  - c. Reflect current knowledge and practice; and
  - d. Not contain significant deficiencies.
- 6. Final Examination(s). Courses must have appropriate testing of each module(s) covered in the course. The course examination(s) must comply with the following criteria:
  - a. The examination(s) must contain a sufficient number of questions to adequately test the subject matter covered in the course;
  - b. The amount of time devoted to examinations must be appropriate for the course;
  - c. Examination questions must, individually and collectively, test at a difficulty level appropriate to measure student achievement of the stated course learning objectives;
  - d. Successful completion of the examination(s) requires the student to answer a minimum of 70% of the examination questions correctly.
  - e. Examination questions must be written in a clear and unambiguous manner;
  - f. The examination must be proctored; and
  - g. No open book exams are permitted.
- 7. Instructor Qualifications Policy. The course owner must have a written policy regarding instructor qualifications that requires the use of instructors who satisfy, at a minimum, at least one of the following qualification requirements:
  - a. A baccalaureate degree in any field and three (3) years of experience directly related to the subject matter to be taught;

- b. A master's degree in any field and one (1) year of experience directly related to the subject matter to be taught;
  - c. A masters or higher degree in a field that is directly related to the subject matter to be taught;
  - d. Five (5) years of real estate appraisal teaching experience directly related to the subject matter to be taught; or
  - e. Seven (7) years of real estate appraisal experience directly related to the subject matter to be taught.
8. Additional Course Owner Policies must include the following:
- a. Attendance Policy – For classroom courses, the course owner must have a written attendance policy that requires student attendance to be verified in accordance with the AQB Criteria. For distance education courses, the course owner must utilize a method acceptable to the AQB for ensuring student achievement of the classroom hour equivalent.
  - b. Course Scheduling Policy - The course owner must have established a policy on course scheduling that provides for a maximum of eight (8) classroom hours of instruction in any given day and for appropriate breaks during each class session.
  - c. Record Retention Policy - The course owner must maintain, for a period of at least five (5) years, accurate records of students' course completion and to provide, within a reasonable period of time, course completion letters or certificates for students who satisfactorily completed a course.
9. The AQB Course Approval Program will not accept applications for courses that rely upon a textbook as the primary instructional material. Textbooks are permitted to be used as a background reference for a course; however, textbooks will not be reviewed as **the** course. The submission must contain sufficient stand-alone instructional materials supporting the specific course learning objectives which enable the CAP Program to review the content and the requested hours of credit.

Courses that are currently approved in the textbook format will continue to be CAP approved until the current expiration of the course. At expiration, renewals will not be accepted and all courses in this format must be rewritten and submitted as initial applications.

#### SECTION 4. CRITERIA SPECIFIC TO APPROVAL OF DISTANCE EDUCATION

- A. Distance education must contain a closed book, proctored Final Examination or appropriate course mechanisms that demonstrate knowledge of subject matter as required by the *Real Property Appraiser Qualification Criteria* as stated in Section III (F)(6).
- B. Electronic access to the distance education course must provide administrative rights to allow the course reviewer to access the course, quizzes and examinations without having to take the course in sequential order or without having to take quizzes or examinations to proceed with the course. Further, all website links must be valid and active until completion of the review process. If any changes occur, the CAP Administrator must be notified.
- C. A transcript of the distance education course must be sent to CAP in a PDF format.
- D. Course delivery mechanism approval must be obtained from one of the following sources:
  - 1. An AQB approved organization providing approval of course design and delivery; or
  - 2. An accredited college, community college, or university that offers distance education programs and is approved or accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the U.S. Secretary of Education, that awards academic credit for the distance education courses; or
  - 3. A qualifying college for content approval with a distance education delivery program that approves the course design and delivery that incorporate interactivity.
- E. A distance education course can be submitted to CAP without delivery mechanism approval, however, once the distance education course receives content approval through CAP, the delivery mechanism approval must be submitted to CAP within 90 days or the course must be resubmitted for initial course approval with appropriate fees.
- F. Synchronous distance education may be subject to a discounted review fee *if* the classroom version of the course is already CAP-approved and the synchronous distance presentation of the materials will substantially follow the classroom presentation (with the addition of quizzes and other monitoring methods as required for distance education). Please refer to the appendix for fee information.
- G. Joint Presentation of Distance Education - In the event two providers jointly offer a distance education course, only the provider responsible for the course delivery mechanism is required to meet the requirements of Section 4(D) above.



*Contact the CAP Administrator for a listing of AQB-approved organizations that review distance education course delivery mechanisms.*

## **SECTION 5. CRITERIA SPECIFIC TO APPROVAL OF QUALIFYING EDUCATION**

Applications for approval of QE shall include the following (in addition to any requirements specific to an initial application, renewal application, or distance education application):

- A. Course Length and Content. The course must be a real estate appraisal course with a minimum of fifteen (15) classroom hours of instruction, including Final Examination time, and must comply with the Required Core Curriculum in the *Real Property Appraiser Qualification Criteria*.
- B. Each application for qualifying education will include a course matrix completed by the provider to reflect credit hours by module(s) and subtopic(s) of the course as shown in Guide Note 1 of the Real Property Appraiser Qualification Criteria.
- C. Approval of a course for QE will include:
  - 1. An assignment of classroom credit hours and Final Examination hours;
  - 2. The AQB course matrix<sup>1</sup> reflecting credit hours per module(s) and subtopic(s); and
  - 3. Approval as a CE course with Final Examination hours and without Final Examination hours.

## **SECTION 6. CRITERIA SPECIFIC TO APPROVAL OF CONTINUING EDUCATION**

Applications for approval of CE shall be a minimum of two (2) classroom hours of instruction on real estate appraisal or related topics such as, but not limited to, those examples identified in the *Real Property Appraiser Qualification Criteria*.

## **SECTION 7. CRITERIA SPECIFIC TO APPROVAL OF EQUIVALENT USPAP EDUCATION**

- A. Providers must submit to the AQB any USPAP courses they have developed for equivalency review and approval. Equivalent USPAP course developers must follow the USPAP Equivalency Checklist as well as the Functional Specifications for Developing Distance Education USPAP Courses (if applicable).

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<sup>1</sup> The matrix is the worksheet that breaks out the Required Core Curriculum modules and subtopics (as identified in Guide Note 1). The AQB matrix can be found in the appendix.

- B. An equivalent distance education USPAP course must receive distance education delivery method approval (if applicable) prior to submission for CAP approval.
- C. Equivalent courses must be titled:
  - 1. {Insert USPAP Cycle Years} *15-Hour Equivalent USPAP Course*
  - 2. {Insert USPAP Cycle Years} *7-Hour Equivalent USPAP Update Course*
- D. The Appraisal Foundation USPAP final examinations must be utilized for all USPAP courses that require a closed-book, proctored final examination. For more information on obtaining The Appraisal Foundation USPAP final examination and examination retake policies, please refer to the “Procedures for Offering the National USPAP Courses.”
- E. A *15-Hour Equivalent USPAP Course* does not require breakout of the matrix topics.
- F. USPAP courses cannot be renewed—they expire December 31 of odd-numbered years.

## **SECTION 8. COURSE RENEWAL REQUIREMENTS**

- A. Approval Period. Courses will have a maximum approval period of three years, with the exception of USPAP courses (which expire the day prior to the effective date of a new edition of USPAP) and distance education (which can expire earlier depending on the approval dates of the delivery mechanism). The approval date of a renewal course will begin on the day following the expiration date of the current approval. Distance education courses will have a maximum approval of up to three years from AQB approval or expiration of distance education delivery mechanism certification, whichever is less.
- B. Renewal Submission Requirements
  - 1. Any CAP-approved course, except USPAP, may be renewed up to a maximum of two (2) times after initial approval. Reasonable course revisions and updates that improve courses or keep them current are encouraged; however, if such revisions are so extensive that they substantially alter the scope of the course and effectively create a new and different course, an initial application and fee will be required. Providers will be notified within 15 business days after course renewal submission if an initial application/fee will be required.
  - 2. The course renewal fees shall be determined by The Appraisal Foundation as outlined in Appendix 1.

3. Courses submitted for renewal must include a detailed document of any material revisions made to the course (commonly referred to as a “roadmap of changes”). Additionally, if material revisions are made the course material must be submitted and all revisions must be highlighted.
4. All courses for qualifying education must contain the completed course matrix reflecting course hours per module(s) and subtopic(s) as applicable to the course shown in the *Real Property Appraiser Criteria*.
5. All distance courses must have a current approval for course design and delivery in accordance with these policies.
  - a. Owners of approved courses are not required to submit course materials or other supplemental course information with the renewal application if no material revisions have been made.
6. In addition to material revisions, course owners need to identify and explain in detail any significant revisions to education provider policies.

C. Notification of Renewal and Submission Timeframe

As a courtesy to course owners, the CAP Administrator will send two notifications with instructions on how to renew by at least 90 and 60 days prior to course expiration. The renewal application, along with the required renewal fee (found in Appendix 1), is due no later than 30 days prior to expiration of the course or an initial application (along with the appropriate fee) will be required. Also, renewal applications filed after expiration will require an application for initial course approval.

## SECTION 9. COURSE RESUBMISSION/WITHDRAWAL REQUIREMENTS

- A. If the AQB finds deficiencies in a course, a resubmission of the course will be required within 90 days of receipt of a letter indicating the deficiencies in the course. For any content deficiencies, the course owner must make the corrections to the course or may opt to withdraw the course from CAP.
- B. For any reallocation of hours in the matrix, within 90 days of receipt of a letter from CAP, the course owner can agree to the reallocation, appeal the decision to the AQB, withdraw the course from CAP, or resubmit the course by changing the content of the course to agree with the original matrix allocation request.
- C. Courses are required to contain current material, theory and methodologies. If a course is materially revised during the three-year approval period, it must be resubmitted as an initial application for review and approval. The application must include the completed course matrix for course equivalency to the *Real Property Appraiser Qualification Criteria*. Fees for this review are as established by The Appraisal Foundation.

- D. Resubmissions must include a separate document that specifically addresses all the deficiencies or objections identified by the AQB and needs to explain how the course applicant has satisfied each deficiency or objection. All revised material must be shaded, coded or otherwise designated to quickly aid in the review process. The course applicant shall remove all original electronically-submitted files for the course and electronically submit clearly labeled replacement files. Material revisions do not include updates to USPAP courses which are considered a new application.
- E. If a course is not approved by the AQB, the course owner may, at any time within 90 days of the AQB's rejection notice, resubmit the course for reconsideration. Two resubmissions are permitted and the provider will be responsible for any resubmission fees as established by The Appraisal Foundation in Appendix 1. Resubmissions made after 90 days of the AQB's rejection notice will be treated as an application for initial approval and will be charged the initial course review fee. If a course is rejected after two resubmissions, then the course will be treated as an initial application with applicable fees as established by The Appraisal Foundation in Appendix 1.

#### **SECTION 10. COURSE OWNER/JOINT COURSE OWNERS/SECONDARY PROVIDER RESPONSIBILITIES**

- A. Course approval granted to a course owner or joint course owners shall be considered as extending to any entity or secondary provider that conducts or sponsors the course under the auspices or written authorization of the course owner. The course owner must:
  - 1. Inform the Course Approval Program Administrator in writing, when the course materials/rights are sold to a secondary provider. The notification must include the entity name, state/end date of the agreement, the secondary provider delivery mechanism approval certificate website link (if a distance education course), and the specific courses attributable to the secondary provider.
- B. Course owners must require the secondary provider to:
  - 1. Utilize the course owner's materials (including textbook and examinations, if any) without any change in the materials; and for the same number of classroom hours as approved by CAP.
  - 2. Conduct the course in accordance with the course owner's policies relating to instructor qualifications, student attendance, course scheduling and course prerequisites (if applicable) or its own policies if they meet the minimum CAP requirements. Course owners must assume full responsibility and the consequence thereof (including withdrawal of CAP approval) in the event the secondary provider violates any of the provisions of these policies.

3. Obtain approval of the delivery system in accordance with these policies if the course will be offered by distance education. Course owners *and* secondary providers need to obtain approval of the delivery system.
  4. Clearly state in any advertising that the course has been purchased from the course owner (who shall be specifically named), and that any AQB approval has been granted to that course owner and not to any secondary provider. If a secondary provider does not wish to utilize CAP approval, any and all references to “AQB CAP approval” must be deleted from the course materials and advertising.
- C. CAP approval expires based on the CAP approval period for all entities—course owner and secondary provider—regardless of the possibility of differing expiration dates for AQB approved distance education entities.
  - D. Secondary providers are not eligible to submit courses for CAP approval. Only owners or joint course owners as defined in these policies are eligible to have a course approved by CAP. In the event that the course owner or joint course owners sell the proprietary rights of a CAP-approved course, the course owner or joint course owners must inform the CAP Administrator in writing within 30 days of such sale.
  - E. CAP approval of a course does not automatically transfer to a new course owner or joint course owners. The new owner(s) will be required to certify in writing that they will abide by all requirements pertaining to the CAP-approved course, including administration of the course and delivery method. The new owner must also certify that they will be responsible for the actions of all approved secondary providers associated with the course. In the event that the new owner(s) wish to change the course as approved, a new application for CAP approval must be submitted, meeting all the requirements for a new course submission.
  - F. If proprietary rights to a course are transferred to a new course owner, the expiration date of course approval will remain as the original expiration date of issue to the previous owner.
  - G. In the event of multiple course owners, the course must be submitted for CAP approval by all course owners at the same time. Approval will be extended to all schools, organizations, persons, or other entities that own the proprietary rights to the course and appear on the course approval application. In the event of any changes to the course as approved, all course owners must make the approved changes and certify in writing to the CAP Administrator that the changes have been made to the course.

**IMPORTANT NOTE:** *The course owner is responsible for monitoring any secondary providers or entities that offer the course, ensuring that all provisions of these policies and procedures and all requirements of AQB approval are complied with at all times when the approved course is offered.*

## **SECTION 11. WITHDRAWAL OF APPROVAL BY THE AQB**

Course approval may be withdrawn at any time by the AQB upon finding any of the following:

- A. Course material is not contemporary with all current appraisal practice, including any references to the Uniform Standards of Professional Appraisal Practice.
- B. The course owner submitted to the AQB any false or misleading information in connection with an application for course approval.
- C. A course is not being conducted in the manner represented to the AQB at the time approval was requested, or a course no longer complies with the criteria for approval.
- D. The course owner does not enforce all information and policies required by the CAP application, including but not limited to course prerequisites, instructor qualifications, record retention, student attendance or course scheduling.
- E. The course owner utilizes classroom facilities that do not provide an appropriate learning environment.
- F. The course owner misrepresents approval of a course by the AQB in any manner. This includes, but is not limited to failure to represent in any advertising or other material that the number of classroom hours and/or topic coverage awarded by the AQB is different than the actual number of scheduled classroom hours or topics covered in the course.
- G. The course owner misrepresents the course.
- H. Failure of course owners to notify the AQB of courses sold to secondary providers.
- I. Failure of the course owners to notify the AQB that the proprietary rights have been sold to a new course owner(s).

## **SECTION 12. PRACTICUM COURSE APPROVAL**

CAP Policies and Procedures also apply to practicum courses submitted for review. This section addresses issues unique to practicum courses.

- A. Purpose and Credit: The purpose of the practicum course is to provide students with the opportunity to apply current material, theory, and methodologies by completing instructor supervised appraisal assignments. Practicum experience may be submitted to fulfill portions of state required experience credits for appraisal licensing and certification. However, no practicum course experience hours will be approved for fulfillment of any education (QE or CE) requirements.

- B. Delivery: Because of the practical, hands-on nature of the practicum course, course instruction and supervision must be face-to-face. Distance education is not a viable delivery option for practicum courses.
- C. Learning Objectives: Because the practicum course is focused on the practical application of current material, theories, and methodologies, the practicum course learning objectives should focus on what skills will be applied and practiced as opposed to subject matter topics (please note that a CAP topic matrix is not applicable). Application materials must include specific learning objectives for each practicum course module. All submitted learning objectives should:
1. Be appropriate for a practicum course and consistent with the practicum course description and Guide Note 4 in the *Real Property Appraiser Qualification Criteria*;
  2. Clearly state the specific knowledge and/or skills students are expected to apply by participating in the practicum course;
  3. Be consistent with the practicum materials;
  4. Be reasonably achievable considering the number of experience hours allocated; and
  5. Adequately cover the depth and breadth of the required application of a topic area.
- D. Work Assignments: A work assignment is an appraisal completed in the practicum course. Work assignments must follow the guidelines below:
1. The practicum course materials or syllabus must provide for in-class work assignments and out-of-class work assignments to accomplish the stated learning objectives.
  2. The time period for any experience credit to be granted in a practicum course must be consistent with the type and complexity of the assignment.
  3. The course must include a written policy for the assignment of hours to be earned for each work assignment.
  4. All work assignments must be in compliance with the current version of USPAP including requirements for the intended user and intended use.
  5. Work assignments must be communicated in compliance with either the Self-Contained or Summary Appraisal report options of Standard 2 of USPAP and

final reports must be maintained by the student according to the Record Keeping section of the ETHICS RULE of USPAP.

- E. Prerequisites: Because the practicum course is focused on the application of material, theory and methodologies, the course owner must have established Basic Appraisal Principles, Basic Appraisal Procedures, and a course on USPAP as minimum prerequisites.
- F. Practicum Instructor Qualification Policy: The practicum course owner must have a written policy outlining practicum instructor qualifications that require, at a minimum, the following qualifications:
  - 1. The instructor must meet or exceed the following appraisal experience requirements:
    - a. Five years of full-time appraisal experience in the last 10 years for a residential focused practicum course.
    - b. Seven years of full-time general appraisal experience in the last 10 years for a general focused practicum course.
  - 2. Hold at least a baccalaureate degree.
  - 3. Hold a current state issued appraisal credential (residential certification or general certification) that matches or exceeds the level of experience that the practicum student will pursue. The practicum instructor's state credential should be issued by the same state as the practicum student is applying for experience.
  - 4. Be in compliance with the COMPETENCY RULE of USPAP for the types of assignments prepared during the practicum course.
- G. Practicum Instructor Guidelines: The practicum course owner must have a written policy of instructor guidelines that, at a minimum, requires:
  - 1. The practicum instructor to meet with students for a minimum of 50% of the practicum course hours.
  - 2. The practicum instructor to grade and correct all work assignments to a minimum of USPAP compliance. The practicum course must outline a policy on how to ensure USPAP compliance.
  - 3. The practicum instructor must sign off as supervisory appraiser on all work assignments (the appraisals completed as part of the practicum course) completed by the student.
- H. Practicum Course Owner's Policies: Submitted policies must include the following:



1. Instructor/Student Ratio - The practicum course owner must have a written policy defining appropriate instructor-to-student ratios. Stated ratios must be enforced with student enrollment ceilings.
  2. Attendance Policy - The practicum course owner must have a written attendance policy that requires student attendance to be verified in accordance with the AQB Criteria. For non-instruction portions of the practicum courses where attendance cannot be proctored by an on-site official approved by the presenting entity, there must be a method acceptable to the AQB for ensuring student achievement of the practicum experience hours.
  3. Course Scheduling Policy - The practicum course owner must have established a policy on practicum course scheduling that provides for a maximum of eight (8) practicum hours of instruction in any given day and for appropriate breaks during each practicum session.
  4. Record Retention Policy - The practicum course owner must maintain, for a period of at least five (5) years, accurate records, including copies of each practicum appraisal assignment and respective reviews for grading purposes of students' practicum course completion and to provide, within a reasonable period of time, completion letters or certificates for students who satisfactorily completed a practicum course.
- I. Subject Property Selection and Practicum Data: The practicum course must have a policy for the selection of the subject property or properties. This policy must provide for the following:
1. The appropriate property type and complexity for the credential category the practicum course was developed.
  2. If more than one subject property, the appropriate mix of properties to provide appropriate experiential training.
  3. Student inspection of the subject property or properties.
  4. Student verification, with at least one market participant, of comparable sales and rentals.
  5. The authenticity of the subject property and all data used in the practicum course (must be actual and identifiable in the market).
- J. Review Fees: The fees for practicum course review will be based on an hourly rate of the estimated time necessary for the reviewer to review the course.

### **SECTION 13. AMENDMENTS TO POLICIES AND PROCEDURES**

- A. Amendments to these Policies and Procedures may be made by the AQB without advance notice to course applicants or other parties and will be effective upon the date of adoption by the AQB.
- B. Course owners will be required to comply with the Policies and Procedures in effect at the time of approval or renewal. However, the AQB will make every attempt to provide reasonable notice of such amendments to course providers before they become effective.

**APPENDIX I**  
**Course Approval Program (CAP) Course Fee Schedule**  
**(Effective 1/15/12)**

- A. Course owners seeking AQB approval of their courses must submit their course(s) via the online application system and submit the appropriate application fee(s) with credit card only as described in paragraph B.
- B. An application fee(s) must be paid for each course submitted by an applicant for initial review and approval as either a qualifying or continuing education course. Additional fees may be required by other entities for approval of distance education courses. The application fee for each course shall be determined according to the following fee schedule, which is based on the number of actual classroom hours including examination time

<b>CAP FEES</b>	
<b>Qualifying Education-Initial Submission</b>	
<b>15-Hour USPAP Equivalency</b>	\$2,100
<b>15-29 Hours</b>	\$2,100
<b>30-59 Hours</b>	\$2,500
<b>60+ Hours</b>	\$2,900
<b>Synchronous Distance Education*</b>	\$500
<b>Qualifying Education-Renewal</b>	
<b>All QE Courses</b>	\$500
<b>Continuing Education-Initial Submission</b>	
<b>7-Hour USPAP Equivalency</b>	\$1,500
<b>2-13 Hours</b>	\$1,500
<b>14-29 Hours</b>	\$1,800
<b>30-59 Hours</b>	\$2,100
<b>60+ Hours</b>	\$2,400
<b>Synchronous Distance Education*</b>	\$500
<b>Continuing Education-Renewal</b>	
<b>All CE Courses</b>	\$400
<b>Other Fees</b>	
<b>Material Revisions to Course Content</b>	Initial fee is required for any material revision in a course.
<b>Practicum Courses</b>	Fees are based on an hourly rate of the estimated time necessary to complete a review of a course.
<b>Resubmission</b>	Fees are based on an hourly rate (\$175/per hour) of the estimated time necessary to complete a re-review of a course.
<b>Refunds</b>	The application fee is non-refundable except when an application is cancelled and returned by the CAP Administrator due to incompleteness of the application or ineligibility of the applicant. An administrative fee of \$175 will be charged to the applicant in this case.

***\*Synchronous distance education fees are subject to CAP Policies, Section 4(F). The fee for synchronous distance education does not apply to USPAP equivalent course submissions.***

- C. Separate courses may not be combined to reduce the total amount of application fees paid. If a segment of course instruction may be taken by students independently of other segments, or if separate credit is awarded for such segments, then the segment is a separate course for the purpose of application under this Program.

**APPENDIX II**  
Topic Matrix

<b>CORE CURRICULUM CONTENT</b>	
<b>Basic Appraisal Principles</b>	
A.	Real Property Concepts & Characteristics
	1. Basic Real Property Concepts
	2. Real Property Characteristics
	3. Legal Description
B.	Legal Consideration
	1. Forms of Ownership
	2. Public and Private Controls
	3. Real Estate Contracts
	4. Leases
C.	Influences on Real Estate Values
	1. Governmental
	2. Economic
	3. Social
	4. Environmental, Geographic, and Physical
D.	Types of Value
	1. Market Value
	2. Other Value Types
E.	Economic Principles
	1. Classic Economic Principles
	2. Application and Illustrations of the Economic Principles
F.	Overview of Real Estate Markets and Analysis
	1. Market Fundamentals, Characteristics, and Definitions
	2. Supply Analysis
	3. Demand Analysis
	4. Use of Market Analysis
G.	Ethics and How They Apply in Appraisal Theory and Practice
	Exam Hours
	<b>TOTAL=30 HOURS</b>

<b>Basic Appraisal Procedures</b>	
A.	Overview of Approaches to Value
B.	Valuation Procedures
	1. Defining the Problem
	2. Collecting and Selecting Data
	3. Analyzing
	4. Reconciling and Final Value Opinion
	5. Communicating the Appraisal
C.	Property Description
	1. Geographic Characteristics of the Land/Site
	2. Geologic Characteristics of the Land/Site
	3. Location and Neighborhood Characteristics
	4. Land/Site Considerations for Highest and Best Use
	5. Improvements - Architectural Styles and Types of Construction
D.	Residential or General Applications
	Exam Hours
	<b>TOTAL=30 HOURS</b>
<b>15-Hour National USPAP Course (or its equivalent)</b>	
	Instructional Hours
	Exam Hours
	<b>TOTAL=15 HOURS</b>
<b>Residential Market Analysis and Highest and Best Use</b>	
A.	Residential Markets and Analysis
	1. Market Fundamentals, Characteristics, and Definitions
	2. Supply Analysis
	3. Demand Analysis
	4. Use of Market Analysis
B.	Highest and Best Use
	1. Test Constraints
	2. Application of Highest and Best Use
	3. Special Considerations
	4. Market Analysis
	5. Case Studies
	Exam Hours
	<b>TOTAL=15 HOURS</b>

<b>Residential Appraiser Site Valuation and Cost Approach</b>	
A.	Site Valuation
	1. Methods
	2. Case Studies
B.	Cost Approach
	1. Concepts and Definitions
	2. Replacement/Reproduction Cost New
	3. Accrued Depreciation
	4. Methods of Estimating Accrued Depreciation
	5. Case Studies
	Exam Hours
	<b>TOTAL=15 HOURS</b>
<b>Residential Sales Comparison and Income Approaches</b>	
A.	Valuation Principles and Procedures - Sales Comparison Approach
B.	Valuation Principles and Procedures - Income Approach
C.	Finance and Cash Equivalency
	1. Identification of Seller Concessions and Their Impact on Value
D.	Financial Calculator Introduction
E.	Identification, Derivation, and Measurement of Adjustments
F.	Gross Rent Multipliers
G.	Partial Interests
H.	Reconciliation
I.	Case Studies and Applications
	Exam Hours
	<b>TOTAL=30 HOURS</b>
<b>Residential Report Writing and Case Studies</b>	
A.	Writing and Reasoning Skills
B.	Common Writing Problems
C.	Form Reports
D.	Report Options and USPAP Compliance
E.	Case Studies
	Exam Hours
	<b>TOTAL=15 HOURS</b>
<b>Statistics, Modeling and Finance</b>	
A.	Statistics
B.	Valuation Models (AVMs and Mass Appraisal)
C.	Real Estate Finance
	Exam Hours
	<b>TOTAL=15 HOURS</b>

<b>Advanced Residential Applications and Case Studies</b>	
A.	Complex Property, Ownership, and Market Conditions
B.	Deriving and Supporting Adjustments
C.	Residential Market Analysis
D.	Advanced Case Studies
	1. Seller Concessions
	2. Special Energy Efficient Items (i.e., Green Buildings)
	Exam Hours
	<b>TOTAL=15 HOURS</b>
<b>General Appraiser Market Analysis and Highest and Best Use</b>	
A.	Real Estate Markets and Analysis
	1. Market Fundamentals, Characteristics, and Definitions
	2. Supply Analysis
	3. Demand Analysis
	4. Use of Market Analysis
B.	Highest and Best Use
	1. Test Constraints
	2. Application of Highest and Best Use
	3. Special Considerations
	4. Market Analysis
	5. Case Studies
	Exam Hours
	<b>TOTAL=30 HOURS</b>
<b>General Appraiser Sales Comparison Approach</b>	
A.	Value Principles
B.	Procedures
C.	Identification and Measurement of Adjustments
D.	Reconciliation
E.	Case Studies
	1. Seller Concessions
	2. Special Energy Efficient Items (i.e. Green Buildings)
	Exam Hours
	<b>TOTAL=30 HOURS</b>



<b>General Appraiser Site Valuation and Cost Approach</b>	
A.	Site Valuation
	1. Methods
	2. Case Studies
B.	Cost Approach
	1. Concepts and Definitions
	2. Replacement/Reproduction Cost New
	3. Accrued Depreciation
	4. Methods of Estimating Accrued Depreciation
	5. Case Studies
	Exam Hours
	<b>TOTAL=30 HOURS</b>
<b>General Appraiser Income Approach</b>	
A.	Overview
B.	Compound Interest
C.	Lease Analysis
D.	Income Analysis
E.	Vacancy and Collection Loss
F.	Estimating Operating Expenses and Reserves
G.	Reconstructed Income and Expense Statement
H.	Stabilized Net Operating Income Estimate
I.	Direct Capitalization
J.	Discounted Cash Flow
K.	Yield Capitalization
L.	Partial Interests
M.	Case Studies
	Exam Hours
	<b>TOTAL=60 HOURS</b>
<b>General Appraiser Report Writing and Case Studies</b>	
A.	Writing and Reasoning Skills
B.	Common Writing Problems
C.	Report Options and USPAP Compliance
D.	Case Studies
	Exam Hours
	<b>TOTAL=30 HOURS</b>

## **APPENDIX III**

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# THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

## AND INTERPRETATIONS OF THE CRITERIA

Real Property Appraiser Qualification Criteria  
Effective January 1, 2022

Appendix:  
AQB Guide Notes



The Appraisal  
**FOUNDATION**

Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD



# VISION AND MISSION STATEMENT OF THE APPRAISAL FOUNDATION

## **VISION STATEMENT**

To ensure public trust in the valuation profession.

## **Mission Statement**

The Appraisal Foundation is dedicated to promoting professionalism and ensuring public trust in the valuation profession. This is accomplished through the promulgation of standards, appraiser qualifications, and guidance regarding valuation methods and techniques.

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

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# WHAT IS THE AQB?

The Appraiser Qualifications Board (AQB) is an independent board of The Appraisal Foundation (Foundation). The AQB is comprised of at least five practicing appraisers who are appointed by the Foundation's Board of Trustees for one- to three-year terms.

Under the provisions of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the AQB establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state license or certification as well as Supervisory Appraiser requirements. In addition, the AQB performs a number of ancillary duties related to real property and personal property appraiser qualifications (see "Other AQB Work" on page 5).

## REAL PROPERTY APPRAISER QUALIFICATION CRITERIA, INTERPRETATIONS OF THE CRITERIA, GUIDE NOTES, AND Q&As

States are required to implement appraiser licensing and certification requirements that are no less stringent than those issued by the AQB in the *Real Property Appraiser Qualification Criteria (Criteria)*.

The AQB has statutory authority to develop mandatory *Criteria* for Supervisory Appraisers (not an appraiser credential classification) and the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General appraiser classifications. If a state has these classifications, they are required to adopt these *Criteria*, at a minimum, for appraisals performed in federally-related transactions.

The original *Criteria*, adopted by the AQB in March 1991, included the following classifications: Licensed Residential, Certified Residential, and Certified General. Each of these classifications included requirements for education, experience, and an examination. The Trainee Appraiser classification was adopted by the AQB in 1993 and does not include experience or examination requirements.

After public exposure, the AQB adopted revisions to all classifications in early 1994 for implementation in January 1998. Major components of the revised *Criteria* included:

- An increase in the qualifying education requirements for the Licensed Residential and Certified General classifications;
- The requirement that all real property appraisers take the *15-Hour National Uniform Standards of Professional Appraisal Practice (USPAP) Course*;
- An increase in the experience requirements for the Certified Residential and Certified General Classifications from 2,000 to 2,500 hours, and from 2,000 to 3,000 hours, respectively; and
- An increase in the annual continuing education requirement from 10 to 14 classroom hours for all classifications.

After thorough public exposure, the AQB adopted significant revisions to the *Criteria* in early 2004 for implementation in January 2008. Highlights of the major revisions include:

- An increase in the qualifying education requirements for the Licensed Residential, Certified Residential, and Certified General classifications. The required education hours were raised from 90 to 150 hours for the Licensed Residential classification, 120 to 200 hours for the Certified Residential classification, and 180 to 300 hours for the Certified General classification; and
- A requirement for college-level education for the Certified Residential and Certified General classifications. The Certified Residential classification required an Associate degree or higher; or in lieu of a degree, a minimum of 21 college semester hours in specified coursework. The Certified General required a Bachelor's degree or higher, or in lieu of a degree, a minimum of 30 semester hours in specified college course work.

After five exposure drafts, in December 2011 the AQB adopted revisions to the *Criteria* for implementation in January 2015. Major revisions include:

- Education and experience must be completed prior to taking the *National Uniform Licensing and Certification Examinations*;
- Applicants for the Certified Residential and Certified General classifications must have a Bachelor's degree or higher from an accredited college or university;
- Applicants for the Licensed Residential classification must successfully complete 30 semester hours of college-level education from an accredited college, junior college, community college, or university, or have an Associate's degree or higher from an accredited college, junior college, community college, or university;
- Recognition of university degree programs as counting toward the education requirements in the *Criteria*;
- Removal of the "Segmented" Approach to implementation of the *Criteria*;
- Prohibition of repetitive continuing education within the same continuing education cycle;
- Clarification of the term "written examination";
- Revisions to the Trainee Appraiser classification that include a requirement to take a course oriented to the requirements and responsibilities of Trainee Appraisers and Supervisory Appraisers;
- New Supervisory Appraiser requirements;
- Revisions to Guide Note 1; and
- Additions to the illustrative list of educational topics acceptable for continuing education.

In July 2015, the AQB issued a Concept Paper exploring alternative requirements to the *Criteria*. In October 2015, the AQB held a Public Hearing with major stakeholders of the *Criteria*. In the following two years, the AQB issued a Discussion Draft and four Exposure Drafts of proposed changes to the 2015 *Criteria*. On February 1, 2018, the AQB adopted revisions to the *Criteria*. Major revisions include:

- Elimination of college-level education requirements for the Licensed Residential Real Property classification;
- Alternative college-level education requirements for the Certified Residential Real Property classification;
- An alternative track for Licensed Residential Real Property Appraisers to move to the Certified Residential Real Property Appraiser classification; and
- Modification of experience hours and experience time frames for the Licensed Residential and Certified Residential classifications, and modification of the experience time frame for the Certified General classification.

In April 2019, the AQB issued an Exposure Draft of a proposed Interpretation relating to qualification requirements for Supervisory Appraisers. The AQB issued a second Exposure Draft on this topic in September 2019. At its November 1, 2019 public meeting, the Board adopted the Interpretation in the second Exposure Draft. The Interpretation clarified that Supervisory Appraisers who have been imposed discipline for "administrative" reasons (as opposed to "practice-related" reasons) would still be eligible to supervise.

### Interpretations of the Criteria and Q&As

To further clarify AQB intent to users of the *Criteria*, the AQB may issue Interpretations of the *Criteria*. Interpretations are essential to properly understanding the *Criteria* and are, therefore, binding on users of the *Criteria*. Interpretations are added to the text of this document subsequent to their adoption by the AQB. These Interpretations are listed in subject matter order, which is designed to follow the applicable *Criteria*. As a result, the dates reflecting the adoption of some Interpretations may not follow a chronological sequence.

The AQB also issues Q&As which are published periodically and available on The Appraisal Foundation website. The Q&As are a form of guidance issued by the AQB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of the *Real Property Appraiser Qualification Criteria* and Interpretations of the *Criteria* in specific situations and to offer advice from the AQB for the resolution of appraisal issues and problems. The AQB Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. AQB Q&A does not establish new *Criteria*. AQB Q&A is not part of the *Real Property Appraiser Qualification Criteria*. AQB Q&A is approved by the AQB without public exposure and comment. To review the latest AQB Q&As, please visit the Q&A webpage located on the Foundation's website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).



### Supporting the Work of the AQB

The AQB strongly encourages input from appraisers, users of appraisal services, and the public through the exposure draft process, public meetings, speaking engagements, and correspondence. Detailed information on how to support the work of the AQB is available online via the Foundation's website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org), or by contacting the Board's staff at the Foundation by calling (202) 347-7722, or via e-mail at [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org).

### Exposure Draft Process

In recognition of the public authority of the AQB, all proposed revisions to the *Criteria* must be exposed for public comment prior to adoption. The AQB considers all comments in public meetings prior to taking final action. Prior to publication of an exposure draft, all proposed revisions to the *Criteria* are reviewed by a regulatory attorney.

### Public Meetings

The AQB conducts periodic public meetings. Observers are encouraged to attend and, if time permits, address the Board regarding an agenda item.

### Speaking Engagements

Members of the AQB are available for speaking engagements and presentations on the current work of the Board. Invitations to speak may be submitted via the "Request a Speaker" section on The Appraisal Foundation's website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)). These requests should be submitted as early as possible in order to facilitate scheduling.

### Other AQB Work

In addition to its work on the *Criteria*, the AQB is involved in numerous other ongoing projects, including:

- Maintenance and periodic updating of the *National Uniform Licensing and Certification Examinations* and their accompanying Examination Content Outlines (ECO's). The ECO's are used in the development of the examinations.
- Development of and enhancements to the Program to Improve USPAP Education.
- Administration of the Course Approval Program (CAP).
- Administration of the Real Estate Degree Review Program.
- Development of **voluntary** minimum *Personal Property Appraiser Qualification Criteria*.

More information on The Appraisal Foundation and the activities of the AQB is available online at [www.appraisalfoundation.org](http://www.appraisalfoundation.org) or by contacting the Board's staff at The Appraisal Foundation by phone at (202) 347-7722 or via e-mail at [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org).

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# REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

EFFECTIVE JANUARY 1, 2022



## DEFINITIONS:

**Real Property Appraiser Qualification Criteria (Criteria):** Established by the Appraiser Qualifications Board (AQB) of The Appraisal Foundation, these *Criteria* set forth the minimum education, experience, and examination requirements for real property appraisers.

**Required Core Curriculum:** A set of major appraisal subject matter headings, known as “modules,” which require a specified number of educational hours at each credential level.

*For example, as part of the Required Core Curriculum, a minimum of 30 hours of coverage of the module “Basic Appraisal Principles” is required.*

**Subtopics:** Areas of appraisal education (as identified in AQB Guide Note 1) that may be included within the modules of the *Required Core Curriculum*.

*As Guide Note 1 is not a binding requirement, coverage of the subtopics is not required for educational offerings to be valid; however, individuals will be expected to demonstrate competency in the subtopics in order to pass the respective licensing or certification examinations.*

**Interpretations:** Elaborations or clarifications of the *Criteria* issued by the AQB. Interpretations are essential to a proper understanding of the requirements set forth in the *Criteria* and are, therefore, binding upon users of the *Criteria*.

**Guide Notes:** Guidance or advice provided by the AQB for assistance in understanding and implementing the *Criteria*.

*For example, AQB Guide Note 1 (GN-1) “AQB Guidance for Curriculum Content” provides state appraiser regulators, students, and educators with suggested subtopics and items of coverage for each module in the Required Core Curriculum. The subtopics identified in Guide Note 1 represent those areas of education in which appraisers should be able to demonstrate competency to pass the respective licensing or certification examinations.*

## GENERAL INTERPRETATIONS

- A. The following is an exception for implementing the *Real Property Appraiser Qualification Criteria*:  
*An applicant in the Reserve components of the U.S. Armed Forces, who was pursuing an appraiser license or certification prior to December 1, 2011, and who was called to active duty between December 1, 2011 and December 31, 2014, may satisfy the qualifications required under the 2008 Criteria for an additional time period after January 1, 2015. The extension of time shall be equal to the applicant’s time of active duty, plus 12 months.*
- B. The following is a clarification of the existing *Real Property Appraiser Qualification Criteria*:  
*With respect to the prerequisites needed before an applicant takes the National Uniform Licensing and Certification Examinations as referenced in the various sections II. B., applicants must have all experience and education completely verified by the appropriate state appraiser regulatory agency prior to taking the National Exam. Applicants cannot self-verify experience.*

## CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

### I. Standards of Practice

Appraisers in all classifications shall perform and practice in compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP).

### II. Existing Credential Holders

Existing credential holders (with the exception of Trainee Appraisers) in good standing in any jurisdiction shall be considered in compliance with current Appraiser Qualifications Board *Real Property Appraiser Qualification Criteria* (*Criteria*) if they have passed an AQB-approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential (with the exception of Trainee Appraisers) in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and state renewal procedures.

### III. Generic Education Criteria

- A. Class hour
  - 1. A class hour is defined as 60 minutes, of which at least 50 minutes are instruction attended by the student.
  - 2. The prescribed number of class hours includes time for examinations.

- B. Credit for the class hour requirements may be obtained only from the following providers:
  - 1. Colleges or universities;
  - 2. Community or junior colleges;
  - 3. Real estate appraisal or real estate-related organizations;
  - 4. State or federal agencies or commissions;
  - 5. Proprietary schools;
  - 6. Providers approved by state certification/licensing agencies; or
  - 7. The Appraisal Foundation or its Boards.
- C. Experience may not be substituted for education.
- D. Distance education is defined as any education process based on the geographical separation of student and instructor. Components of distance education include synchronous, asynchronous, and hybrid. In synchronous educational offerings, the instructor and students interact simultaneously online, similar to a phone call, video chat or live webinar, or web-based meeting. In asynchronous educational offerings, the instructor and student interaction is non-simultaneous; the students progress at their own pace and follow a structured course content and quiz/exam schedule. Hybrid courses, also known as blended courses, are learning environments that allow for both in-person and online (synchronous, or asynchronous) interaction.

Synchronous courses provide for instruction and interaction substantially the same as on-site classroom courses. Synchronous courses meet class hour requirements if they comply with requirements III.A and III.B.

An asynchronous distance education course is acceptable to meet class hour requirements if:

- 1. The course provides interaction. Interaction is a reciprocal environment where the student has verbal or written communication with the instructor; and
  - 2. Content approval is obtained from the AQB, a state appraiser regulatory jurisdiction, or an accredited college, community college, or university that offers distance education programs and is approved or accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education. Non-academic credit college courses provided by a college shall be approved by the AQB or the state appraiser regulatory jurisdiction; and
  - 3. Course delivery mechanism approval is obtained from one of the following sources:
    - a. The AQB; or
    - b. AQB approved organizations providing approval of course design and delivery (such as The Appraisal Foundation or other independent approved entity); or
    - c. a college or university that qualifies for content approval in paragraph 2 above that awards academic credit for the distance education course; or
    - d. a qualifying college or university for content approval with a distance education delivery program that approves the course design and delivery that incorporate interactivity.
  - 4. Hybrid courses meet class hour requirements if each of its sessions meet the requirement for the delivery method employed:
    - a. in-person course sessions must meet III.A. and III.B.
    - b. synchronous course sessions must meet III.A. and III.B.
    - c. asynchronous courses sessions must meet III.A., III.B., and III.D.1-3
- E. *Criteria Specific to Qualifying Education*
- 1. Class hours will be credited only for educational offerings with content that follows the *Required Core Curriculum* for each respective credential classification. Course content requirements may be general or specific to property types. The *Required Core Curriculum* is to be followed by major headings with the classroom hours for each. Guide Note (GN-1) contains guidance for curriculum content with subtopics listed under each major module. The subtopics listed in GN-1 are used for developing Examination Content Outlines for each applicable credential classification, and may also be amended from time to time to reflect changes in technology or in the Body of Knowledge. GN-1 is not mandatory for meeting the *Required Core Curriculum*.
  - 2. Credit toward qualifying education requirements may also be obtained via the completion of a degree in Real Estate from an accredited degree-granting college or university approved by the Association to Advance Collegiate Schools of Business, or a regional or national accreditation agency recognized by the

US Secretary of Education, **provided that the college or university has had its curriculum reviewed and approved by the AQB.**

The AQB may maintain a list of approved college or university degree programs, including the *Required Core Curriculum* and Appraisal Subject Matter Elective hours satisfied by the award of the degree. Candidates for the Trainee Appraiser, Licensed Residential, Certified Residential, or Certified General credential who are awarded degrees from approved institutions are required to complete all additional education required for the credential in which the approved degree is judged to be deficient by the AQB.

3. Class hours may be obtained only where:
    - a. the minimum length of the educational offering is at least 15 hours; and
    - b. the individual successfully completes a proctored, closed-book final examination pertinent to that educational offering.
  4. Where the qualifying education course includes multiple modules as listed in the *Required Core Curriculum*, there must be appropriate testing of each module included in the course.
  5. Courses taken to satisfy the qualifying education requirements must not be repetitive. Courses shall foster problem-solving skills in the education process by utilizing case studies as a major teaching method when applicable.
  6. Applicants must take the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and pass the associated *15-Hour National USPAP Course* examination. At least one of the course instructors must be an AQB Certified USPAP Instructor who is also a state certified appraiser in good standing. Course equivalency shall be determined through the AQB Course Approval Program or by an alternate method established by the AQB. USPAP education presented in a distance education format must be designed to foster appropriate student-to-student, student-to-instructor, and student-to-material interaction.
  7. In addition to the generic requirements described in III.D., distance education courses intended for use as qualifying education must include a written, closed-book final examination. The examination must be proctored in person or remotely by an official approved by the college or university, or by the sponsoring organization. Bio-metric proctoring is acceptable.<sup>1</sup> The term, "written," as used herein, refers to an exam that might be written on paper or administered electronically on a computer workstation or other device. Oral exams are not acceptable. The testing must comply with the examination requirements of this section.
- F. *Criteria Specific to Continuing Education*
1. The purpose of continuing education is to ensure that appraisers participate in a program that maintains and increases their skill, knowledge, and competency in real property appraising.
- Aside from complying with the requirements to complete the *7-Hour National USPAP Update Course*, or its equivalent, appraisers may not receive credit for completion of the same continuing education course offering within the same continuing education cycle.
2. Credit towards the continuing education hour requirements for each appraiser classification may be granted only where the length of the educational offering is at least two (2) hours.
  3. Credit may be granted for education offerings that are consistent with the purpose of continuing education and cover real property related appraisal topics, including, but not limited to:
    - a. Ad valorem taxation;
    - b. Arbitration, dispute resolution;
    - c. Courses related to the practice of real estate appraisal or consulting;
    - d. Development cost estimating;
    - e. Ethics and standards of professional practice, USPAP;
    - f. Valuation bias, fair housing, and/or equal opportunity;
    - g. Land use planning, zoning;
    - h. Management, leasing, timesharing;

<sup>1</sup> Bio-metric proctoring process provides that student identity is continually verified through processes, such as facial recognition, consistency in keystroke cadence, and the observation of activity in the testing location. Aberrant behavior or activity can be readily observed.

- i. Property development, partial interests;
  - j. Real estate law, easements, and legal interests;
  - k. Real estate litigation, damages, condemnation;
  - l. Real estate financing and investment;
  - m. Real estate appraisal-related computer applications;
  - n. Real estate securities and syndication;
  - o. Developing opinions of real property value in appraisals that also include personal property and/or business value;
  - p. Seller concessions and impact on value; and/or
  - q. Energy-efficient items and “green building” appraisals.
4. Up to one half of an individual’s continuing education requirement may also be granted for participation, other than as a student, in appraisal educational processes and programs. Examples of activities for which credit may be granted are teaching, program development, authorship of textbooks, or similar activities that are determined to be equivalent to obtaining continuing education. Credit for instructing any given course or seminar can only be awarded once during a continuing education cycle.
  5. Educational offerings taken by an individual in order to fulfill the class hour requirement for a different classification than his/her current classification may be simultaneously counted towards the continuing education requirement of his/her current classification.
  6. In addition to the generic requirements described in III.D., asynchronous distance education courses intended for use as continuing education must include at least one of the following:
    - a. A written examination proctored by an official approved by the college or university, or by the sponsoring organization. Remote proctoring, including bio-metric procedures as noted in III E. 7. above, is acceptable. The term “written” as used herein refers to an exam that might be written on paper, or administered electronically on a computer workstation or other device. Oral exams are not acceptable; or
    - b. Successful completion of prescribed course mechanisms required to demonstrate knowledge of the subject matter.
  7. Real estate appraisal-related field trips may be acceptable for credit toward the continuing education requirements. However, transit time to or from the field trip may not be included when awarding credit unless instruction occurs during said transit time.
  8. Appraisers must successfully complete the *7-Hour National USPAP Update Course*, or its AQB-approved equivalent, every two calendar years. Equivalency shall be determined through the AQB Course Approval Program or by an alternate method established by the AQB.
  9. Individuals who are credentialed in more than one jurisdiction shall not have to take more than one *7-Hour National USPAP Update Course* within a two calendar year period for the purposes of meeting AQB *Criteria*.
  10. USPAP continuing education credit shall only be awarded when the course is instructed by at least one AQB Certified USPAP Instructor who is also a state certified appraiser in good standing.
  11. The equivalent of fourteen (14) class hours of instruction in courses or seminars for each year during the period preceding the renewal is required. For example, a two-year continuing education cycle would require twenty-eight hours. The class hour requirement can be fulfilled at any time during the cycle.
  12. AQB Certified USPAP Instructors successfully completing a *7-Hour Instructor Recertification Course* and exam (if required) within their current continuing education cycle have satisfied the *7-Hour National USPAP Update Course* continuing education requirement.
  13. State appraiser regulatory agencies with the appropriate authority to do so may place a credential holder in an “inactive status” in the event the state determines a deficiency in continuing education was due to extenuating circumstances.

Prior to reactivation, credential holders in an inactive status must complete all required continuing education hours that would have been required if the credential holder was in an active status. The

required hours must also include the most recent edition of a *7-Hour National USPAP Update Course* (or its AQB-approved equivalent).

Waivers may not be granted to credential holders who have failed to meet the continuing education requirements.

Deferrals may not be granted to credential holders, except in the case of individuals returning from active military duty, or individuals impacted by a state- or federally-declared disaster. State appraiser regulatory agencies may allow credential holders returning from active military duty to be placed in active status for a period of up to 90 days pending completion of all continuing education requirements. State appraiser regulatory agencies may allow credential holders impacted by a state- or federally-declared disaster that occurs within 90 days prior to the end of the continuing education cycle to remain (or be placed in) active status for a period of up to 90 days after the end of the credential holder's continuing education cycle, pending completion of all continuing education requirements.

14. Credentialed appraisers are required to complete continuing education for a partial year in a continuing education cycle as follows:

For continuing education cycle periods of 185 days or more, 14 hours of continuing education is required.

For continuing education cycle periods of less than 185 days, no hours of continuing education are required.

**Example #1:** A credential issued on August 15 that expires on December 31 of the same year would not require any continuing education hours for that year.

**Example #2:** A credential issued on May 15 that expires on December 31 of the same year would require 14 continuing education hours for that year.

**Example #3:** A credential issued on August 15 that expires on December 31 of the following year would require 14 hours of continuing education to renew.

15. State appraiser regulatory agencies may award continuing education credit to credentialed appraisers who attend a state appraiser regulatory agency meeting, under the following conditions:
  - a. Credit may be awarded for a single state appraiser regulatory agency meeting per continuing education cycle. The meeting must be open to the public and must be a minimum of two (2) hours in length. The total credit cannot exceed seven (7) hours; and
  - b. The state appraiser regulatory agency must ensure that the credentialed appraiser attends the meeting for the required period of time.

#### IV. Generic Examination Criteria

A new applicant not currently licensed or certified and in good standing in another jurisdiction shall have up to 24 months, after approval by the state, to take and pass an AQB-approved qualifying examination for the credential. Successful completion of the examination is valid for a period of 24 months.

#### V. Generic Experience Criteria

- A. Education may not be substituted for experience, except as shown below in Section D below.
- B. The quantitative experience requirements must be satisfied by time spent in the appraisal process. The appraisal process consists of: analyzing factors that affect value; defining the problem; gathering and analyzing data; applying the appropriate analysis and methodology; and arriving at an opinion and correctly reporting the opinion in compliance with USPAP.
- C. Hours may be treated as cumulative in order to achieve the necessary number of hours of appraisal experience.
  1. Cumulative is defined as experience that may be acquired over multiple time periods.
  2. The following is an example of cumulative experience:

Year 1	200 Hours
Year 2	800 Hours
Year 3	600 Hours
Year 4	400 Hours
Year 5	500 Hours
<b>Total</b>	<b>2,500 Hours</b>



- D. There need not be a client in a traditional sense (e.g., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.
- E. Practicum courses that are approved by the AQB Course Approval Program or state appraiser regulatory agencies can satisfy the non-traditional client experience requirement. A practicum course must include the generally applicable methods of appraisal practice for the credential category. Content includes, but is not limited to: requiring the student to produce credible appraisals that utilize an actual subject property; performing market research containing sales analysis; and applying and reporting the applicable appraisal approaches in conformity with USPAP. Assignments must require problem solving skills for a variety of property types for the credential category.

Experience credit shall be granted for the actual classroom hours of instruction and hours of documented research and analysis as awarded from the practicum course approval process.

- F. An hour of experience is defined as verifiable time spent in performing tasks in accordance with acceptable appraisal practice. Acceptable real property appraisal practice for experience credit includes appraisal, appraisal review, appraisal consulting, and mass appraisal.

All experience must be obtained after January 30, 1989, and must be USPAP-compliant. An applicant's experience must be in appraisal work conforming to Standards 1, 2, 3, 4, 5, and/or 6, where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), and reporting conclusions.

- G. Documentation in the form of reports, certifications, or file memoranda, or, if such reports and memoranda are unavailable for good cause, other evidence at the credentialing authority's discretion that the work is compliant with USPAP must be provided as part of the state experience verification process to support the experience claimed.
- H. The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:
  - 1. Type of property;
  - 2. Date of report;
  - 3. Address of appraised property;
  - 4. Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;
  - 5. Number of actual work hours by the trainee/applicant on the assignment; and
  - 6. The signature and state certification number of the supervising appraiser, if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.
- I. There is no maximum time limit during which experience may be obtained.

## VI. Practical Applications of Real Estate Appraisal (PAREA)

Practical Applications of Real Estate Appraisal (PAREA) programs approved by the AQB utilize simulated experience training, and serve as an alternative to the traditional Supervisor/Trainee experience model, under Section V. To qualify as creditable experience, AQB-approved PAREA programs shall:

- 1. Contain, at a minimum, the content specified in the Practical Applications of Real Estate Appraisal section of this Criteria;
- 2. Require participants to possess the following prerequisites prior to commencement of training:
  - a. For the Licensed Residential Module: 150 hours of qualifying education as specified in the Required Core Curriculum for the Licensed Residential Real Property Appraiser classification.
  - b. For the Certified Residential Module: 200 hours of qualifying education as specified in the Required Core Curriculum for the Certified Residential Real Property Appraiser classification; and
    - i. Possession of a valid Licensed Residential Real Property Appraiser credential; or
    - ii. Successful completion of an AQB-approved PAREA program for the Licensed Residential Real Property Appraiser classification;
- 3. Provide an adequate number of Mentors to ensure timely and competent mentoring for all program participants;

4. Ensure Mentors meet or exceed the following qualifications:
  - a. Mentors shall be state-certified appraisers and in “good standing” for a period of at least three (3) years prior to being eligible to become a Mentor; and
  - b. Mentors shall not have been subject to any disciplinary action, within any jurisdiction, within the last three (3) years that affected the Mentor’s legal eligibility to engage in appraisal practice, or to act as a Supervisory Appraiser. A Mentor subject to a disciplinary action would be considered to be in “good standing” three (3) years after the successful completion/termination of the imposed sanction; and
5. Ensure program participants produce appraisal reports that comply with USPAP, and meet or exceed the following requirements:
  - a. Licensed Residential
    - i. No fewer than three (3) appraisal reports;
    - ii. Reports must represent a variety of assignment types and property types that are consistent with the Licensed Residential program content; and
    - iii. Reports must comply with the edition of USPAP that is in effect at the time.
  - b. Certified Residential
    - i. No fewer than three (3) appraisal reports;
    - ii. Reports must represent a variety of assignment types and property types that are consistent with the Certified Residential program content; and
    - iii. Reports must comply with the edition of USPAP that is in effect at the time; and
6. Provide each program participant that successfully completes PAREA training with a certificate of completion, subject to the following:
  - a. Participants may not receive partial credit for PAREA training;
  - b. Participants may not receive a certificate of completion until all required components of PAREA training have been successfully completed and approved by a program Mentor;
  - c. Certificates of completion must be signed by an individual from the training entity qualified to verify a participant’s successful completion; and
  - d. Certificates of completion must not contain an expiration date or other constraints that either limit or restrict the participant’s ability to receive appropriate credit; and
7. Allow participants successfully completing approved PAREA programs to receive the following experience credit:
  - a. For participants completing an approved Licensed Residential program:
    - i. Licensed Residential classification: up to 100 percent of the required experience hours.
    - ii. Certified Residential classification: up to 67 percent of the required experience hours.
    - iii. Certified General classification: up to 33 percent of the total required experience, none of which is eligible towards the required non-residential hours.
  - b. For participants completing an approved Certified Residential program:
    - i. Licensed Residential classification: up to 100 percent of the required experience hours.
    - ii. Certified Residential classification: up to 100 percent of the required experience hours.
    - iii. Certified General classification: up to 50 percent of the total required experience, none of which is eligible towards the required non-residential hours.

## VII. Background Checks

- A. All applicants for a real property appraiser credential shall possess a background that would not call into question public trust.
- B. Applicants shall provide state appraiser regulatory agencies with all of the information and documentation necessary for the jurisdiction to determine the applicant’s fitness for licensure or certification.
- C. An applicant shall not be eligible for a real property appraiser credential if, during at least the five (5) year period immediately preceding the date of the application for licensing or certification, the applicant has been convicted of, or pled guilty or nolo contendere to a crime that would call into question the applicant’s fitness for licensure.
- D. Additional guidance related to background checks for applicants for a real property appraiser credential may be found in Guide Note 9 (GN-9).

## VIII. Interpretations and Guide Notes (GN)

Periodically, the AQB may issue Interpretations to the *Criteria* (binding) or Guide Notes (advisory) on interpretations or application of the *Criteria*.

# SUPERVISORY APPRAISER REQUIREMENTS

APPLICABLE TO SUPERVISION OF **TRAINEE APPRAISERS** ONLY

Supervisory Appraisers provide a critical role in the mentoring, training, and development of future valuation professionals. It is inherently important to strike a proper balance between enhancing public trust by ensuring Supervisory Appraisers are competent and qualified to supervise Trainee Appraisers without making the criteria too stringent and restrictive as to discourage or prevent qualified Supervisory Appraisers from actually participating in the training and supervision of Trainee Appraisers.

## I. General

- A. Supervisory Appraisers shall be responsible for the training, guidance, and direct supervision of the Trainee Appraiser by:
  1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
  2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
  3. Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.
- B. Supervisory Appraisers shall be state-certified and in “good standing” for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers do not need to be state certified and in good standing **in the jurisdiction** in which the Trainee Appraiser practices **for any specific minimum period of time**. Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser’s legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in “good standing” three (3) years *after* the successful completion/termination of the sanction imposed against the appraiser.

### ***Supervisory Appraiser Requirements Interpretation***

With respect to disciplinary sanctions that affect an individual’s legal eligibility to practice as referenced in Section 1.B. above, sanctions imposed as a result of administrative actions not related to an individual’s obligations of ethical and competent appraisal practice do not apply. Examples may involve isolated administrative responsibilities including late payment of fees, failure to timely renew a credential, or failure to notify a regulatory office of a change in contact information. The intent of the language stated in Section 1.B. above, was to prevent Supervisory Appraisers from training due to egregious appraisal practice issues that involved ethics and competency. Administrative infractions do not preclude an individual from acting as a Supervisory Appraiser for three years after the sanction.

- C. Supervisory Appraisers must comply with the COMPETENCY RULE of USPAP for the property type and geographic location where the Trainee Appraiser is being supervised.
- D. Whereas a Trainee Appraiser is permitted to have more than one Supervisory Appraiser, Supervisory Appraisers may not supervise more than three (3) Trainee Appraisers at one time, unless a state program in the credentialing jurisdiction provides for progress monitoring, supervisory certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.

- E. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and Trainee Appraiser to ensure the experience log is accurate, current, and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:
1. Type of property;
  2. Date of report;
  3. Address of appraised property;
  4. Description of work performed by the Trainee Appraiser and the scope of the review and supervision of the Supervisory Appraiser;
  5. Number of actual work hours by the Trainee Appraiser on the assignment; and
  6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.
- F. Supervisory Appraisers shall be required to complete a course that, at a minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course is to be completed by the Supervisory Appraiser prior to supervising a Trainee Appraiser. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this booklet for more information.

# REAL PROPERTY APPRAISER CLASSIFICATIONS

## TRAINEE REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

### I. General

- A. The Trainee Appraiser classification is intended to incorporate any documented non-certified/non-licensed real property appraisers who are subject to the *Real Property Appraiser Qualification Criteria*. Recognizing that individual credentialing jurisdictions may use different terminologies, “Trainee Appraisers” include, but are not limited to: registered appraisers, apprentice appraisers, provisional appraisers, or other similar designations created by state appraiser regulatory agencies.
- B. The scope of practice for the Trainee Appraiser classification is the appraisal of those properties which the state-certified Supervisory Appraiser is permitted by his/her current credential and that the Supervisory Appraiser is competent to appraise.
- C. The Trainee Appraiser, as well as the Supervisory Appraiser, shall be entitled to obtain copies of appraisal reports and/or permitted appropriate access and retrieval arrangements for all workfiles for appraisals in which he or she participated, in accordance with the RECORD KEEPING RULE of USPAP.
- D. All Trainee Appraisers must comply with the COMPETENCY RULE of USPAP for all assignments.

### II. Examination

There is no examination requirement for the Trainee Appraiser classification, but the Trainee Appraiser shall pass the appropriate end-of-course examinations in all of the prerequisite qualifying education courses in order to earn credit for those courses.

### III. Qualifying Education

- A. As the prerequisite for application, an applicant must have completed seventy-five (75) hours of qualifying education as specified in the *Required Core Curriculum*. Additionally, applicants must pass the course examinations and pass the *15-Hour National USPAP Course* (or its AQB-approved equivalent) and examination as part of the 75 hours. All qualifying education must be completed within the five (5) year period immediately preceding the date of application for a Trainee Appraiser credential.
- B. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.

- C. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.
- D. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.

#### IV. Experience

No experience is required as a prerequisite for the Trainee Appraiser classification.

#### V. Training

- A. The Trainee Appraiser shall be subject to direct control and supervision by a Supervisory Appraiser in good standing, who shall be state certified. A Trainee Appraiser is permitted to have more than one Supervisory Appraiser.
- B. The Supervisory Appraiser shall be responsible for the training, guidance, and direct control and supervision of the Trainee Appraiser by:
  - 1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
  - 2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
  - 3. Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.
- C. The Trainee Appraiser is permitted to have more than one Supervisory Appraiser, but a Supervisory Appraiser may not supervise more than three (3) Trainee Appraisers, at one time, unless a program in the state appraiser regulatory jurisdiction provides for progress monitoring, supervising certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.
- D. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and the Trainee Appraiser to ensure the appraisal experience log is accurate, current, and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:
  - 1. Type of property;
  - 2. Date of report;
  - 3. Address of appraised property;
  - 4. Description of work performed by the Trainee Appraiser and scope of the review and supervision of the Supervisory Appraiser;
  - 5. Number of actual work hours by the Trainee Appraiser on the assignment; and
  - 6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.
- E. Supervisory Appraisers shall be state certified and in good standing for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers do not need to be state certified and in good standing **in the jurisdiction** in which the Trainee Appraiser practices **for any specific minimum period of time**. Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser's legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in "good standing" three (3) years after the successful completion/termination of the sanction imposed against the appraiser.
- F. Trainee Appraisers shall be required to complete a course that, at minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course must be completed by the Trainee Appraiser prior to obtaining a Trainee Appraiser credential from the individual credentialing jurisdiction. Further, the Trainee Appraiser course is not eligible towards the 75 hours of qualifying education required. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this booklet for more information.

# LICENSED RESIDENTIAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

## I. General

- A. The Licensed Residential Real Property Appraiser classification applies to the appraisal of non-complex one-to-four residential units having a transaction value less than \$1,000,000, and complex one-to-four residential units having a transaction value less than \$400,000.
- B. Complex one-to-four unit residential property appraisal means one in which the property to be appraised, the form of ownership, or the market conditions are atypical.
- C. For non-federally related transaction appraisals, transaction value shall mean market value.
  - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential units, or for which the highest and best use is for one-to-four residential units.
  - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
- D. All Licensed Residential Real Property Appraisers must comply with the COMPETENCY RULE of USPAP.

## II. Examination

- A. The AQB-approved Licensed Residential Real Property Appraiser examination must be successfully completed. The only alternative to successful completion of the Licensed Residential examination is the successful completion of the Certified Residential or Certified General examination.
- B. The prerequisites for taking the AQB-approved examination are completion of:
  - 1. One hundred fifty (150) creditable class hours as specified in the *Required Core Curriculum*; and
  - 2. One thousand (1,000) hours of qualifying experience in no fewer than six (6) months.

## III. Qualifying Education

- A. The Licensed Residential Real Property Appraiser classification requires completion of one hundred fifty (150) creditable class hours as specified in the *Required Core Curriculum*. As part of the 150 required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and successfully pass the examination. There is no alternative to successful completion of the USPAP Course and examination.
- B. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
 

1. Residential Market Analysis and Highest and Best Use	15 Hours
2. Residential Appraiser Site Valuation and Cost Approach	15 Hours
3. Residential Sales Comparison and Income Approaches	30 Hours
4. Residential Report Writing and Case Studies	15 Hours
<b>TOTAL</b>	<b>75 Hours</b>
- C. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential.
- D. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential.

## IV. Experience:

One thousand (1,000) hours of experience are required to be obtained in no fewer than six (6) months.

# CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

## I. General

- A. The Certified Residential Real Property Appraiser classification qualifies the appraiser to appraise one-to-four residential units without regard to value or complexity.
  - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential units purposes or for which the highest and best use is for one-to-four residential units.
  - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
- B. All Certified Residential appraisers must comply with the COMPETENCY RULE of USPAP.

## II. Examination

- A. The AQB-approved Certified Residential Real Property Appraiser examination must be successfully completed. The only alternative to successful completion of the Certified Residential examination is the successful completion of the Certified General examination.
- B. The prerequisites for taking the AQB-approved examination are completion of:
  - 1. Two hundred (200) creditable class hours as specified in the *Required Core Curriculum*;
  - 2. Completion of the requirements specified in Section III.B. or III.C., "Qualifying Education"; and
  - 3. One thousand five hundred (1,500) hours of qualifying experience obtained in no fewer than twelve (12) months.

## III. Qualifying Education

- A. All college-level education must be obtained from a degree-granting institution by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education.

Applicants with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:

- An accredited, degree-granting domestic college or university;
  - A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
  - A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.
- B. Applicants for the Certified Residential credential must satisfy at least one of the following five options (III.B.1., III.B.2., III.B.3., III.B.4., or III.B.5.):
  - 1. Possession of a Bachelor's Degree in any field of study;
  - 2. Possession of an Associate's Degree in a field of study related to:
    - a. Business Administration;
    - b. Accounting;
    - c. Finance;
    - d. Economics; or
    - e. Real Estate



3. Successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:
    - a. English Composition (3 semester hours);
    - b. Microeconomics (3 semester hours);
    - c. Macroeconomics (3 semester hours);
    - d. Finance (3 semester hours);
    - e. Algebra, Geometry, or higher mathematics (3 semester hours);
    - f. Statistics (3 semester hours);
    - g. Computer Science (3 semester hours);
    - h. Business or Real Estate Law (3 semester hours); and
    - i. Two elective courses in any of the topics listed above or in accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).
  4. Successful completion of at least 30 semester hours of College Level Examination Program® (CLEP®) examinations from each of the following subject matter areas:
    - a. College Algebra (3 semester hours);
    - b. College Composition (6 semester hours);
    - c. College Composition Modular (3 semester hours);
    - d. College Mathematics (6 semester hours);
    - e. Principles of Macroeconomics (3 semester hours);
    - f. Principles of Microeconomics (3 semester hours);
    - g. Introductory Business Law (3 semester hours); and
    - h. Information Systems (3 semester hours).
  5. Any combination of III.B.3 and III.B.4 above that ensures coverage of all topics and hours identified in III.B.3.
- C. As an alternative to the requirements in Section III.B. above, individuals who have held a Licensed Residential credential for a minimum of five (5) years may qualify for a Certified Residential credential by satisfying all of the following:
1. No record of any adverse, final, and non-appealable disciplinary action affecting the Licensed Residential appraiser's legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential credential;
  2. Successful completion of the additional required qualifying education as specified in Section III.F. below;
  3. Successful completion of the required experience as specified in Section IV below; and
  4. Successful completion of the Certified Residential Real Property Appraiser examination as specified in Section II above.
- D. The Certified Residential Real Property Appraiser classification requires completion of two hundred (200) creditable class hours as specified in the *Required Core Curriculum*. As part of the 200 required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and the examination. There is no alternative to successful completion of the USPAP Course and examination.
- E. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Certified Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
- |   |                  |
|---|------------------|
| 1. Residential Market Analysis and Highest and Best Use   | 15 Hours         |
| 2. Residential Appraiser Site Valuation and Cost Approach | 15 Hours         |
| 3. Residential Sales Comparison and Income Approaches     | 30 Hours         |
| 4. Residential Report Writing and Case Studies            | 15 Hours         |
| 5. Statistics, Modeling and Finance                       | 15 Hours         |
| 6. Advanced Residential Applications and Case Studies     | 15 Hours         |
| 7. Appraisal Subject Matter Electives                     | 20 Hours         |
| <b>TOTAL</b>  | <b>125 Hours</b> |
- F. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
- |   |                 |
|---|-----------------|
| 1. Statistics, Modeling and Finance                   | 15 Hours        |
| 2. Advanced Residential Applications and Case Studies | 15 Hours        |
| 3. Appraisal Subject Matter Electives                 | 20 Hours        |
| <b>TOTAL</b>  | <b>50 Hours</b> |

- G. Appraisers holding a valid **Trainee Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification must also satisfy the college-level education requirement as specified in III.B.
- H. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification who do not meet the requirements outlined in Section III.C. must also satisfy the college-level education requirements as specified in Section III.B.
- I. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification who meet the requirements outlined in Section III.C. do not need to satisfy college-level education requirements as specified in Section III.B.
- J. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Certified Residential Real Property Appraiser credential.

#### IV. Experience:

One thousand five hundred (1,500) hours of experience are required to be obtained during no fewer than twelve (12) months. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.

# CERTIFIED GENERAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

## I. General

- A. The Certified General Real Property Appraiser classification qualifies the appraiser to appraise all types of real property.
- B. All Certified General appraisers must comply with the COMPETENCY RULE of USPAP.

## II. Examination

- A. The AQB-approved Certified General Real Property Appraiser examination must be successfully completed. There is no alternative to successful completion of the exam.
- B. The prerequisites for taking the AQB-approved examination are completion of:
  1. Three hundred (300) creditable class hours as specified in the *Required Core Curriculum*; and
  2. Completion of the college-level education requirements specified in III.A. "Qualifying Education"; and
  3. Three thousand (3,000) hours of qualifying experience obtained in no fewer than eighteen (18) months, where a minimum of one thousand five hundred (1,500) hours must be obtained in non-residential appraisal work.

## III. Qualifying Education

- A. Applicants for the Certified General credential must hold a Bachelor's degree or higher from an accredited college or university. The college or university must be a degree-granting institution accredited by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education. Applicants with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:
  - An accredited, degree-granting domestic college or university;
  - A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
  - A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.
- B. The Certified General Real Property Appraiser classification requires completion of three hundred (300) creditable class hours as specified in the *Required Core Curriculum*. As part of the 300 required hours, the applicant shall complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and the examination. There is no alternative to successful completion of the USPAP Course and examination.
- C. Applicants must demonstrate that their education includes the core courses listed in these *Criteria*, with particular emphasis on non-residential properties. Residential is defined as "composed of one-to-four residential units."

D. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	30 Hours
2. Statistics, Modeling and Finance	15 Hours
3. General Appraiser Sales Comparison Approach	30 Hours
4. General Appraiser Site Valuation and Cost Approach	30 Hours
5. General Appraiser Income Approach	60 Hours
6. General Appraiser Report Writing and Case Studies	30 Hours
7. Appraisal Subject Matter Electives	30 Hours
<b>TOTAL</b>	<b>225 Hours</b>

E. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
2. Statistics, Modeling and Finance	15 Hours
3. General Appraiser Sales Comparison Approach	15 Hours
4. General Appraiser Site Valuation and Cost Approach	15 Hours
5. General Appraiser Income Approach	45 Hours
6. General Appraiser Report Writing and Case Studies	15 Hours
7. Appraisal Subject Matter Electives	30 Hours
<b>TOTAL</b>	<b>150 Hours</b>

F. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
2. General Appraiser Sales Comparison Approach	15 Hours
3. General Appraiser Site Valuation and Cost Approach	15 Hours
4. General Appraiser Income Approach	45 Hours
5. General Appraiser Report Writing and Case Studies	10 Hours
<b>TOTAL</b>	<b>100 Hours</b>

G. **Trainee Appraisers, Licensed Residential Real Property Appraisers, and Certified Residential Real Property Appraisers** wishing to change to the Certified General Real Property Appraiser classification must also satisfy the requirements in III.A. and III.C.

#### IV. Experience

Three thousand (3,000) hours of experience are required to be obtained during no fewer than eighteen (18) months. One thousand five hundred (1,500) hours must be in non-residential appraisal work. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.

# REQUIRED CORE CURRICULUM

## TRAINEE APPRAISER

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
<b>TOTAL</b>	<b>75 HOURS</b>

## LICENSED RESIDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH	15 HOURS
RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES	30 HOURS
RESIDENTIAL REPORT WRITING AND CASE STUDIES	15 HOURS
<b>TOTAL</b>	<b>150 HOURS</b>

## CERTIFIED RESIDENTIAL

BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
RESIDENTIAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH	15 HOURS
RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES	30 HOURS
RESIDENTIAL REPORT WRITING AND CASE STUDIES	15 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES	15 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	20 HOURS
<b>TOTAL</b>	<b>200 HOURS</b>

CERTIFIED GENERAL	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE	30 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
GENERAL APPRAISER SITE VALUATION AND COST APPROACH	30 HOURS
GENERAL APPRAISER SALES COMPARISON APPROACH	30 HOURS
GENERAL APPRAISER INCOME APPROACH	60 HOURS
GENERAL APPRAISER REPORT WRITING AND CASE STUDIES	30 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	30 HOURS
TOTAL	300 HOURS

# SUPERVISORY APPRAISER / TRAINEE APPRAISER COURSE OBJECTIVES AND OUTLINE

## COURSE OBJECTIVES

In developing the course, providers must include the following course objectives, which address both the Supervisory Appraiser and Trainee Appraiser.

### Supervisory Appraiser Objectives

The course must provide adequate information to ensure the Supervisory Appraiser understands the qualifications and responsibilities of that role. Specifically, the objective of the course shall be that the student understands:

- AQB minimum qualifications for becoming and remaining a Supervisory Appraiser;
- Jurisdictional credentialing requirements for both Supervisory Appraisers and Trainee Appraisers that may exceed those of the *Criteria*;
- Expectations and responsibilities of being a Supervisory Appraiser;
- Responsibilities and requirements of a Supervisory Appraiser in maintaining and signing all appropriate Trainee Appraiser experience logs; and
- Expectations and responsibilities of the Trainee Appraiser.

### Trainee Appraiser Objectives

The course must provide adequate information to ensure the Trainee Appraiser understands the qualifications and responsibilities of that role. Specifically, the objective of the course shall be that the student understands:

- AQB minimum qualifications for becoming a credentialed appraiser;
- Jurisdictional credentialing requirements for Trainee Appraisers that may exceed those of the *Criteria*;
- AQB minimum qualifications for becoming and remaining a Supervisory Appraiser, as well as jurisdictional credentialing requirements that may exceed those of the *Criteria*;
- Processes and roles of the entities involved in establishing qualifications for credentialed appraisers;
- Expectations and responsibilities of the Trainee Appraiser;
- Basics of the *Uniform Standards of Professional Appraisal Practice* (USPAP); and
- Responsibilities and requirements of a Trainee Appraiser's role in maintaining and signing all appropriate Trainee Appraiser experience logs.

## COURSE CONTENT OUTLINE

Education developers must include the topics contained in the following outline when creating course content:

### I. Table of Contents

### II. Course Introduction and Overview

### III. Qualification and Credentialing Entities

- A. The Appraisal Foundation
  1. Overview of the creation and role of The Appraisal Foundation
- B. The Appraiser Qualifications Board (AQB)
  1. Overview of the role of the AQB in establishing qualifications for real property appraisers

- C. Individual State or Territory Credentialing Authorities
  - 1. Overview of a jurisdiction's role in issuing appraiser credentials and disciplining appraisers
  - 2. Specific information regarding the regulatory structure of the individual jurisdiction (optional)
- D. Professional Appraiser Organizations
  - 1. Overview of the role of professional appraiser organizations
  - 2. Explain difference between required regulatory state appraiser credentials and "voluntary" professional appraiser organization designations

#### IV. Qualifications for Appraiser Credentials

- A. AQB Qualifications
    - 1. Overview of the AQB minimum qualifications for real property appraisers, including the education, experience, and examination requirements for the following categories:
      - a. Trainee Appraiser
      - b. Licensed Residential
      - c. Certified Residential
      - d. Certified General
- Comment: Course developers shall include a summary matrix outlining the minimum education, experience, and examination requirements necessary for each of the credentials.
- 2. Overview of Supervisory Appraiser Qualifications
    - a. AQB minimum qualifications
    - b. Discussion noting individual credentialing jurisdictions could have qualifications that may exceed AQB minimum qualifications
- B. Individual Jurisdiction Qualifications
    - 1. Overview explaining how AQB sets minimum qualifications, but states may have qualifications that exceed AQB *Criteria*
    - 2. Outline and explain the specific steps/requirements to becoming licensed or certified in the particular jurisdiction in which the course is being provided

#### V. Overview of USPAP

- A. Provide brief overview of sections of USPAP relevant to Trainee Appraisers including overviews of:
  - 1. ETHICS RULE
  - 2. COMPETENCY RULE
  - 3. SCOPE OF WORK RULE
  - 4. RECORD KEEPING RULE
  - 5. STANDARD 1 (Development) and STANDARD 2 (Reporting)

Comment: This section is not intended to be a substitute for the *15-Hour National USPAP Course* (or its equivalent).

#### VI. Overview of Supervisory Appraiser Expectations and Responsibilities

- A. The course material must include a presentation of the requirements, expectations, and responsibilities of the Supervisory Appraiser. At a minimum, the course materials must include the expectations and responsibilities of the Supervisory Appraiser to:
  - 1. Provide the Trainee Appraiser with a basic understanding of USPAP requirements
  - 2. Understand the AQB minimum requirements of both the Supervisory Appraiser and Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the *Criteria*
  - 3. Provide proper guidance to the Trainee Appraiser when he or she selects a specific credentialing path (i.e., Licensed Residential, Certified Residential, or Certified General)
  - 4. Monitor the Trainee Appraiser's progress in satisfying both the education and experience requirements necessary to achieve his or her selected credentialing path
  - 5. Verify that the Supervisory Appraiser and Trainee Appraiser are properly documenting all appropriate experience logs



6. Accompany the Trainee Appraiser on all inspections until the Trainee Appraiser is competent to conduct inspections independently and has met all specific requirements pertaining to property inspection established by the credentialing jurisdiction
7. Monitor and provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value
8. Verify that the Trainee Appraiser is properly identified and acknowledged in the appraisal report in compliance with USPAP requirements
9. Immediately notify the Trainee Appraiser if the Supervisory Appraiser is no longer qualified to supervise and/or sign the Trainee Appraiser's experience log

## **VII. Overview of Trainee Appraiser Expectations and Responsibilities**

- A. The course material must include a presentation of the requirements, expectations, and responsibilities of the Trainee Appraiser. At a minimum, the course materials must include the expectations and responsibilities of the Trainee Appraiser to understand:
  1. The AQB minimum requirements to become a Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the *Criteria*
  2. The importance of selecting an appropriate Supervisory Appraiser. Points covered shall include:
    - a. The Supervisory Appraiser-Trainee Appraiser relationship is a long-term commitment by both parties
    - b. The Trainee Appraiser is inherently connected to the "good standing" of the Supervisory Appraiser
    - c. The importance of selecting a Supervisory Appraiser with the experience and competency that best matches the Trainee Appraiser's selected credentialing path
    - d. Options for the Trainee Appraiser if a Supervisory Appraiser is no longer qualified to serve as a Supervisory Appraiser
  3. How to determine if an appraiser is qualified and in good standing to be a Supervisory Appraiser by searching the Appraisal Subcommittee (ASC) National Registry and/or jurisdictional websites
  4. It is the Supervisory Appraiser's responsibility to monitor the progression of the Trainee Appraiser's education and experience necessary to achieve the Trainee Appraiser's selected credentialing path
  5. It is the Supervisory Appraiser's responsibility to provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value
  6. The responsibilities of both the Trainee Appraiser and the Supervisory Appraiser in properly documenting all appropriate Trainee Appraiser's experience logs
  7. The Supervisory Appraiser must accompany the Trainee Appraiser on all inspections until he or she is competent to conduct inspections independently, and has met all requirements pertaining to property inspection established by the credentialing jurisdiction

## **VIII. Overview of Jurisdictional Requirements for Supervisory Appraiser and Trainee Appraiser Requirements**

- A. Provide summary of jurisdictional requirements that may exceed those of the AQB *Criteria*
- B. Course developers may elect to present jurisdictional requirements as a separate add-on module, or incorporate differences between AQB minimum and jurisdictional requirements in each appropriate section of the outline

## **IX. Summary/Quiz (optional)**

## **X. Definitions**

- A. Provide glossary of definitions utilized throughout the course

# PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA)

The goal of the following is to outline necessary Content Criteria that must be included in the development of exercises, examples, simulations, case studies, and applications as are appropriate to recreate the practical experience expected to be gained by an appraiser seeking a license credential. At least 3 USPAP compliant appraisal reports will be developed in the PAREA program for each licensing category. At a minimum, development and reporting of appraisals for single unit residences, 2-4 unit, and condominium units are essential.

## MINIMUM CONTENT REQUIREMENTS – LICENSED RESIDENTIAL CLASSIFICATION

### I. Introduction

#### A. General Considerations and Responsibilities

1. Discuss respecting the public trust
2. Review and comment on appraiser independence
3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

#### B. Appraisal Software and Tools

1. Overview of software options (vendors) and common forms
2. Overview of Common tools: measuring devices, cameras, etc.

### II. Problem Identification

#### A. Understanding Assignment Parameters

1. Perform initial review of order/engagement letter, determine authoritative lines of communication. Provide interactive exercises in extracting key information from engagement letter.

#### B. Understanding Assignment Elements and Competency Issues

1. Examine appraisal request and other documents provided (e.g. title reports, surveys, purchase contract) to determine key assignment elements (Standards Rule 1-2(a)–Standards Rule 1-2(d), and the SCOPE OF WORK RULE), and/or contractual obligations. Determine relevant appraisal assignment conditions. Understanding common client, intended use, intended users, engagement letter terms, various assignment types, basis for assignment conditions, extraordinary assumptions, and hypothetical conditions (e.g., FHA, VA, USDA, etc.).
2. Provide exercises for defining the problem. The goal is for participant to establish appropriate steps in appraisal process.
3. Exercises should contain overlays introducing key engagement items that could affect scope of work
4. Ensure that exercises demonstrate impact on both assignment conditions and elements.
5. Include exercises where an appraiser can identify during problem definition process the existence of possible extraordinary assumptions and/or hypothetical conditions.
6. Demonstrate how competency issues are identified and will be resolved.

#### C. Market, Neighborhood, and Subject Property Research

1. Utilize preliminary online/archival research to gain basic market area and subject property information.
2. Develop the general area and neighborhood market analysis.
  - a. Overview of available data sources for market area information.

3. Retrieval/analysis of preliminary information necessary for understanding subject site and improvements.
4. Review of public record information including site and improvement information.
5. Utilization of MLS/online sites as a verification source.
6. Based on information gathered above, develop and explain key relevant property characteristics (Standards Rule 1-2(e)).

**D. Obtaining Preliminary Subject Property Information**

1. Simulate setting the inspection appointment with related requests/requirements.
2. Determine how you will verify individual providing access.
3. Review of inspections and reports provided by others and discuss their application and disclosure in the assignment.

**III. Review Sections I and II with Mentor**

- A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.
- B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

**IV. Property Identification and Inspection along with Initial Site Identification**

- A. Research available information sources including public records.
- B. Zoning, general plan information
  1. Identify where to locate all sources of information
  2. Verification of revisions to zoning/general plan
  3. Variances, use restrictions
- C. Environmental issues, flood zone/earthquake information. Identify and explain unusual issues
  1. Location of relevant research information
  2. Communicate any unusual findings to the client to confirm whether assignment is to be completed

**V. Verification of Neighborhood and Market Area**

- A. Conduct virtual inspection/review of subject's market area
- B. Explain various influences
- C. Identify and explain trends/characteristics in the defined neighborhood and market area

**VI. Subject Site Inspection**

- A. Verify similarity to plat, observation of site utility, its surrounding influences, and possible conditions that could impact value or marketability
- B. Analysis of site improvements and useable site area.
  1. Determine and explain how useable site area relates to surrounding properties
- C. Identify and discuss various site amenities. Include exercises that include various levels of impact on value

**VII. Subject Property Improvements Inspection**

- A. Overview
  1. Types/quality of construction
  2. Floor plan issues, determination of room counts
  3. Observable condition factors and description of upgrades
  4. Recognition of potential/existing adverse influences
- B. Conduct a virtual physical inspection to determine relevant physical characteristics
- C. Provide a thorough description of improvements

**VIII. Measuring the Subject Property Improvements**

- A. Exercises to include methods and ultimately determination of:
  1. Basements

2. Stairways & vaulted ceiling areas
3. Below grade living area (split level)
4. Accessory dwelling units, outbuildings, etc.
5. Awareness of special assignment conditions
6. Common rounding practices

**B. Include virtual exercises in measuring subject properties**

**C. Other sources for obtaining GLA**

#### **IX. Sketch Completion**

**A. Include sketch completion exercises**

**B. Exercises must include final GLA determination (what areas should be extracted from GLA)**

#### **X. Review Sections IV thru IX with Mentor**

**A. Ensure all elements of inspection process have been performed properly, including neighborhood, site, and improvements**

#### **XI. Market Analysis/ Highest and Best Use**

**A. Highest and Best Use**

1. Overview of pertinent data, including current/proposed/potential alternative use and communication of highest and best use

**B. Performing Neighborhood and Market Research**

1. Identify the market area boundaries, physical characteristics, and specific property location relevant to the analysis of the subject property.
2. Identify the trends and characteristics in the defined neighborhood and market area

#### **XII. Review Section XI with Mentor**

**A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**

#### **XIII. Process of Sales Analysis**

**A. Identify the best sources of sales data for use in case studies including:**

1. MLS
2. City/County (public) transfer records
  - a. How to verify
3. Data providers
4. Appraiser office files
  - a. Confidentiality concerns
5. Real estate agents/brokers
  - a. How to verify

**B. Select the same or similar property types, uses, and characteristics.**

1. Identify elements of comparison
2. Develop exercises for various property types

**C. Identify all relevant current listings, expired listings, withdrawn listings, offers (if available), FSBO, closed sales, and pending sales**

#### **XIV. Review Section XIII with Mentor**

**A. Ensure all necessary steps in highest and best use analysis and market analysis were performed properly. Review data source material to assure sufficient information has been identified for further application.**

#### **XV. Valuation Approaches and Techniques**

**A. Consider each approach to value and explain the appropriateness based on the intended use of the assignment. Select the data considered most meaningful and relevant.**

**B. Sales Comparison Approach**

1. Analyze quality and quantity of data

- a. Identify relevant units of comparison
  - b. Data and information collected must be analyzed for comparability and consistency
- 2. Select the sales that are considered the most appropriate for subject property comparability (demonstrate the process)
  - a. Identify and apply appropriate adjustments to comparable transactions based on differences to the subject property. Demonstrate applicable tools and methods, including:
    - 1. Paired sales analysis
    - 2. Statistical and other graphic analysis
- 3. Trend analysis
- 4. Qualitative differences, including:
  - a. Relative comparison analysis
  - b. Ranking analysis
- 5. Discuss and reconcile key elements developed in the sales comparison approach

#### **C. Cost Approach**

- 1. Develop site value of the subject as vacant using recognized methods or techniques
  - a. Include contributory value of site improvement
- 2. Discuss use of replacement or reproduction cost
  - a. Develop supportive data for the cost calculations
  - b. Calculate cost new for the improvements
  - c. Calculate depreciation (demonstrate and apply types, consider market trends)
  - d. Discuss and reconcile key elements developed in the cost approach

#### **D. Income Approach**

- 1. Collection and verification of pertinent rental data (actual vs. contract)
- 2. Determine appropriate GRM (Gross Rent Multiplier)
- 3. Discuss and reconcile key elements developed in the income approach

### **XVI. Review Section XV with Mentor**

- A. Ensure all approaches to value were adequately considered and completed in supportable fashion (including cost and/or income approaches if performed)**

### **XVII. Final Reconciliation**

- A. Analyze and discuss accuracy and sufficiency of data**
- B. Analyze and discuss strengths and weaknesses of each approach to value and their applicability to the subject property**
- C. Analyze and discuss consistency of data and development**
- D. Analyze and discuss the quality and quantity of data**
- E. Review calculations**
- F. Develop the final opinion of value along with the rationale for your conclusions**

### **XVIII. Review Section XVII with Mentor**

- A. Ensure final reconciliation was performed properly and determine appropriate reporting**

### **XIX. Appraisal Report Development/Delivery**

#### **A. Report Development**

- 1. Standards Rule 2-1 minimum standard (not misleading, sufficient, assumptions, etc.)
  - a. Ability to describe the subject property and comparable properties used in the analysis (ensure compliance with STANDARD 2)
    - 1. Technical terms
    - 2. Common industry phrases and descriptors
    - 3. Fair lending do's and don'ts
    - 4. Identify relevant information using industry typical approaches and technologies
  - b. Ability to describe a market area and a neighborhood (same subset as above)

- c. Report format
  - 1. Comply with all applicable assignment elements and conditions
  - 2. Awareness and compliance with state regulatory requirements
  - 3. Describe scope of work
  - 4. Ensure applicable appropriate addenda, exhibits, photos, etc. are included
  - 5. Understand adequacy/relevance/integrity of photos, maps, and exhibits – how/where to upload in a report
- d. Certification
  - 1. Ensure familiarity with pre-printed content and applicability.
  - 2. Develop exercises on completion of workfile documents
  - 3. Demonstrate an ability to store and compile documents

## **XX. Review Section XIX with Mentor**

- A. Ensure that the key components of an appraisal report and report format are appropriate for assignment(s)

## **XXI. Communication of Assignment Results**

- A. Adequacy and relevance of information
  - 1. USPAP compliance
  - 2. Assignment conditions
- B. Understand common Client-specific requirements – additional comparable sales, inclusion of active listings in the report, supplemental exhibits, etc.
  - 1. Demonstrate the ability to meet client expectations conveyed through the engagement letter or other instruction methods
  - 2. Adequate support for analysis
- C. Explain and support rationale for excluding any of the traditional approaches
  - 1. Explain and support reconciliation
  - 2. Explain all assumptions
- D. Explain and support all extraordinary assumptions and hypothetical conditions (state their use may have effect on assignment results)

## **XXII. Review Section XXI with Mentor**

- A. Ensure understanding of effective appraisal report presentation and required content
- B. Ensure compliance with Standards Rule 2-2

# MINIMUM CONTENT REQUIREMENTS – CERTIFIED RESIDENTIAL CLASSIFICATION

## **I. Problem Identification**

- A. Relevant Scope of Work and Competency Issues Involved
  - 1. Develop exercises on how competency issues will be resolved.
  - 2. Conduct a preliminary analysis to ensure an appropriate Scope of Work

## **II. Review Section I with Mentor**

- A. Ensure understanding of how issues uncovered during property identification process relate to complexity. Also, focus on complex ownership issues

## **III. Positive or Negative Locational Influences**

- A. Recognize Population/Employment Trends
- B. Determine and discuss relationships between employment, population, and residential units (Single Unit Residential vs. 2-4 Unit Residential) over time

## **IV. Residential Market Analysis/Highest and Best Use**

- A. Market Analysis Issues Related to Highest and Best Use for Complex Properties

**B. Special Assessments**

**V. Review Sections III and IV with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed.

**VI. Physical Characteristics of Complex Properties – identify and discuss**

- A. Unique Design Features
- B. High Quality/Amenity Properties
- C. Over-improvements
- D. Physical Deficiencies of Improvements
- E. Functional Inadequate and Super Adequate Impact

**VII. Vacant Sites (Including View Amenities, Surplus Land)**

- A. Develop exercises that contain issues covered under Site and Cost Approaches

**VIII. Use of Key Statistical Concepts**

- A. Develop appropriate statistical tools to be used in development of opinion of value
- B. Explain and support their application

**IX. Key Market Driving Influences**

- A. Determine most appropriate units of comparison (market drivers)
- B. Identify market preferences for characteristics and amenities (e.g., parking, # beds, # baths, GLA)

**X. Review Sections VI thru IX with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed
- B. Confirm appropriate items have been identified and analyzed for proper application in determination of opinion of value

**XI. Site Valuation and Cost Approaches**

**A. Site Valuation**

1. Extract comparable land/site sales data that will adequately support adjustments for contributing value of unique attributes associated with complex vacant sites (view, entitlements, amenities, surplus/excess land)

**B. Develop a supportable Land/Site Valuation - using the following methods:**

1. Allocation
2. Market extraction
3. Ground rent capitalization
4. Land residual method; and
5. Sales comparison

**C. Construction Costs**

1. Exercises related to high amenity structures
2. Discuss local cost influences

**D. Functional Obsolescence**

1. Distinguish between curable and incurable forms
2. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

**E. External Obsolescence**

1. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

**XII. Review Section XI with Mentor**

- A. Ensure the Cost Approach has been performed properly.**

**XIII. Sales Comparison Approach****A. Sales Concessions**

- 1. Is the subject property subject to sales concessions?
- 2. Identify and discuss application (or not) of any sales concessions in comparable data based on market norms
- 3. Cash equivalency related to financing terms

**B. Identifying and Applying Atypical Adjustments – develop support related to the following:**

- 1. High amenity custom quality adjustments
- 2. Site adjustments
- 3. Adjustment support/matched pairs, statistical methods
- 4. Adjustment support for unique one-off property sales including those with Accessory Dwelling Units

**XIV. Review Section XIII with Mentor**

- A. Ensure the sales comparison approach has been performed properly.**

**XV. Income Approach****A. 1-4 Unit Appraisals**

- 1. Perform collection of comparable rent data
- 2. Complex rental adjustments
- 3. Understand and apply impact of complex amenities
- 4. Factor for Expense allocations between comparable transactions

**B. Unique 2-4 unit assignments – discuss the following:**

- 1. Location premiums within PUD/condo
- 2. Impact of rent control or subsidies
- 3. Student housing
- 4. Seasonal and short-term rentals

**C. GRM analysis**

- 1. Non-market rent impact on GRM
- 2. Perform reconciliation of GRM indicators

**XVI. Review Section XV with Mentor**

- A. Review the Income approach to value and ensure proper analysis and support for conclusions**

**XVII. Writing and Reasoning Skills****A. Data Presentation**

- 1. Develop presentation of data in tables, charts, and graphs as appropriate
- 2. Express succinct narrative using active voice, direct statements, shorter words, shorter paragraphs and placing the bottom-line up front
- 3. Underscore proper and understandable use of English
  - a. Have another proofread whenever possible

**B. Discussion of Approaches to Value**

- 1. Adjust depth of discussion to the intended user(s)

**C. Support for Conclusions**

- 1. Clearly state conclusions throughout the report. Each conclusion requires credible support and logical reconciliation

**D. Summary of Data and Reconciliation of Value Approaches**

- 1. Summarize the quantity, quality, reliability, and relevance of data available for application in each approach performed. The reconciliation and final value opinion must be consistent with the conclusions of this summary regarding the most germane approach to value

**XVIII. Review Section XVII with Mentor**

- A. Ensure understanding of effective appraisal report presentation and required content**

- B. Ensure compliance with Standards Rule 2-2**





# APPENDIX

## GUIDE NOTES

# GUIDE NOTES

## AQB GUIDE NOTE 1 (GN-1) AQB GUIDANCE FOR REQUIRED CORE CURRICULUM CONTENT

Guide Note 1 (GN-1) contains guidance for curriculum content with subtopics listed under each education module (I through XIV) listed. The subtopics in Guide Note 1 are used in developing examination content outlines for each respective credential level and may also be amended from time-to-time to reflect changes in technology or in the Body of Knowledge. The hours shown for each educational module are the minimums required; students may complete more than the minimum required for each module.

Candidates for a real property appraiser credential should carefully review the educational modules below, keeping in mind that some modules only apply to certain classifications. For example, education module IX (*Advanced Residential Applications and Case Studies*) is only required for the Certified Residential classification. Also, education module XIII (*General Appraiser Income Approach*) is required for the Certified General classification but no others. As a result, candidates should structure their education program giving careful consideration to the credential being sought.

### **I. BASIC APPRAISAL PRINCIPLES (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)** **30 HOURS**

- A. Real Property Concepts and Characteristics
  - 1. Basic Real Property Concepts
  - 2. Real Property Characteristics
  - 3. Legal Description
- B. Legal Considerations
  - 1. Forms of Ownership
  - 2. Public and Private Controls
  - 3. Real Estate Contracts
  - 4. Leases
- C. Influences on Real Estate Values
  - 1. Governmental
  - 2. Economic
  - 3. Social
  - 4. Environmental, Geographic, and Physical
- D. Types of Value
  - 1. Market Value
  - 2. Other Value Types

- E. Economic Principles
  - 1. Classic Economic Principles
  - 2. Application and Illustrations of the Economic Principles
- F. Overview of Real Estate Markets and Analysis
  - 1. Market Fundamentals, Characteristics, and Definitions
  - 2. Supply Analysis
  - 3. Demand Analysis
  - 4. Use of Market Analysis
- G. Ethics and How They Apply in Appraisal Theory and Practice
- H. Valuation Bias, Fair Housing, and/or Equal Opportunity

### **II. BASIC APPRAISAL PROCEDURES (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)** **30 HOURS**

- A. Overview of Approaches to Value

- B. Valuation Procedures
  - 1. Defining the Problem
  - 2. Collecting and Selecting Data
  - 3. Analyzing
  - 4. Reconciling and Final Value Opinion
  - 5. Communicating the Appraisal

- C. Property Description
  - 1. Geographic Characteristics of the Land/Site
  - 2. Geologic Characteristics of the Land/Site
  - 3. Location and Neighborhood Characteristics
  - 4. Land/Site Considerations for Highest and Best Use
  - 5. Improvements - Architectural Styles and Types of Construction
  - 6. Special Energy-Efficient Characteristics of the Improvements

- D. Residential or General Applications

**III. 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)**  
15 HOURS

**IV. RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE (required for the Licensed Residential and Certified Residential classifications)**  
15 HOURS

- A. Residential Markets and Analysis
  - 1. Market Fundamentals, Characteristics, and Definitions
  - 2. Supply Analysis
  - 3. Demand Analysis
  - 4. Use of Market Analysis
- B. Highest and Best Use
  - 1. Test Constraints
  - 2. Application of Highest and Best Use
  - 3. Special Considerations
  - 4. Market Analysis
  - 5. Case Studies

**V. RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH (required for the Licensed Residential and Certified Residential classifications)**  
15 HOURS

- A. Site Valuation
  - 1. Methods
  - 2. Case Studies
- B. Cost Approach
  - 1. Concepts and Definitions
  - 2. Replacement/Reproduction Cost New
  - 3. Accrued Depreciation
  - 4. Methods of Estimating Accrued Depreciation
  - 5. Case Studies

**VI. RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES (required for the Licensed Residential and Certified Residential classifications)**  
30 HOURS

- A. Valuation Principles & Procedures - Sales Comparison Approach
- B. Valuation Principles & Procedures - Income Approach
- C. Finance and Cash Equivalency
  - 1. Identification of Seller Concessions and Their Impact on Value
- D. Financial Calculator Introduction
- E. Identification, Derivation, and Measurement of Adjustments
- F. Gross Rent Multipliers
- G. Partial Interests
- H. Reconciliation
- I. Case Studies and Applications

**VII. RESIDENTIAL REPORT WRITING AND CASE STUDIES (required for the Licensed Residential and Certified Residential classifications)**  
15 HOURS

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Form Reports
- D. Report Options and USPAP Compliance
- E. Case Studies

**VIII. STATISTICS, MODELING AND FINANCE (required for the Certified Residential and Certified General classifications)**  
15 HOURS

- A. Statistics
- B. Valuation Models (AVM's and Mass Appraisal)
- C. Real Estate Finance

**IX. ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES (required for the Certified Residential classification)**  
15 HOURS

- A. Complex Property, Ownership, and Market Conditions
- B. Deriving and Supporting Adjustments
- C. Residential Market Analysis
- D. Advanced Case Studies
  - 1. Seller Concessions
  - 2. Special Energy-Efficient Items (i.e., "Green Buildings")

**X. GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE (required for the Certified General classification)**  
30 HOURS

- A. Real Estate Markets and Analysis
  - 1. Market Fundamentals, Characteristics, and Definitions

2. Supply Analysis
3. Demand Analysis
4. Use of Market Analysis

- B. Highest and Best Use
  1. Test Constraints
  2. Application of Highest and Best Use
  3. Special Considerations
  4. Market Analysis
  5. Case Studies

**XI. GENERAL APPRAISER SALES COMPARISON APPROACH (required for the Certified General classification)**

*30 HOURS*

- A. Value Principles
- B. Procedures
- C. Identification and Measurement of Adjustments
- D. Reconciliation
- E. Case Studies
  1. Seller Concessions
  2. Special Energy-Efficient Items (i.e., “Green Buildings”)

**XII. GENERAL APPRAISER SITE VALUATION AND COST APPROACH (required for the Certified General classification)**

*30 HOURS*

- A. Site Valuation
  1. Methods
  2. Case Studies
- B. Cost Approach
  1. Concepts and Definitions
  2. Replacement/Reproduction Cost New
  3. Accrued Depreciation
  4. Methods of Estimating Accrued Depreciation
  5. Case Studies

**XIII. GENERAL APPRAISER INCOME APPROACH**

**(required for the Certified General classification)**

*60 HOURS*

- A. Overview
- B. Compound Interest
- C. Lease Analysis
- D. Income Analysis
- E. Vacancy and Collection Loss
- F. Estimating Operating Expenses and Reserves
- G. Reconstructed Income and Expense Statement
- H. Stabilized Net Operating Income Estimate
- I. Direct Capitalization
- J. Discounted Cash Flow
- K. Yield Capitalization
- L. Partial Interests
- M. Case Studies

**XIV. GENERAL APPRAISER REPORT WRITING AND CASE STUDIES (required for the Certified General classification)**

*30 HOURS*

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Report Options and USPAP Compliance
- D. Case Studies

# AQB GUIDE NOTE 2 (GN-2)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

RETIRED, OCTOBER 2005

# AQB GUIDE NOTE 3 (GN-3)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO THE SCOPE OF PRACTICE FOR THE LICENSED RESIDENTIAL AND CERTIFIED RESIDENTIAL CLASSIFICATIONS IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

With respect to the *Real Property Appraiser Qualification Criteria* for the Licensed Residential and Certified Residential classifications:

*The scope of practice identified herein represents the consensus of the Appraiser Qualifications Board. The Federal Financial Institutions Regulatory Agencies, as well as other agencies and regulatory bodies, permit the Certified Residential (or Licensed) classification to appraise properties other than those identified within these Criteria. Individuals should refer to agency regulations and state law to determine the type of property that may be appraised by the Certified Residential (or Licensed) appraiser.*

# AQB GUIDE NOTE 4 (GN-4)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO PRACTICUM COURSES TO BE USED FOR EXPERIENCE CREDIT, AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “Criteria Applicable to All Appraiser Classifications” in the *Real Property Appraiser Qualification Criteria*, Section V Generic Experience *Criteria*, Paragraphs D and E, read as follows:

- D. *There need not be a client in a traditional sense (i.e., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.*
- E. *Practicum courses that are approved by the AQB Course Approval Program or state appraiser regulatory agencies can satisfy the non-client experience requirement. **A practicum course must include the generally applicable methods of appraisal practice for the credential category. Content includes, but is not limited to: requiring the student to produce credible appraisals that utilize an actual subject property; performing market research containing sales analysis; and applying and reporting the applicable appraisal approaches in conformity with USPAP. Assignments must require problem solving skills for a variety of property types for the credential category.** Experience credit shall be granted for the actual classroom hours of instruction, and hours of documented research and analysis as awarded from the practicum course approval process. (Bold added for emphasis)*

The bolded language above sets forth the broad requirements for practicum courses. However, more detailed guidance is needed for developers of such courses, as well as state appraiser regulatory agencies seeking to approve such courses. The following is designed to offer this guidance:

1. General Practicum Course Guidelines
  - a. The time period for any non-residential practicum course should be consistent with the type and complexity of the assignment.
  - b. The time period for a residential practicum course should be consistent with the type and complexity of the assignment.
  - c. Practicum courses that cover multiple property types should allocate appropriate times for each assignment and subject properties should be significantly different from one another to provide appropriate training.
  - d. The maximum number of students per course should be consistent with best practices for proper student/instructor ratios.
  - e. In order for this type of experience to be compliant with USPAP, the student/appraiser must list the course provider for the practicum course as the client and the intended user.
  - f. The intended use of the report should be indicated as, “For experience credit.”
2. Appraisal Assignment Guidelines
  - a. The appraisal should employ all of the approaches to value applicable to the assignment.
  - b. Property types and complexity should be those typically encountered by an appraiser seeking experience within the specified credential category.

- c. The appraisal should indicate the intended user and intended use and should solve typical appraisal problems – e.g., mortgage assignments, tax appeals, estates, etc.
  - d. There should be an identifiable subject property and the student should inspect it.
  - e. The actual subject property may change from time to time, but the property type should remain the same.
  - f. All comparable data researched, analyzed, and used in the assignment should be actual and identifiable market data.
  - g. All comparables utilized should be verified with at least one market participant of the sale/rent – e.g., buyer, seller, or broker – and the student should also inspect the exterior of each comparable utilized.
  - h. The final assignment should be communicated in compliance with the Appraisal Report option of STANDARD 2 of USPAP.
  - i. The final reports should be maintained by the student according to the Record Keeping section of the ETHICS RULE of USPAP.
  - j. The practicum course should result in an appraisal and appraisal report completed in accordance with the current version of USPAP.
3. Instructor Guidelines
- a. An instructor conducting a residential experience practicum course should hold either a Certified Residential or Certified General credential in good standing.
  - b. An instructor conducting a general experience practicum course should hold a Certified General credential in good standing.
  - c. The instructor should demonstrate compliance with the COMPETENCY RULE of USPAP for the type of assignment.
  - d. The instructor should grade and correct all assignments and should ensure USPAP compliance.
  - e. The instructor should meet with the students a minimum of 50% of the course hours during the course.



# AQB GUIDE NOTE 5 (GN-5)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO RECIPROCITY, TEMPORARY PRACTICE, RENEWALS, AND APPLICATIONS FOR THE SAME CREDENTIAL IN ANOTHER JURISDICTION, AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Criteria*, Section II Existing Credential Holders, reads as follows:

*Existing credential holders in good standing in any jurisdiction shall be considered in compliance with current Appraiser Qualifications Board Real Property Appraiser Qualification Criteria if they have passed an AQB approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and state renewal procedures.*

The intent of the AQB is to allow current credential holders who are in good standing within their jurisdictions to obtain reciprocal credentials, temporary practice permits, renewals of existing credentials, and an equivalent credential in another jurisdiction without having to meet the current AQB *Criteria*. If an appraiser holds a valid appraiser credential supported by an AQB approved examination, the appraiser will be deemed by the AQB to be in full compliance with the current *Criteria*.

For example, if a Certified General credential holder who received a credential prior to adoption of the current *Criteria* in one jurisdiction were to relocate to another jurisdiction after adoption of the current *Criteria*, for AQB purposes that existing “home” state credential would be sufficient to support an equivalent credential in the “new” state. The credential holder would be deemed to have met the current *Criteria* for education, experience and examination.

The AQB understands that the individual Title XI jurisdictions must operate in compliance with applicable state laws with regard to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. While Title XI jurisdictions are only required to meet the AQB *Criteria*, existing state laws may require that these minimums be exceeded. It is possible that a jurisdiction, because of existing law, might require an applicant for an equivalent credential from another jurisdiction to meet all of the current AQB *Criteria* (i.e., education, experience, and examination) in order to obtain the credential in their jurisdiction.

For example, consider an appraiser who holds a Certified General credential in State A and decides to relocate to State B. State B must apply both AQB *Criteria* and State law in determining whether the appraiser from State A qualifies for an appraiser credential in State B. While the AQB considers the valid existing credential in State A to be adequate documentation of conformance to AQB *Criteria*, some State laws might require the appraiser to submit a complete application, including appropriate documentation of experience, education, and successful exam completion. This new application requirement might involve some of the following issues:

- Depending on the wording of the State law, this could mean that the appraiser from State A would have to conform to the current *Criteria* to obtain a credential from State B. Among other things, the appraiser would have to reconstruct his/her appraisal education, perhaps going back as much as 20 to 30 years. The State, then, would have to determine whether that education conformed to the current AQB *Criteria* as implemented by State law.
- Virtually all appraiser education obtained prior to 2008 was provided in what is considered the “integrated” approach. If State B does not accept integrated educational courses, the appraiser from State A would be required to obtain 300 hours of education acceptable under current *Criteria*, plus a college degree, to qualify for a Certified General credential in State B.

It was not the AQB's intent to impose such hardships on appraisers or regulatory agencies. It was the intent of the AQB in drafting the language in Section II of "Existing Credential Holders" that jurisdictions would recognize those appraisers that held credentials prior to the adoption of the current *Criteria*. The acceptance of the existing credential holders would provide for a smooth transition from prior *Criteria* to the current (and beyond) *Criteria*.

The AQB encourages jurisdictions to examine their statutes and regulations and initiate any changes that might be necessary to facilitate a smooth transition.

# AQB GUIDE NOTE 6 (GN-6)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO THE VERIFICATION OF EXPERIENCE CREDIT AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Criteria*, Section V.G. (Generic Experience *Criteria*) reads as follows:

- G. *The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:*
1. *Type of property;*
  2. *Date of report;*
  3. *Address of appraised property;*
  4. ***Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;***
  5. *Number of actual work hours by the trainee/applicant on the assignment; and*
  6. *The signature and state certification number of the supervising appraiser, if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.*

*(Bold added for emphasis)*

As indicated above, the *Criteria* mandates that the forms used to verify experience credit include all of the identified items. Five of the six items listed are fairly self-explanatory; however, the AQB has received inquiries regarding the intent of item #4 above (the bolded text).

It is the intent of the AQB that the verification of experience clearly identifies three things under item #4:

- 1) A description of the work performed by the trainee or applicant;
- 2) The scope of the review performed by the supervising appraiser; and
- 3) The level of supervision performed by the supervising appraiser.

Although the scope of review and level of supervision performed by the supervising appraiser might appear to be redundant at first glance, they are not. For example, in certain assignments a supervising appraiser might determine that a lesser level of supervision is required, but that might not impact the level of review performed.

The AQB recognizes that assignments may differ significantly; therefore, the level of review and supervision by the supervising appraiser may also differ from assignment to assignment. Also, depending on the assignments involved, it might be expected that the supervising appraiser’s level of review and supervision diminish over time as the trainee/applicant gains competency.

The following page includes an example of an experience log that includes the information required by the *Criteria*. The attached is merely one possible example of an experience log. Any format that includes the items listed under Section V.G., Generic Experience *Criteria*, as specified in the *Real Property Appraiser Qualification Criteria*, is acceptable.

It should be noted that experience logs or other forms prescribed by a state appraiser regulatory agency to verify experience credit might appear very different, including requiring substantially more information than is identified in the example below. However, as stated above, all forms must, at a minimum, include the items listed under Section V.G., “Generic Experience *Criteria*,” as specified in the *Real Property Appraiser Qualification Criteria*.

Date of Report	Property Address, City, State, Zip	Type of Property (SFR, Condo, 2-4 Units)	Description Of Applicant's Work Performed	Scope of Supervising Appraiser's Review	Scope of Supervising Appraiser's Supervision	Number of Actual Hours Worked By Applicant
1/3/08	123 Oak Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison approaches, final reconciliation	Reviewed workfile and report, verified subject sales history, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Completed entire appraisal process with applicant, including physical inspection of subject property (first SFR appraisal for applicant)	7
6/7/08	455 Pine Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison approach, final reconciliation	Reviewed workfile and report, verified all comparable data and analyses, verified homeowner's association info, discussed with applicant, co-signed appraisal report	Oversight of comparable data selection and analyses, provided direction in site value analysis used in cost approach, did not physically inspect subject property	7
1/10/09	202 Spruce Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Review of comparable data selection and analyses, did not physically inspect subject property	10
1/24/09	115 Pennsylvania Ave. Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Completed entire appraisal process with applicant, including physical inspection of subject property (first commercial appraisal for applicant)	30

Date of Report	Property Address, City, State, Zip	Type of Property (SFR, Condo, 2-4 Units)	Description Of Applicant's Work Performed	Scope of Supervising Appraiser's Review	Scope of Supervising Appraiser's Supervision	Number of Actual Hours Worked By Applicant
8/14/09	200 S Broadway Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Oversight of comparable data selection and analyses, provided direction in DCF analysis used in income approach, did not physically inspect subject property	40
1/10/10	300 Capitol Avenue Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Review of comparable data selection and analyses, did not physically inspect subject property	40
2/12/10	144 Elm Avenue Washington, DC 20005	Golf Course	Completed entire appraisal process	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal	Completed entire appraisal process	60

Thomas D. Trainee  
Applicant/Trainee Appraiser

Sally A. Supervisor  
Supervisory Appraiser

State  
Certification No.

# AQB GUIDE NOTE 7 (GN-7)

THIS GUIDE NOTE RELATES TO DEGREE PROGRAMS IN REAL ESTATE REVIEWED BY THE AQB, AND THEIR APPLICABILITY TOWARDS THE QUALIFYING EDUCATION SPECIFIED IN THE REQUIRED CORE CURRICULUM.  
RETIRED, JANUARY 2015

# AQB GUIDE NOTE 8 (GN-8)

THIS GUIDE NOTE RELATES TO THE COLLEGE-LEVEL EDUCATIONAL REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA THAT BECAME EFFECTIVE ON JANUARY 1, 2008.  
RETIRED, JANUARY 2015

# AQB GUIDE NOTE 9 (GN-9)

THIS GUIDE NOTE RELATES TO THE BACKGROUND CHECK REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA EFFECTIVE ON JANUARY 1, 2017.

Under “Criteria Applicable to All Appraiser Classifications” in the *Real Property Appraiser Qualification Criteria*, Section VII. Background Checks, reads as follows:

*All applicants for a real property appraiser credential shall possess a background that would not call into question public trust.*

Some jurisdictions have been performing background checks since the implementation of real property appraiser credentialing, while others have not. This Guide Note is intended to provide additional guidance, in particular to those jurisdictions with little to no experience in evaluating an applicant’s background as part of the applicant’s overall fitness for licensure or certification.

## EXAMPLES OF ISSUES TO CONSIDER

Some of the types of background issues that state appraiser regulatory agencies might consider include, but are not limited to, applicants who have:

- (1) Had an appraiser license or certification revoked in any governmental jurisdiction.
- (2) Been convicted of, or pled guilty or *nolo contendere* to, a crime involving moral turpitude.
- (3) Been convicted of any crime *that is substantially related* to the qualifications, functions, or duties of the profession of real estate appraisal.
- (4) Performed any act, which if done by the holder of a real property appraiser credential, would be grounds for revocation or suspension of such a credential.
- (5) Knowingly made a false statement of material fact required to be disclosed in an application for any professional license or certification.
- (6) Been prohibited from participating in the affairs of an insured depository institution pursuant to Section 19(a) of the Federal Deposit Insurance Act (12 U.S.C. Section 1829).

## SUBSTANTIAL RELATIONSHIP

A crime or act may be deemed substantially related to the qualifications, functions, or duties of an appraiser if, to a substantial degree, it evidences present or potential unfitness of a person applying for or holding a real property appraiser credential to perform the functions authorized by the credential. Examples of the types of crimes or acts include, but are not limited to, the following:

- (1) Taking, appropriating, or retaining the funds or property of another.
- (2) Forging, counterfeiting, or altering any instrument affecting the rights or obligations of another.
- (3) Evasion of a lawful debt or obligation, including but not limited to tax obligations.
- (4) Traffic in any narcotic or controlled substance in violation of law.



- (5) Violation of a relation of trust or confidence.
- (6) Theft of personal property or funds.
- (7) Crimes or acts of violence or threatened violence against persons or property.
- (8) The commission of any crime or act punishable as a sexually related crime.
- (9) Misrepresentation of facts or information on the appraisal license or certification application.
- (10) Cheating on an examination for a real property appraiser credential.

## REHABILITATION

Upon a determination that an applicant's background is inconsistent with public trust, state appraiser regulatory agencies should consider all evidence related to the extent an applicant is rehabilitated, including testimony or other documentation demonstrating things such as:

- (1) The effect of the passage of time since the most recent act or crime.
- (2) Restitution by the applicant to any person who has suffered monetary losses.
- (3) Judicial relief from the consequences of criminal convictions resulting from immoral or antisocial acts, including but not limited to release from probation, finding of factual innocence, a completed program of diversion, or other comparable orders of a court.
- (4) Successful completion or early discharge from probation or parole.
- (5) Abstinence from the use of controlled substances or alcohol for not less than two years if the crime or offense is attributable in part to the use of controlled substances or alcohol.
- (6) Payment of any fine or other imposed monetary penalty.
- (7) Stability of family life and fulfillment of parental and familial responsibilities subsequent to the act or conviction.
- (8) Completion of, or sustained enrollment in, formal education or vocational training courses for economic self-improvement.
- (9) Discharge of, or bona fide efforts toward discharging adjudicated debts or monetary obligations to others.
- (10) Mitigating facts or circumstances that reasonably indicate that an applicant will perform appraisal-related activities honestly, fairly, and ethically.
- (11) Correction of business practices resulting in injury to others or with the potential to cause such injury.
- (12) Significant or conscientious involvement in community, church, or privately-sponsored programs designed to provide social benefits.
- (13) New and different social and business relationships from those that existed at the time of the act or crime.
- (14) Change in attitude from that which existed at the time of the act or crime, as evidenced by any or all of the following:
  - a) Testimony of applicant.
  - b) Evidence from family members, friends, or other persons familiar with applicant's previous conduct and his or her subsequent attitudes and behavioral patterns.
  - c) Evidence from probation or parole officers or law enforcement officials competent to testify as to applicant's social adjustments.

- d) Evidence from psychiatrists or other persons competent to testify with regard to psychiatric or emotional disturbances.

The above is intended to be illustrative, not exhaustive. State appraiser regulatory agencies, in performing their due diligence when examining an applicant's qualifications for a real property appraiser credential, may elect to include additional items not identified in this Guide Note. Likewise, state appraiser regulatory agencies may determine, based on their own experience and history, that some of the items identified in this Guide Note may not be applicable to an applicant seeking a real property appraiser credential in that jurisdiction.

# AQB GUIDE NOTE 10 (GN-10)

THIS GUIDE NOTE RELATES TO THE COLLEGE-LEVEL EDUCATION REQUIREMENTS FOR THE CERTIFIED RESIDENTIAL CLASSIFICATION AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA THAT BECAME EFFECTIVE MAY 1, 2018.

Section III. B. 3. of the “Qualifying Education” requirements for the Certified Residential credential in the *Real Property Appraiser Qualification Criteria* states that Certified Residential applicants may obtain a credential by successfully completing 30 semester hours of college-level courses that cover each of the following topic areas and hours:

- a. English Composition (3 semester hours);
- b. Microeconomics (3 semester hours);
- c. Macroeconomics (3 semester hours);
- d. Finance (3 semester hours);
- e. Algebra, Geometry, or higher mathematics (3 semester hours);
- f. Statistics (3 semester hours);
- g. Computer Science (3 semester hours);
- h. Business or Real Estate Law (3 semester hours); and
- i. Two elective courses in any of the topics listed above or accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).

The intent of this guidance is to assist regulatory agencies and applicants with determining which types of college-level courses may count toward these requirements. Although several course titles are provided as acceptable options, the content of the course is far more meaningful than the actual title. Therefore, there may be acceptable courses that contain similar content but do not have titles referenced in this Guide Note.

1. **English Composition** – *English Composition is the professional field of writing.*

Possible alternative course titles for this section include, but are not limited to: College Composition; Descriptive / Critical / Expository / Technical / Public / Business / Professional Writing; Foundations of the English Language; Writing Fiction; Writing Creative Non-Fiction; or Rhetoric and Writing.

2. **Microeconomics** – *The study of individuals, households, and firms’ behavior in decision making and allocation of resources. It generally applies to markets of goods and services and deals with individual and economic issues.*

Most college-level education on this topic includes the word “microeconomics” in the course title.

3. **Macroeconomics** – *Studies of the behavior and performance of an economy as a whole. It focuses on the aggregate changes in the economy such as unemployment, growth rate, gross domestic product, and inflation.*

Most college-level education on this topic includes the word “macroeconomics” in the course title.

4. **Finance** – *The management of revenues; the conduct or transaction of money matters generally, especially those affecting the public, as in the fields of banking investment.*

Possible alternative course titles for this section include, but are not limited to: Corporate Finance; Introduction to Business; Financial Markets and Institutions; International Business Finance; Principles of Finance; or Real Estate Finance and Investment.

5. **Algebra, Geometry, or Higher Mathematics** – *Higher mathematics includes advanced portions of mathematics beyond ordinary arithmetic, geometry, and algebra.*

Possible alternative course titles for this section include, but are not limited to: Algebra; Applied Math; Calculus; Differential Equations; Finite Mathematics; Geometry; Logic; Precalculus; Probability and Statistics; or Trigonometry.

6. **Statistics** – *Branch of mathematics concerned with collection, classification, analysis, and interpretation of numerical facts, for drawing inferences based on their quantifiable likelihood (probability). Statistics can interpret aggregates of data too large to be intelligible by ordinary observation because such data (unlike individual quantities) tend to behave in a regular, predictable manner. It is subdivided into descriptive statistics and inferential statistics.*

Possible alternative course titles for this section include, but are not limited to: Applied Linear Models; Bayesian Theory and Data Analysis; Business Statistics; Exploratory Data Analysis; Introduction to Statistics; Multivariate Data Analysis; Non-Parametric Theory and Data Analysis; Probability Statistics; Sampling; Statistical Analysis; Statistical Reasoning; Statistical Methods; or Time Series Analysis.

7. **Computer Science** – *A branch of science that deals with the theory of computation or the design of computers.*

Possible alternative course titles for this section include, but are not limited to: The Computer Science Profession; Introduction to Computer Science / Computers / Information Technology / Programming / Software Systems / Software Development / Web Development; Data Management; Database Fundamentals; Integrated Computer Applications; Object Oriented Programming; or System Administration.

8. **Business or Real Estate Law** – *Business law, sometimes called mercantile law or commercial law, refers to the laws that govern the dealings between people and commercial matters. There are two distinct areas of business law: regulation of commercial entities through laws of partnership, company, bankruptcy, and agency; and regulation of the commercial transactions through the laws of contract. The course titles will typically include compliance, risk, legal framework, and writing contracts.*

*Real estate law is a branch of civil law that covers the right to possess, use, and enjoy land and the permanent man-made additions attached to it.*

Possible alternative course titles for this section include, but are not limited to: Business Law for Accountants; Corporate Law Compliance; Drafting Policies and Procedures; Enterprise Risk Management; Financial Ethics; Legal Aspects of Real Estate; The Legal Environment of Business; Business Organization Law; or Writing Contracts.

9. **Two elective courses in accounting, geography, agricultural economics, business management, or real estate.**

**Accounting** – *Accounting is the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results.*

Possible alternative course titles for this section include, but are not limited to: Accounting Principles; Financial Accounting; Financial Markets and Institutions; Managerial Accounting; or Real Estate Market Analysis.

**Geography** – *Geography is the study of the physical features of the earth and its atmosphere, and of human activity as it affects and is affected by these, including the distribution of populations and resources, land use, and industries.*

Possible alternative course titles for this section include, but are not limited to: GIS Data Capture; Introduction to Geographic Information; Physical Geography; or World / Regional Geography.

**Agricultural Economics** – *An applied field of economics concerned with the application of economic theory in optimizing the production and distribution of food and fiber — a discipline known as agronomics.*

Possible alternative course titles for this section include, but are not limited to: Agribusiness Management; Agricultural Management Principles; Concepts in Agricultural Economics; Issues in Agriculture; Microeconomic Concepts in Agricultural Economics; or Quantitative Methods and Price Analysis.

**Business Management** – *The activities associated with running a company, such as controlling, leading, monitoring, organizing, and planning.*

Possible alternative course titles for this section include, but are not limited to: Business Marketing; Human Resource Management; Organizational Behavior; or Operations Management.

**Real Estate** – *Real estate is the property, land, buildings, air rights above the land and underground rights below the land.*

Possible alternative course titles for this section include, but are not limited to: Commercial Lease Analysis; Fundamentals of Investment Analysis; Fundamentals of Real Estate Transactions; Managing Commercial Properties; Market Analysis; Real Estate Economics; Real Estate Finance; Real Estate Procedures; or Real Estate Studies.

# AQB GUIDE NOTE 11 (GN-11)

THIS GUIDE NOTE RELATES TO THE PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA) REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA EFFECTIVE ON JANUARY 1, 2021.

## AQB GUIDANCE FOR DELIVERY METHODS AND TECHNIQUES IN PAREA TRAINING

Guide Note 11 (GN-11) contains guidance for the delivery of PAREA training. The suggested delivery methods and techniques follow each of the required content areas as identified in the PAREA section of the Criteria, and are abbreviated using the following legend:

Method	Abbreviation
Computer Based Learning	CBL
Video Gaming	VG
Video Tutorial	VT
Virtual Assistant	VA
Virtual Reality Training	VRT

These delivery methods and techniques may be amended from time-to-time to reflect changes in technology or required PAREA content.

## PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA)

The goal of the following is to suggest potential technologically based delivery methods that could be used in the development of exercises, examples, simulations, case studies, and applications as are appropriate to create practical experience expected to be gained by an appraiser seeking a license credential with respect to the content outline in Section 3. PAREA providers may utilize some, all or a combination of the well-established methods described above. Providers are encouraged to utilize a variety of methodologies to ensure a comprehensive experience resulting in participants having sufficient practical experience to enable success in obtaining an appraisal license or certification.

## MINIMUM CONTENT REQUIREMENTS – LICENSED RESIDENTIAL CLASSIFICATION

### I. Introduction

#### A. General Considerations and Responsibilities [CBL, VT]

1. Discuss respecting the public trust
2. Review and comment on Appraiser Independence Requirements
3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

#### *Methods and Techniques*

- Highlight USPAP considerations (e.g. improper influence, prior services) [VT, VG]
- Demonstrate Appraiser Independence Requirements (AIR) and other regulatory guidance, with examples of acceptance and unacceptable conditions [CBL, VT, VG]

**B. Appraisal Basics - Software and Tools [CBL, VT, VRT]**

1. Overview of software options (vendors) and common forms
2. Overview of Common tools: measuring devices, cameras, etc.

*Methods and Techniques*

- Identify various appraisal-related technology tools [VT, VA]
- Introduce and demonstrate the use of appraisal software [VA, VG, CBL]
- Identify and demonstrate the use of various measuring tools [VA, VG, CBL]
- Require completion of training on a base level camera as well as instruction on camera etiquette – obtaining consent to photograph certain subjects, such as children, personal effects, etc. [VT, VA, VG]
- Develop challenges around Graham-Leach-Bliley Act, Privacy/Information Security [VT, VA, VG]

**II. Problem Identification****A. Understanding Assignment Parameters [CBL, VG, VT, VA]**

1. Perform initial review of order/engagement letter, determine authoritative lines of communication. Provide interactive exercises in extracting key information from engagement letter.

**B. Understanding Assignment Elements and Competency Issues [VG, VT, VA, VRT]**

1. Examine appraisal request and other documents provided (e.g. title reports, surveys, purchase contract) to determine key assignment elements (Standards Rule 1-2(a)–Standards Rule 1-2(d), and the SCOPE OF WORK RULE), and/or contractual obligations. Determine relevant appraisal assignment conditions. Understanding client, intended use, intended users, engagement letter terms, various assignment types, basis for assignment conditions, extraordinary assumptions, and hypothetical conditions.
2. Provide exercises for defining the problem. Goal is for participant to establish appropriate steps in appraisal process.
3. Exercises should contain overlays introducing key engagement items that could affect scope of work.
4. Ensure that the exercise demonstrates impact on both assignment conditions and elements.
5. Include exercises where appraiser can identify during problem definition process the existence of possible extraordinary assumptions and/or hypothetical conditions.
6. Demonstrate how competency issues are identified and will be resolved.

**C. Market, Neighborhood, and Subject Property Research [CBL, VT, VA, VRT]**

1. Utilize preliminary online/archival research to gain basic market area and subject property information.
2. Must develop the general area and neighborhood market analysis.
  - a. Overview of available data sources for market area information.
3. Retrieval/analysis of preliminary information necessary for understanding subject site and improvements.
4. Review of public record information including site and improvement information.
5. Utilization of MLS/online sites as a verification source.
6. Based on information gathered above, develop and explain key relevant property characteristics {Standards Rule 1-2(e)}.

*Methods and Techniques*

- Perform a sample neighborhood “fly-by” with characteristics as specified above being identified [VT, VA, VRT].
- Review simulated MLS data to evaluate supply/demand [VT, VA, VG, CBL].
- Review public and private sources (e.g., proprietary data, Trulia, Zillow) [VT, VA, CBL].
- Analyze information from simulations to reveal trends on growth, values, prices, marketing times [VT, VA, VG, CBL].
- Collect data on simulated neighborhood using multiple examples and iterations (e.g., census, population trends, imitated zoning) [VT, VA, VG, CBL].
- Visually illustrate typical area boundaries (e.g., roadways, natural boundaries, zoning clusters) using multiple examples [VT, CBL, VG].
- Use simulated data tools (e.g., MLS, aggregators) to identify and determine price trends, market supply (current and historical information) [VT, VA, CBL].
- Using simulated property record system, obtain attributes of a subject property [VA, CBL].

**D. Obtaining Preliminary Subject Property Information [CBL, VG, VT, VA, VRT]**

1. Simulate setting the inspection appointment with related requests/requirements
2. Determine how you will verify individual providing access
3. Review of inspections and reports provided by others and discuss their application and disclosure in the assignment

*Methods and Techniques*

- Create multiple scenarios to determine the adequacy of inspections (i.e., personal inspection, inspection by third party, and virtual inspection) and third-party reports to ensure an appropriate Scope of Work [VA, CBL]
- Create multiple scenarios (using good and bad examples) for inspection scheduling, communication, verification of data, etc. [VT, VA, VG]
- Conduct specific Q&A examples with virtual agent/broker, tenant, property owner, etc. [VT, VA, VG]

**III. Review Sections I and II with Mentor**

- A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.
- B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

**IV. Property Identification and Inspection along with Initial Site Identification [CBL, VG, VA, VRT]**

- A. Research available information sources including public records
- B. Zoning, general plan information
  1. Identify where to locate all sources of information
  2. Verification of revisions to zoning/general plan
  3. Variances, use restrictions
- C. Environmental issues, flood zone/earthquake information. Identify and explain unusual issues
  1. Location of relevant research information
  2. Communicate any unusual findings to the client to confirm whether assignment is to be completed

*Methods and Techniques*

- Demonstrate zoning map and analysis [VT/VA/CBL]
- Demonstrate flood map system and analysis [VT/VA/CBL]
- Demonstrate earthquake map and analysis [VT/VA/CBL]
- Demonstrate sample GIS system and analysis [VT/VA/CBL]

**V. Verification of Neighborhood and Market Area [CBL, VT, VA, VRT]**

- A. Conduct virtual inspection/review of subject's market area
- B. Explain various influences
- C. Identify and explain trends/characteristics in the defined neighborhood and market area

*Methods and Techniques*

- Virtual neighborhood tours identifying positive and negative influences [VT, VA, VRT]
- Demonstrate use of web-based mapping tools (e.g. Google Earth, Google Maps) and how to use analytics [VT, VA, CBL]

**VI. Subject Site Inspection [CBL, VT, VA, VRT]**

- A. Verify similarity to plat, Observation of site utility, its surrounding influences, and possible conditions that could impact value or marketability
- B. Analysis of site improvements and useable site area.
  1. Determine and explain how useable site area relates to surrounding properties



**C. Identify and discuss various site amenities. Include exercises that include various levels of impact on value**

*Methods and Techniques*

- Illustrate different site conditions, offer multiple options within each example, provide description choices, demonstrate appropriate analyses of scenarios [VT, VA, VRT]

**VII. Subject Property Improvements Inspection [CBL, VT, VA, VRT]**

**A. Overview**

1. Types/quality of construction
2. Floor plan issues, determination of room counts
3. Observable condition factors and description of upgrades
4. Recognition of potential/existing adverse influences

**B. Conduct a virtual physical inspection to determine relevant physical characteristics**

**C. Provide a thorough description of improvements**

*Methods and Techniques*

- Provide multiple examples (variety) of architecture, material types for exterior and interior surfaces, condition, quality, mechanicals, electrical systems and provide exercises for proper identification and analysis [VT, CBL]
- Identify physical and functional obsolescence, lack of conformity [VT, CBL]

**VIII. Measuring the Subject Property Improvements [CBL, VG, VT, VA, VRT]**

**A. Exercises to include methods and ultimately determination of:**

1. Basements
2. Stairways & vaulted ceiling areas
3. Below grade living area (split level)
4. Accessory dwelling units, outbuildings, etc.
5. Awareness of special assignment conditions
6. Common rounding practices

**B. Include virtual exercises in measuring subject properties**

**C. Other sources for obtaining GLA**

**IX. Sketch Completion [CBL, VT, VRT]**

**A. Include sketch completion exercises**

**B. Exercises must include final GLA determination (what areas should be extracted from GLA)**

*Methods and Techniques*

- Demonstrate sketch measurement software applications using computers, tablets, handheld devices, etc. for various home designs (e.g., 1-story, 2-story, split-level, bi-level) [VT, VA, VG, VRT]
- Include multiple variations (e.g., bay windows, overhangs, open space 2nd story, basements, etc.) [VT, VA, VG, VRT]
- Include various tools (e.g., laser, roller, tape, etc.) [VT, VA, VG, VRT]
- Calculate square footage from plans and specs [VT, VA, VG, VRT]
- Complete several examples on a sketch program [VT, VA, VG, VRT]

**X. Review Sections IV thru IX with Mentor**

**A. Ensure all elements of inspection process have been performed properly, including neighborhood, site, and improvements**

**XI. Market Analysis/Highest and Best Use [CBL, VRT, VA, VT]****A. Highest and Best Use**

1. Overview of pertinent data, including actual current/proposed/potential alternative use and communication of highest and best use

**B. Performing Neighborhood and Market Research**

1. Identify the market area boundaries, physical characteristics, and specific property location relevant to the analysis of the subject property.
2. Identify the trends and characteristics in the defined neighborhood and market area.

*Methods and Techniques*

- Provide exercises reviewing and analyzing various property and site characteristics related to property use and the factors for determining highest and best use [CBL, VRT, VA, VG]
- Provide exercises reviewing market information, including maps, satellite images, aerial photographs, economic data, census data and analysis from third parties to determine boundaries, physical characteristics, and other factors relevant to the subject market area [CBL, VRT, VA, VT, VG]
- Provide exercises reviewing market and neighborhood information such as maps, plat maps, satellite images, aerial photographs, economic data, census data, etc. to determine neighborhood boundaries, characteristics and trends related to the analysis of the subject property [CBL, VRT, VA, VT, VG]

**XII. Review Section XI with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**

**XIII. Process of Sales Analysis [CBL, VG, VT, VA, VRT]****A. Identify the best sources of sales data for use in case studies including:**

1. MLS
2. City/County (public) transfer records
  - a. How to verify
3. Data providers
4. Appraiser office files
  - a. Confidentiality concerns
5. Real estate agents/brokers
  - a. How to verify

**B. Select the same or similar property types, uses, and characteristics.**

1. Identify elements of comparison
2. Develop exercises for various property types

**C. Identify all relevant current listings, expired listings, withdrawn listings, offers (if available), FSBO, closed sales, and pending sales***Methods and Techniques*

- Demonstrate a typical MLS search, and other less common search options [VT/VA]
- Perform searches to identify applicable sales from a group of potential transactions [VT/VA/VG/CBL]
- Develop and demonstrate rationale for selection of sales [VT/VG/CBL]
- Conduct an interactive interview (incorporating checklist) on sales data confirmation [VT/VA]
- Research prior sales history with simulated data sites (e.g., assessor, public records, proprietary sources) [VT/VG/CBL]
- Identify appropriate elements of comparison [VT/VA/CBL]
- Introduce confidentiality issues related to use of non-public information [VT/VA/VG]
- Update workfile with results, incorporate electronic vs. paper vs. combination [VT/VA]

**XIV. Review Section XIII with Mentor**

- A. Ensure all necessary steps in highest and best use analysis and market analysis were performed properly. Review data source material to assure sufficient information has been identified for further application.**

**XV. Valuation Approaches and Techniques [CBL, VG, V, VA, VRT]**

- A. Consider each approach to value and explain the appropriateness based on the intended use of the assignment. Select the data considered most meaningful and relevant.**

**B. Sales Comparison Approach**

1. Analyze quality and quantity of data
  - a. Identify relevant units of comparison
  - b. Data and information collected must be analyzed for comparability and consistency
2. Select the sales that are considered the most appropriate for subject property comparability (demonstrate the process)
  - a. Identify and apply appropriate adjustments to comparable transactions based on differences to the subject property. Demonstrate applicable tools and methods, including:
    1. Paired sales analysis
    2. Statistical and other graphic analysis
    3. Trend analysis
    4. Qualitative differences, including:
      - i. Relative comparison analysis
      - ii. Ranking analysis
3. Discuss and reconcile key elements developed in the sales comparison approach

*Methods and Techniques*

- *Using simulated data, identify applicable approach(es) to value [VT, VG, CBL]*
- *Complete multiple sales comparison analyses using previously selected data for both vacant land and improved sites, incorporating applicable techniques to estimate appropriate adjustments [VT, VG, CBL]*
- *Add complexity at a basic level for commonly encountered external influences, super-adequacies, functional obsolescence [VT, VA, VG, CBL]*
- *Develop value opinions for multiple scenarios [VT, VG, CBL]*
- *Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VG, CBL]*

**C. Cost approach**

1. Develop site value of the subject as vacant using recognized methods or techniques
  - a. Include contributory value of site improvement
2. Discuss use of replacement or reproduction cost
  - a. Develop supportive data for the cost calculations
  - b. Calculate cost new for the improvements
  - c. Calculate depreciation (demonstrate and apply types, consider market trends)
  - d. Discuss and reconcile key elements developed in the cost approach

*Methods and Techniques*

- *Complete a basic cost new, utilize several different cost approach models [VT, VG, CBL]*
- *Develop credible opinions of site value [VT, VG, CBL]*
- *Add basic level complexity (e.g., new homes, remodeled homes, homes having inadequacies) [VT, VA, VG, CBL]*
- *Develop supportable depreciation estimates, age-life method, add basic level complexities (e.g., repairs, obsolescence) [VT, VG, CBL]*
- *Develop indicated values by the cost approach [VT, VG, CBL]*
- *Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation on multiple examples [VT, VA, VG, CBL]*

**D. Income approach**

1. Collection and verification of pertinent rental data (actual vs. contract)
2. Determine appropriate GRM (Gross Rent Multiplier)
3. Discuss and reconcile key elements developed in the income approach

*Methods and Techniques*

- *Develop appropriate comparison factors involved for gross rental estimate, sources [VT, VG, CBL]*
- *Identify comparables using simulated data sources (e.g., MLS, interviews, proprietary sources, door knocking, etc.) for rental information [VT, VA, CBL]*
- *Develop credible opinions of market rent [VT, VG, CBL]*
- *Develop GRM's from simulated comparable properties [VT, VG, CBL]*

- Develop indicated values by the income approach [VT, VG, CBL]
- Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VG, CBL]

#### XVI. Review Section XV with Mentor

- Ensure all approaches to value were adequately considered and completed in supportable fashion (including cost and/or income approaches if performed)

#### XVII. Final Reconciliation [CBL, VG, VT, VA, VRT]

- Analyze and discuss accuracy and sufficiency of data
- Analyze and discuss strengths and weaknesses of each approach to value and their applicability to the subject property
- Analyze and discuss consistency of data and development
- Analyze and discuss the quality and quantity of data
- Review calculations
- Develop the final opinion of value along with the rationale for your conclusions

##### *Methods and Techniques*

- Demonstrate multiple scenarios using the various approaches to analyze their strengths and weaknesses [VT, VA, VG, CBL]
- Perform check for accuracy of math and calculations [VT, VA, VG, CBL]
- Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VA, VG, CBL]

#### XVIII. Review Section XVII with Mentor

- Ensure final reconciliation was performed properly and determine appropriate reporting

#### XIX. Appraisal Report Development/Delivery [CBL, VG, VT, VA, VRT]

##### **A. Report Development**

- Standards Rule 2-1 minimum standard (not misleading, sufficient, assumptions, etc.)
  - Ability to describe the subject property and comparable properties used in the analysis (ensure compliance with STANDARD 2)
    - Technical terms
    - Common industry phrases and descriptors
    - Fair lending do's and don'ts
    - Identify relevant information using industry typical approaches and technologies
  - Ability to describe a market area and a neighborhood (same subset as above)
  - Report format
    - Comply with all applicable assignment elements and conditions
    - Awareness and compliance with state and federal regulatory requirements
    - Describe scope of work
    - Ensure applicable appropriate addenda, exhibits, photos, etc. are included
    - Understand adequacy/relevance/integrity of photos, maps, and exhibits – how/where to upload in a report
  - Certification
    - Ensure familiarity with pre-printed content and applicability.
    - Develop exercises on completion of workfile documents
    - Demonstrate an ability to store and compile documents

##### *Methods and Techniques*

- Complete appraisal reports using several styles (e.g., forms such as 1004, condo, 2-4 units, short narrative) [VG, CBL]
- Provide samples of prior service disclosures (i.e., certifications) [VT, VA]

- Provide opportunities to create multiple versions of required exhibits (e.g., photos, sketches, maps) using simulated data [VT, VA, VG, CBL]
- Provide sample certifications, include correct and incorrect examples [VT, VA, VG, CBL]
- Provide sample limiting conditions, include correct and incorrect examples [VT, VA, VG, CBL]
- Verify required contents of workfile, incorporating examples of items that should/should not be included [VT, VA, VG, CBL]
- Demonstrate/use document storage examples (e.g., password, back-up) [VT, VA, CBL]

## XX. Review Section XIX with Mentor

- Ensure that the key components of an appraisal report and report format are appropriate for assignment(s)

## XXI. Communication of Assignment Results [CBL, VT, VA, VRT]

### A. Adequacy and relevance of information

- USPAP compliance
- Assignment conditions

### B. Understand common Client-specific requirements – additional comparable sales, inclusion of active listings in the report, supplemental exhibits, etc.

- Demonstrate the ability to meet client expectations conveyed through the engagement letter or other instruction methods
- Adequate support for analysis

### C. Explain and support rationale for excluding any of the traditional approaches

- Explain and support reconciliation
- Explain all assumptions

### D. Explain and support all extraordinary assumptions and hypothetical conditions (state their use may have effect on assignment results)

#### Methods and Techniques

- Ensure adequacy and relevancy of information in report [VT, VG, CBL]
- Demonstrate examples of reports containing information specifically required by clients, regulators, or applicable assignment conditions [VA, VT, VG, CBL]
- Ensure accuracy and consistency of information throughout report [VT, VG, CBL]
- Provide various report samples that contain both adequate and inadequate communication [VT, VA]
- Provide opportunities to review and correct errors in reports [VT, VA, VG, CBL]
- Provide opportunities to review and correct inappropriate assumptions, extraordinary assumptions and hypothetical conditions [VT, VA, VG, CBL]
- Provide various samples of appropriate and inappropriate requests for corrections, clarifications and Reconsiderations of Value, demonstrating appropriate responses (e.g., no changes, modifications to report, requirement for new assignment, etc.) [VT, VA, VG, CBL]

## XXII. Review Section XXI with Mentor

- Ensure understanding of effective appraisal report presentation and required content
- Ensure compliance with Standards Rule 2-2

## MINIMUM CONTENT REQUIREMENTS – CERTIFIED RESIDENTIAL CLASSIFICATION

### I. Problem Identification

#### A. Relevant Scope of Work and Competency Issues Involved [CBL, VG, VT, VA, VRT]

- Develop exercises on how competency issues will be resolved.
- Conduct a preliminary analysis to ensure an appropriate Scope of Work

#### Methods and Techniques

- Provide sample engagement letters for review and analysis [VT, VA, CBL]
- Provide samples of complex residential properties (e.g., ADUs, 2-4 unit group homes, student housing, short-term rentals, co-ops, leaseholds, etc.) [VT, VA, CBL]

- Perform required research using simulated data (e.g., public sources, proprietary databases) [VT, VA, VG, CBL]

## II. Review Section I with Mentor

- Ensure understanding of how issues uncovered during property identification process relate to complexity. Also, focus on complex ownership issues

## III. Positive or Negative Locational Influences [CBL, VG, VT, VA, VRT]

- Recognize Population/Employment Trends
- Determine and discuss relationships between employment, population, and residential units (Single Unit Residential vs. 2-4 Unit Residential) over time

## IV. Residential Market Analysis/Highest and Best Use [CBL, VRT, VG, VT]

- Market Analysis Issues Related to Highest and Best Use for Complex Properties
- Special Assessments

### *Methods and Techniques*

- Provide exercises reviewing and analyzing various property and site characteristics that would be considered complex in nature, including current and proposed use; include consideration of the factors for determining highest and best use [CBL, VRT, VG, VT]
- Provide exercises reviewing data from public records, title records, CCR documents, etc., that describe current and planned special assessments for various property ownership types (one family, condominium, planned unit developments, Cooperative, etc.) to determine impact on market analysis [CBL, VRT, VG, VT]

## V. Review Section III and IV with Mentor

- Ensure key analytical issues related to market conditions and highest and best use are effectively addressed

## VI. Physical Characteristics of Complex Properties [CBL, VG, VA, VRT]

- Unique Design Features
- High Quality/Amenity Properties
- Over-improvements
- Physical Deficiencies of Improvements
- Functional Inadequate and Super Adequate Impact

## VII. Vacant Sites (Including View Amenities, Surplus Land) [CBL, VG, VT, VA, VRT]

- Develop exercises that contain issues covered under Site and Cost Approaches

### *Methods and Techniques*

- Identify and analyze impact of complex property characteristics (e.g., atypical size, view, design, historical ranking) [VT, VA, VG]
- Exercises comparing and analyzing typical homes with outliers [VT, VG, CBL]
- Exercises identifying and understanding the influence of locational influences through observation and comparison [CBL, VG, VT, VA, VRT]

## VIII. Use of Key Statistical Concepts [CBL, VG, VT, VA, VRT]

- Develop appropriate statistical tools to be used in development of opinion of value
- Explain and support their application

## IX. Key Market Driving Influences [CBL, VT, VA, VRT]

- Determine most appropriate units of comparison (market drivers)

**B. Identify market preferences for characteristics and amenities (e.g., parking, # beds, # baths, GLA)***Methods and Techniques*

- Complete exploratory data analysis and generate representative sample data to identify different unit price indicators by requiring candidate to analyze several options and select the option with the most robust statistical results [VT, VG, CBL]
- Express several types of simulated data with the candidate building models which generate the most accurate and reliable results [VT, VG, CBL]
- Incorporate in all exploratory data analysis exercises utilizing relevant descriptive statistics (e.g., median, mean, mode, standard deviation, coefficient of variation) [VT, VG, CBL]

**X. Review Sections VI thru IX with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**
- B. Confirm appropriate items have been identified and analyzed for proper application in determination of opinion of value**

**XI. Site Valuation and Cost Approaches****A. Site Valuation**

1. Extract comparable land/site sales data that will adequately support adjustments for contributing value of unique attributes associated with complex vacant sites (view, entitlements, amenities, surplus/excess land)

**B. Develop a supportable Land/Site Valuation - using the following methods:**

1. Allocation
2. Market extraction
3. Ground rent capitalization
4. Land residual method; and
5. Sales comparison

**C. Construction Costs**

1. Exercises related to high amenity structures
2. Discuss local cost influences

**D. Functional Obsolescence**

1. Distinguish between curable and incurable forms
2. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

*Methods and Techniques*

- Develop multiple samples that use each of the basic site valuation techniques [VT, VA, VG, CBL]
- Develop multiple samples that use multiple techniques to estimate cost new [VT, VA, VG, CBL]
- Develop multiple examples to estimate functional obsolescence [VT, VA, VG, CBL]
- Develop an indicated value of a complex property using the cost approach [VT, CBL]

**XII. Review Section XI with Mentor**

- A. Ensure the Cost Approach has been performed properly.**

**XIII. Sales Comparison Approach****A. Sales Concessions**

1. Is the subject property subject to sales concessions?
2. Identify and discuss application (or not) of any sales concessions in comparable data based on market norms
3. Cash equivalency related to financing terms

**B. Identifying and Applying Atypical Adjustments – develop support related to the following:**

1. High amenity custom quality adjustments
2. Site adjustments
3. Adjustment support/matched pairs, statistical methods
4. Adjustment support for unique one-off property sales including those with Accessory Dwelling Units

*Methods and Techniques*

- Develop multiple exercises requiring identification and determination of impact of sales concessions (e.g., assumption of closing costs, payments made outside of transaction) [VT, VA, VG, CBL]
- Develop multiple exercises using statistical techniques (e.g., paired sales analysis, regression analysis) to analyze simulated data and estimate adjustments [VT, VA, VG, CBL]

**XIV. Review Section XIII with Mentor****A. Ensure the sales comparison approach has been performed properly.****XV. Income Approach****A. 1-4 Unit Appraisals**

1. Perform collection of comparable rent data
2. Complex rental adjustments
  - a. Understand and apply impact of complex amenities
  - b. Factor for Expense allocations between comparable transactions

**B. Unique multi-unit assignments – discuss the following:**

1. Location premiums within PUD/condo
2. Impact of rent control or subsidies
3. Student housing
4. Seasonal and short-term rentals

**C. GRM analysis**

1. Non-market rent impact on GRM
2. Perform reconciliation of GRM indicators

*Methods and Techniques*

- Provide exercises extracting expense information via market participant interviews (e.g., agents/brokers, property managers, prior property information) [VT, VG, CBL]
- Provide exercises identifying and analyzing unique property characteristics (e.g., view, physical characteristics, parking limitations, floor location) [VT, VG, CBL]
- Provide exercises identifying and analyzing non-market rent on GRM [VT, VG, CBL]

**XVI. Review Section XV with Mentor****A. Review the Income approach to value and ensure proper analysis and support for conclusions****XVII. Writing and Reasoning Skills****A. Data Presentation**

1. Develop presentation of data in tables, charts, and graphs as appropriate
2. Express succinct narrative using active voice, direct statements, shorter words, shorter paragraphs and placing the bottom-line up front
3. Underscore proper and understandable use of English
  - b. Have another proofread whenever possible

**B. Discussion of Approaches to Value**

1. Adjust depth of discussion to the intended user(s)

**C. Support for Conclusions**

1. Clearly state conclusions throughout the report. Each conclusion requires credible support and logical reconciliation



**D. Summary of Data and Reconciliation of Value Approaches**

1. Summarize the quantity, quality, reliability, and relevance of data available for application in each approach performed. The reconciliation and final value opinion must be consistent with the conclusions of this summary regarding the most germane approach to value

*Methods and Techniques*

- *Ensure accuracy and consistency of information throughout report [VT, VG, CBL]*
- *Provide various report samples that contain both adequate and inadequate communication [VT, VA]*
- *Provide opportunities to review and correct errors in reports [VT, VG, CBL]*
- *Provide opportunities to review and correct inappropriate assumptions, extraordinary assumptions and hypothetical conditions [VT, VG, CBL]*
- *Provide various samples of appropriate and inappropriate requests for corrections, clarifications and Reconsiderations of Value, demonstrating appropriate responses (e.g., no changes, modifications to report, requirement for new assignment, etc.) [VT, VG, CBL]*

**XVIII. Review Section XVII with Mentor**

- A. Ensure understanding of effective appraisal report presentation and required content**
- B. Ensure compliance with Standards Rule 2-2**

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## PAREA Discussion/Regulation Project

- Presentation included from 6/7
- Example Regulations included from 6/7
- Alaska Regulations to Review



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# Practical Applications of Real Estate Appraisal PAREA

The Appraisal Foundation

# Agenda

- Evolution of PAREA
- What is PAREA?
- Updates & When to Expect First Program
- FAQs
- Your Questions

# Evolution

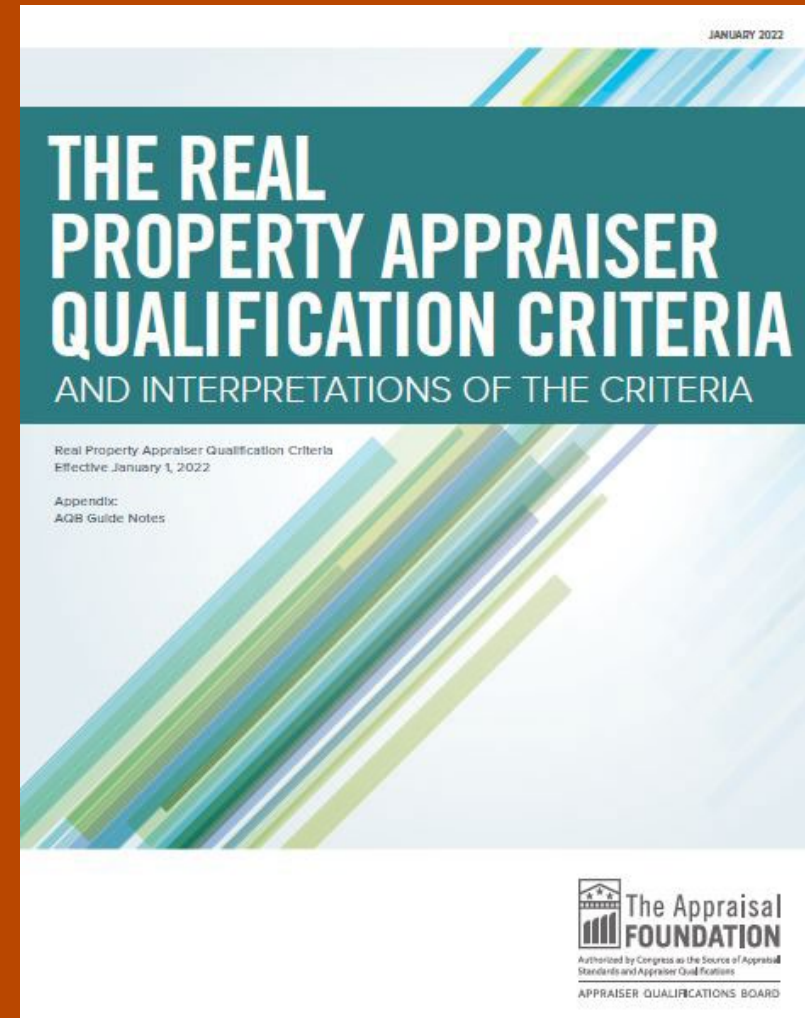
- History of the apprentice model



- PAREA Becomes Effective January 1, 2021



# What is PAREA?



# PAREA is

- An alternative to the traditional Supervisor-Trainee model
- Available for Licensed Residential and Certified Residential
- Can provide up to 100% of experience credit
  - Counts toward Residential portion of the 3000 hrs. for CG
- Approved by the AQB

# PAREA is NOT:

- Not intended to provide “competency”, but it provides “minimum qualifications”
- Not intended to be “partially” adopted, but states may choose to do so

# Participants must:

- Complete all QE prior to entering a program
  - 150 hours of QE for Licensed
  - 200 hours of QE for Certified
- Be periodically mentored
- Produce USPAP-compliant appraisals
- Complete the PAREA program in its entirety before earning the completion certificate. No partial credit.
- Still pass the national licensing exam

# Providers must:

- Offer training on all topics
- Ensure participants produce USPAP compliant appraisal reports
- Provide an adequate number of Mentors
- Provide participants access to data, research, MLS, environmental info, etc.
- Determine type of acceptable training methods
  - Computer based Learning, video gaming, video tutorial, Virtual Assistant, Virtual Reality Training
- Ensure their program is accepted in the state

# Designed as “Modules”

- PAREA has two modules
  - Licensed Residential
  - Certified Residential
- Modules contain lists of required content
  - May be taken out of order
- Modules are the content which must be included in the providers' development of exercises, examples, simulations, case studies, and applications.

# Example of Content in PAREA

## LICENSED MODULE

- |   |   |
|---|---|
| I. General Considerations and Responsibilities  | VI. Subject Site Inspection                       |
| II. Problem Identification                      | VII. Subject Property Improvements Section        |
| III. Review I and II With Mentor                | VIII. Measuring the Subject Property Improvements |
| IV. Property Identification and Inspection...   | IX. Sketch Completion                             |
| V. Verification of Neighborhood and Market Area | X. Review Sections IV thru IX with Mentor         |

*Etc.*

# USPAP Compliant Reports

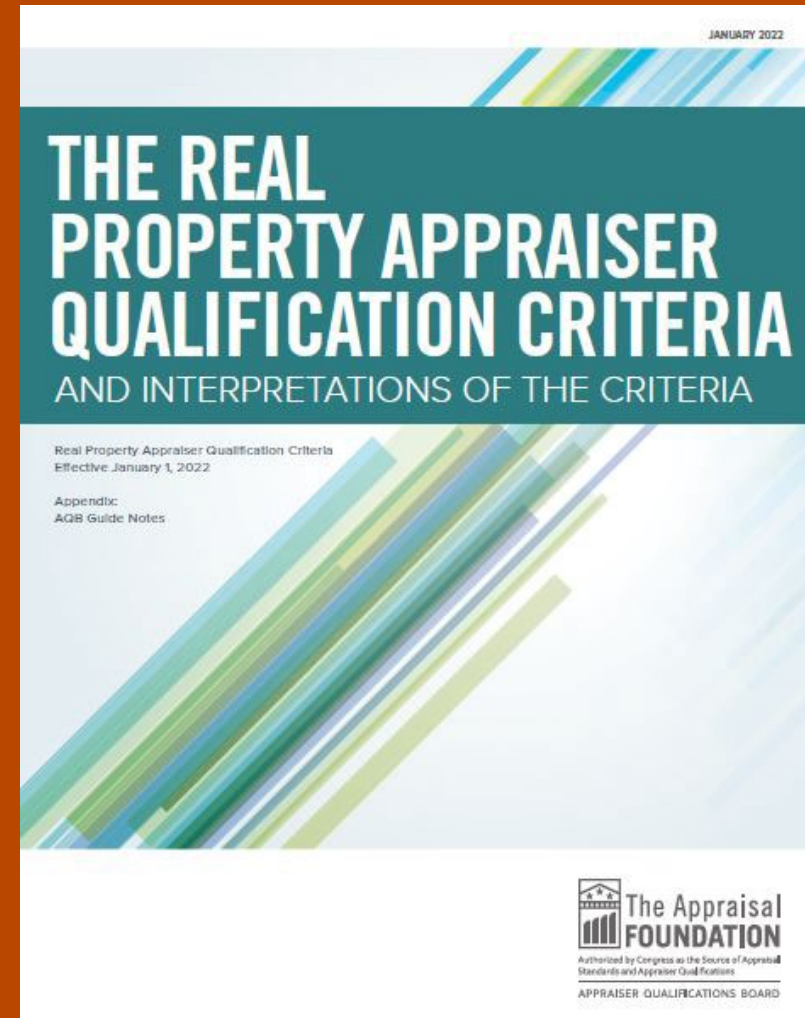
- USPAP Compliant Appraisal Reports
  - Represent a variety of appraisal assignments
  - Participants will be required to produce a specific number
  - The reports will be produced to serve as a final evaluation of the participants comprehension of PAREA training.



# A new pathway for aspiring appraisers

- PAREA directly addresses the difficulty aspiring appraisers face in finding a supervisor.
- We want the appraisal profession to reflect the population of the United States.
- Our hope is that PAREA opens up the profession to a diverse new generation of appraisers.

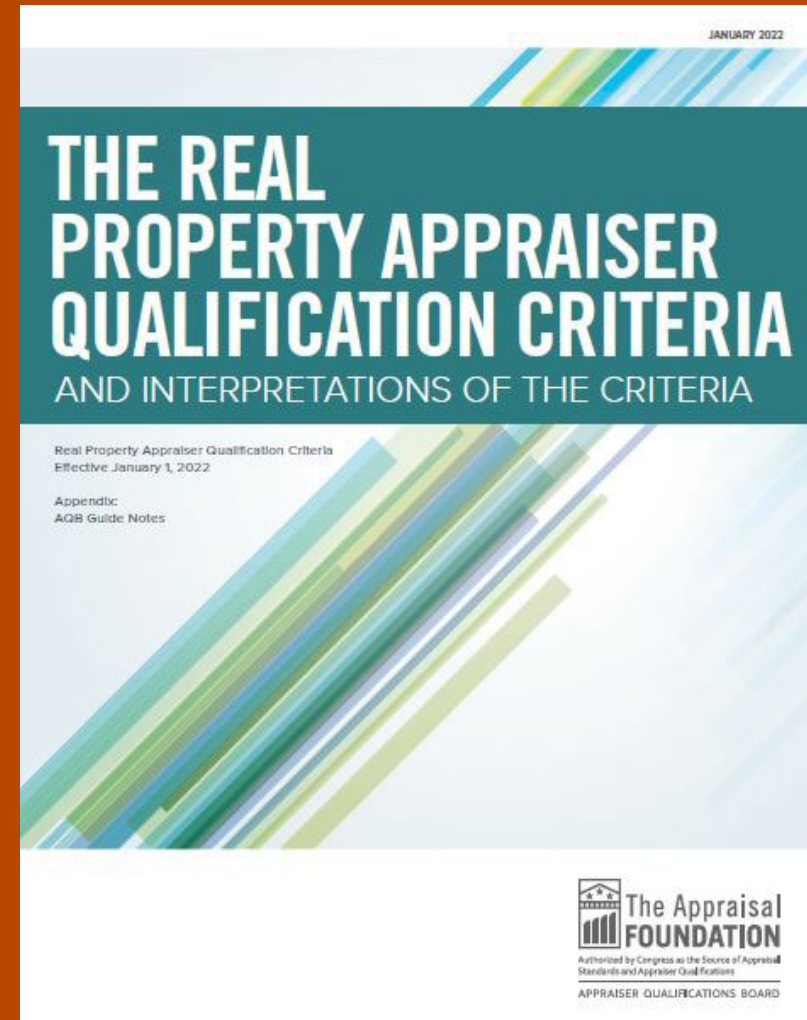
# Updates on PAREA



# Updates on PAREA:

- Seven concept reviews submitted to date
- AQB expects to see a first draft of a program submitted sometime this year.
- Over 1,800 interested in PAREA
- Pathways to Success Conditional Grant awarded to Appraisal Institute in collaboration with the National Society of Real Estate Appraisers

# Frequently asked questions from state regulators



# How many states have adopted PAREA?

- **Fully Adopted:** Colorado, District of Columbia, Louisiana, Maine, Montana, Ohio, and Oklahoma (7)
- **Partially Adopted:** California and Kansas (2)
  - *California adopted up to 50% for LR, 50% for CR, 25% for CG experience hours, but hopes to fully adopt PAREA in the near future.*
  - *Kansas – 50% Based upon the practicum allowance in a previous version of the Criteria*
- **Rulemaking/Legislation in Progress for full adoption:** Florida, Iowa, Kentucky, Louisiana, Nebraska, New Hampshire, New Mexico, North Carolina, Pennsylvania, South Dakota, Utah, and Washington (12)
- **Adoption by Reference of the *Criteria* (may also be captured in another category):** Arizona, District of Columbia, Louisiana, Michigan, Minnesota, Mississippi, Montana, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Carolina, Tennessee, Texas, and Vermont. (11 – *5 other states have Criteria plus have made other indications of PAREA acceptance*)
- **Discussing PAREA:** Alabama, Alaska, Arkansas, Connecticut, Delaware, Georgia, Hawaii, Idaho, Illinois, Indiana, Maryland, Massachusetts, Missouri, Nevada, New York, Oregon, Virginia, West Virginia, Wisconsin, and Wyoming. (20)

# How much experience can be gained by PAREA?

Certification Type	Education	Experience	Exam
Licensed Residential	150 hours	1000 hours under a Supervisor in 6 months <b>OR</b> PAREA can replace up to 100% of the required experience hours	Yes
Certified Residential	200 hours	1500 Hours under a Supervisor in 12 months <b>OR</b> PAREA can replace up to 100% of the required experience hours	Yes
Certified General	300 hours	3000 Hours under a Supervisor in 18 months <b>OR</b> PAREA can replace up to 50% of the required experience hours	Yes

# How do I know that a PAREA Program will be high-quality without seeing it?

- Providers must follow the *Criteria*, *PAREA Implementation Policies*, and be sure they meet the PAREA Minimum Content Requirements for *Licensed Residential* and/or *Certified Residential* Classifications.
- The AQB will personally be reviewing each program to ensure that minimum standards are met.

# Do states need to approve PAREA programs themselves?

- The AQB will approve PAREA programs, but it is up to each individual state to adopt PAREA as an alternative pathway, and to accept the AQB's approval of PAREA programs.



# Do Mentors need to be licensed in individual states?

- No. There is not a geographical competency requirement within PAREA, so Mentors do not need to be licensed in the states where they are mentoring participants.

# How will the PAREA program benefit states?

- Having participants go through a structured, AQB-approved program assures consistent and accurate training (something that is not always the result of some individual supervisor/trainee arrangements).
- With a state's full acceptance of PAREA experience, the need to review appraisal logs and appraisal work samples could be eliminated.
- Ensures the participant has experience writing USPAP compliant appraisal reports.
- Ensures the reports the participants demonstrate their own work product skills, rather than their supervisors.

# How will the PAREA program benefit states?

- Participants are required to demonstrate mastery of each topic area before moving forward in the program. Thus, the emphasis is proficiency, not hours.
- PAREA will provide the participant opportunities to apply the complete appraisal process in the development of an appraisal report.
- The program is specifically designed to NOT provide competency for all types of specific appraisal problems. This is true of the existing licensing system today. As receiving an appraisal credential does not make one competent to perform all types of assignments. Just as it is now, all credentialed appraisers can gain competency before completing assignments, but they do not have to demonstrate competency before they are issued a credential.

# Questions?

The Foundation is here to help you with any questions you have or to provide you with the materials you need to fully understand PAREA:

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aida@appraisalfoundation.org  
(202) 624-3058

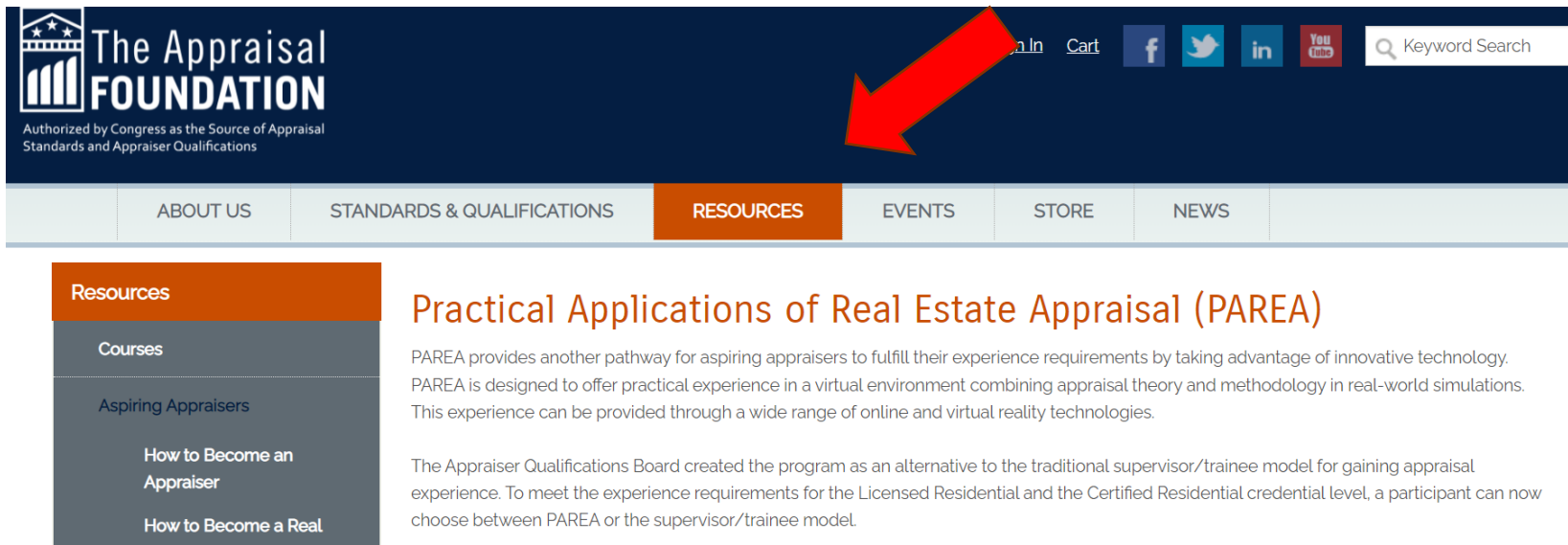


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# Stay Informed

- Extensive information available on our PAREA webpage:



- Sign up for PAREA updates

# THANK YOU

The Foundation is here to help you with any questions you have or to provide you with the materials you need to fully understand PAREA:

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## Example Legislation from States Who Have Accepted PAREA

Utah



**R162. Commerce, Real Estate.**

**R162-2g. Real Estate Appraiser Licensing and Certification Administrative Rules.**

**R162-2g-101. Authority.**

- (1) The authority to promulgate rules governing the appraisal industry is granted by Section 61-2g-201[(2)(h)].
- (2) The authority to establish and collect fees is granted by Section 61-2g-202[(4)].
- (3) The authority to exempt specific persons from complying with USPAP standards is granted by Section 61-2g-205[(5)(e)] within certain limitations as imposed by Section 61-2g-403[(4)(e)].

**R162-2g-102. Definitions.**

- (1) "Affiliation" means an ongoing business association:
  - (a) between:
    - (i) two individuals registered, licensed, or certified under Section 61-2g; or
    - (ii) an individual registered, licensed, or certified under Section 61-2g and:
      - (A) an appraisal entity; or
      - (B) a government agency;
  - (b) for [the purpose of] providing an appraisal service; and
  - (c) regardless of whether an employment relationship exists between the parties.
- (2) The acronym "AQB" stands for the Appraiser Qualifications Board of the Appraisal Foundation.
- (3) "Board" means the Utah Real Estate Appraiser Licensing and Certification Board.
- (4) "Business day" means a day other than:
  - (a) a Saturday;
  - (b) a Sunday; or
  - (c) a federal or state holiday.
- (5) The acronym "CAMA" stands for Computer Assisted Mass Appraisal.
- (6) "Classification" means the type of license or certification held by an appraiser.
- (7) "Day" means calendar day unless specified as "business day."
- (8) "Deferral" means the postponement or delay for completion of a continuing education requirement due to active military duty or due to the impacts of a state- or federally-declared disaster as specified in R162-2g-306a.
- (9) "Desk review" means review of an appraisal:
  - (a) including verification of the data; but
  - (b) not including a physical inspection of the property.
- (10) "Distance education" means an education process based on the geographical separation of student and instructor, including:
  - (a) computer conferencing;
  - (b) satellite teleconferencing;
  - (c) interactive audio;
  - (d) interactive computer software;
  - (e) Internet-based instruction; and
  - (f) other interactive online courses.
- (11) "Division" means the Division of Real Estate of the Department of Commerce.
- (12) "Draft report" means an appraisal report that is distributed prior to being completed, as provided in Subsection R162-2g-502b(1).
- (13) "Entity" means:

- (a) a corporation;
  - (b) a partnership;
  - (c) a sole proprietorship;
  - (d) a limited liability company;
  - (e) another business entity; or
  - (f) a subsidiary or unit of an entity described in this [S]subsection [(13)].
- (14) "Field review" means review of an appraisal, including:
- (a) a physical inspection of the property; and
  - (b) verification of the data.
- (15) "Non-certified education" means a continuing education course offered outside of Utah, but for which a licensee may apply for credit pursuant to R162-2g-307d(4).
- (16) The acronym "PAREA" stands for Practical Applications of Real Estate Appraisal approved by the AQB as an alternative to the supervisor trainee model for gaining appraisal experience.
- (17)[(16)] "Person" means an individual or an entity.
- (18)[(17)] "Reinstatement" means renewing a license or certification for an additional period after its expiration date has passed, but prior to 12 months after the expiration date.
- (19)[(18)] The acronym "RELMS" stands for Real Estate Licensing and Management System, which is the online database through which individuals registered, licensed, or certified under these rules must submit certain information to the division.
- (20)[(19)] "Renewal" means reissuing a license or certification upon its expiration for an additional period.
- (21)[(20)] "School" means:
- (a) an accredited college, university, junior college, or community college;
  - (b) any state or federal agency or commission;
  - (c) a nationally recognized real estate appraisal or real estate related organization, society, institute, or association; or
  - (d) any school or organization approved by the board.
- (22)[(21)] "School director" means an authorized individual in charge of the educational program at a school.
- (23)[(22)] "Supervisory Appraiser" means a state-certified residential appraiser or a state certified general appraiser that directly supervises a trainee.
- (24)[(23)] "Trainee" means a person who is working under the direct supervision of a state-certified residential appraiser or a state-certified general appraiser to earn experience hours for licensure, and who meets the requirements of Subsection R162-2g-302.
- (25)[(24)] "Transaction value" means:
- (a) for loans or other extensions of credit, the amount of the loan or extension of credit;
  - (b) for sales, leases, purchases, and investments in, or exchanges of, real property, the market value of the real property interest involved; and
  - (c) for the pooling of loans or interests in real property for resale or purchase, the amount of the loan or market value of the real property calculated with respect to each such loan or interest in real property.
- (26)[(25)] The acronym "USPAP" stands for the current edition of the Uniform Standards of Professional Appraisal Practice published by the Appraisal Foundation.
- (27) "Virtual-live continuing education" also described as synchronous education, means continuing education that is presented in a live, video conferencing format, using interactive

instructional methods where teacher and student may be separated by distance but not by time. The teacher is able to interact, and does interact in real time with the students.

### **R162-2g-302. Application for Trainee Registration.**

(1) Registration required.

(a) Except for an individual who successfully completes an AQB approved Licensed Residential PAREA module, an [An]individual who intends to obtain a license to practice as a state-licensed appraiser shall first register with the division as a trainee. An individual who successfully completes an AQB approved Licensed Residential PAREA module need not register as a trainee prior to making application to sit for the state-licensed appraiser exam.

(b) The division and the board shall not award or recognize experience hours toward licensure for any appraisal work that is performed by an individual during a period of time when the individual is not registered as a trainee.

(2) Character. An individual registering with the division as a trainee shall evidence honesty, integrity, and truthfulness.

(a) A trainee applicant shall be denied registration for:

(i) a felony that resulted in:

(A) a conviction occurring within five years of the date of application; or

(B) a jail or prison release date falling within five years of the date of application; or

(ii) a misdemeanor involving fraud, misrepresentation, theft, or dishonesty that resulted in:

(A) a conviction occurring within three years of the date of application; or

(B) a jail or prison release date falling within three years of the date of application.

(b) A trainee applicant may be denied registration upon consideration of the following:

(i) criminal convictions and pleas entered at any time prior to the date of application;

(ii) the circumstances that led to any criminal convictions or pleas under consideration;

(iii) past acts related to honesty~~[or moral character]~~, with particular consideration given to any such acts involving the appraisal business;

(iv) dishonest conduct that would be grounds under Utah law for sanctioning an existing licensee;

(v) civil judgments in lawsuits brought on grounds of fraud, misrepresentation, or deceit;

(vi) court findings of fraudulent or deceitful activity in civil lawsuits;

(vii) evidence of non-compliance with court orders or conditions of sentencing;

(viii) evidence of non-compliance with terms of a probation agreement, plea in abeyance, or diversion agreement; and

(ix) failure to pay taxes or child support obligations.

(3) ~~[Competency.]~~ An individual registering with the division as a trainee shall evidence competency. In evaluating an applicant for competency, the division and board may consider any evidence, including the following:

(a) civil judgments, with particular consideration given to any such judgments involving the appraisal business;

(b) failure to satisfy a civil judgment that has not been discharged in bankruptcy;

(c) the extent and quality of the applicant's training and education in appraisal;

(d) the extent of the applicant's knowledge of the Utah Real Estate Appraiser Licensing and Certification Act;

(e) evidence of disregard for licensing laws;

(f) evidence of drug or alcohol dependency; and

- (g) the amount of time that has passed since any incident under consideration.
- (4) Pre-licensing education.
- (a) Within the five-year period preceding the date of application, an applicant shall successfully complete 81 ~~[75-classroom]~~ hours:
- (i) approved by the AQB; and
  - (ii)(A) certified by the division pursuant to Subsections R162-2g-307c(1) through ~~[-]~~(3); or  
(B) not required to be certified by the division pursuant to Subsection R162-2g-307c(6).
- (b) The 81~~[75]~~ hours of required education shall include:
- (i) 30 hours of appraisal principles;
  - (ii) 30 hours of appraisal procedures; ~~[and]~~
  - (iii) the 15-hour National USPAP course, or its equivalent; and
  - (iv) the six-hour Utah appraiser supervisor and trainee course.
- (c) The 15-hour National USPAP Course or its equivalent may not be accepted by the division as qualifying education unless it is:
- (i) taught by an instructor who:
    - (A) is a state-certified residential or state-certified general appraiser; and
    - (B) has been certified by the AQB; or
  - (ii) approved as a distance education course by the AQB and International Distance Education Certification Center.
- (d) A person who applies for trainee registration ~~[on or after January 1, 2015]~~ shall have successfully completed the division approved Supervisory Appraiser and Appraiser Trainee Course:
- (i) as taught by a division-approved instructor; and
  - (ii) within the two-year period preceding the date of application.
- (e) ~~[Examination.]~~ An applicant shall evidence having passed the final examination in required ~~[all]~~ pre-licensing courses.
- (5) ~~[Application to the division.]~~ An applicant shall submit the following to the division:
- (a) a completed application as provided by the division;
  - (b) course completion certificates for the 75 hours of pre-licensing education;
  - (c) a course completion certificate for the six-hour Utah appraiser supervisor and trainee course;
  - ~~(d)~~ ~~(e)~~ (i) two fingerprint cards in a form acceptable to the division; or  
(ii) evidence that the applicant's fingerprints have been successfully scanned at a testing center;
  - ~~(e)~~ ~~(d)~~ the ~~[all]~~ court documents related to any past criminal proceeding;
  - ~~(f)~~ ~~(e)~~ complete documentation of any sanction taken against any license in any jurisdiction;
  - ~~(g)~~ ~~(f)~~ a signed letter of waiver authorizing the division to:
    - (i) obtain the fingerprints of the applicant;
    - (ii) review past and present employment records;
    - (iii) review education records; and
    - (iv) conduct a criminal background check;
  - ~~(h)~~ ~~(g)~~ the fee for the criminal background check;
  - ~~(i)~~ ~~(h)~~ the name of the state-certified appraisers ~~[(s)]~~ with whom the trainee is affiliated;
  - ~~(j)~~ ~~(i)~~ the name and business address of any appraisal entity or government agency with which the trainee is affiliated; and
  - ~~(k)~~ ~~(j)~~ the nonrefundable application fee.

(6) ~~[Affiliation with certified appraiser(s).]~~ A trainee applicant ~~[Applicants]~~ shall affiliate with at least one supervising certified appraiser and evidence that affiliation by:

- (a) identifying each supervising certified appraiser on a form supplied by the division; and
- (b) obtaining each supervising certified appraiser's signature on the application.

**R162-2g-304a. Application to Sit for the State-Licensed Appraiser Exam.**

(1) An applicant to sit for the state-licensed appraiser exam shall provide the following to the division:

(a) evidence of having successfully completed a state-licensed appraiser pre-licensing required core curriculum of 156 hours of qualifying education as described in Appendix 4, Table 1 and that has been certified by the division pursuant to Section R162-2g-307c;

(b) required experience, including:

(i)~~(a)~~ completed experience forms, as required by the division:

(A)~~(i)~~ documenting ~~[all]~~ experience hours completed by the applicant from the date of trainee registration to the date of application for licensure;

(B) which experience hours are completed under the supervision of one or more certified appraisers with whom the trainee is affiliated;

(C) which affiliation is evidenced by:

(I) identifying each supervising certified appraiser on a form supplied by the division; and

(II) obtaining each supervising certified appraiser's signature on the application; and

(D)~~(ii)~~ evidencing at least 1,000 hours of appraisal experience:

(I)~~(A)~~ pursuant to ~~[Subsection]~~ Section R162-2g-304d;

(II)~~(B)~~ completed during the time when the applicant was registered with the division as a trainee; and

(III)~~(C)~~ accrued in no fewer than[:

~~(I)-] 6 months for applicants submitting experience primarily from Appendices 1 and 2, or[~~

~~(II)-] 12 months for applicants submitting experience primarily from appendix 3; or~~

(ii)~~(b)~~ evidence of having successfully completed an AQB approved PAREA Licensed Residential module; and

~~[(b) evidence of having successfully completed a state licensed appraiser pre-licensing required core curriculum as described in Appendix 4, Table 1 and that has been certified by the division pursuant to Subsection R162-2g-307c; and]~~

[(c)] a nonrefundable application fee.

(2) PAREA participants must complete, as a prerequisite prior to commencement of an AQB approved PAREA training module, 156 hours of qualifying education as specified in the Required Core Curriculum for the Licensed Appraiser classification.

(3)~~(2)~~ The pre-licensing curriculum required by Subsection (1)(c)~~[(1)(b)]~~ shall be conducted by:

- (a) a college or university;
- (b) a community or junior college;
- (c) a real estate appraisal or real estate related organization;
- (d) a state or federal agency or commission;
- (e) a proprietary school;
- (f) a provider approved by a state certification and licensing agency; or
- (g) the Appraisal Foundation or its boards.

(4)~~(3)~~(a) Upon determining that the applicant satisfies the education and experience requirements, the division shall issue to the applicant a form permitting the applicant to register for the examination.

(b) Upon being approved to register for the examination pursuant to ~~[this]~~ Subsection (3)(a), an applicant shall:

(i) return the examination application form to the testing service designated by the division; and

(ii) pay a nonrefundable examination fee to the testing service designated by the division.

(c) The permission to register to sit for the examination shall be valid for 24 months after issuance.

**R162-2g-304b. Application to Sit for the State-Certified Residential Appraiser Exam.**

(1) An applicant to sit for the state-certified residential appraiser exam shall provide the following to the division:

(a) completed experience forms, as required by the division, evidencing at least 1,500 hours of ~~[total]~~ appraisal experience, at least 500 of which:

(i) meet the requirements of ~~[Subsection]~~ Section R162-2g-304d;

(ii) are completed during the time when the applicant is licensed as a state-licensed appraiser:

(A) with the division; or

(B) in another state, if licensure was required in that state at the time the appraisal was performed; and

(iii) are accrued in no fewer than:

(A) for applicants submitting experience primarily from appendices 1 and 2, 6 months from the date the applicant received the state-licensed appraiser credential; or

(B) for applicants submitting experience primarily from appendix 3, 12 months from the date the applicant received the state-licensed appraiser credential; or

(b) evidence of having obtained;

(i) 1,500 experience hours by successfully completing the AQB approved PAREA modules for both the Licensed Residential module and the Certified Residential module;

(ii) 1,000 experience hours by successfully completing the AQB approved Licensed Appraiser PAREA module, plus at least 500 hours of supervised appraisal experience that meets the requirements of Subsections (a)(i), (ii), and (iii); or

(iii) 500 experience hours by successfully completing the AQB approved Certified Residential Appraiser PAREA module, plus at least 1,000 hours of supervised appraisal experience, at least 500 of which meet the requirements as described in Subsections (a)(i), (ii), and (iii);

(c)[(b)] evidence of having completed at least one of the following six education options:

(i) option 1: received a Bachelor's degree or higher in any field of study from an accredited college or university;

(ii) option 2: received an Associate's degree from an accredited college or university in a field of study related to:

(A) Business Administration;

(B) Accounting;

(C) Finance;

(D) Economics; or

(E) Real Estate;

(iii) option 3: successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:

(A) English composition (3 semester hours);

(B) micro economics (3 semester hours);

- (C) macro economics (3 semester hours);
- (D) finance (3 semester hours);
- (E) algebra, geometry, or higher mathematics (3 semester hours);
- (F) statistics (3 semester hours);
- (G) computer science (3 semester hours);
- (H) business law or real estate law (3 semester hours); and
- (I) two elective courses in: accounting, geography, agricultural economics, business management, or real estate (3 semester hours each);

(iv) option 4: successful completion of at least 30 hours of College Level Examination Program 7 (CLEP7) examinations from the following subject matter areas:

- (A) College Algebra;
- (B) College Composition;
- (C) College Composition Modular;
- (D) College Mathematics;
- (E) Principals of Macroeconomics;
- (F) Principals of Microeconomics;
- (G) Introductory Business Law; and
- (H) Principals of Management

(v) option 5: any combination of option 3 and option 4 that includes ~~[all of]~~ the topics identified in option 3; or

(vi) option 6: no college-level education is required for appraisers who have held a state-licensed appraiser credential for a minimum of five years and have no record of any adverse, final, and non-appealable disciplinary action affecting the state-licensed appraiser's legal eligibility to engage in appraisal practice within the five years immediately preceding the date of application for a state-certified residential credential;

~~(d)[(e)]~~ evidence of having successfully completed a state-certified residential appraiser pre-licensing required core curriculum as described in Appendix 4, Table 1 and that has been certified by the division pursuant to ~~[Subsection]~~ Section R162-2g-307c; and

~~(e)[(d)]~~ except as provided in ~~[this Subsection (4)(a)]~~ Subsection (5)(a), a nonrefundable application fee.

(2) The pre-licensing curriculum required by Subsection(1)I shall be provided by:

- (a) a college or university;
- (b) a community or junior college;
- (c) a real estate appraisal or real estate related organization;
- (d) a state or federal agency or commission;
- (e) a proprietary school;
- (f) a provider approved by a state certification and licensing agency; or
- (g) the Appraisal Foundation or its boards.

(3) PAREA participants must complete, as a prerequisite prior to commencement of an AQB approved PAREA training module, 206 hours of qualifying education as specified in the Required Core Curriculum for the Certified Residential Real Property Appraiser classification.

(4)(a)[(3)(a)] Upon determining that the applicant satisfies the education and experience requirements, the division shall issue to the applicant a form permitting the applicant to register for the examination.

(b) Upon being approved to register for the examination pursuant to ~~[this]~~ Subsection (4)(a)[(3)(a)], an applicant shall:



(i) return the examination application form to the testing service designated by the division; and

(ii) pay a nonrefundable examination fee to the testing service designated by the division.

I The permission to register to sit for the examination shall be valid for 24 months after issuance.

~~(5)(a)[(4)(a)]~~ A state-licensed appraiser who, within six months of renewing the license, submits an application and consequently qualifies for certification shall not be required to pay the entire application fee but shall instead pay the difference between the renewal fee and the application fee.

(b) A certification that is obtained under Subsection (5)(a)~~[this Subsection (4)(a)]~~ shall expire on the ~~[same]~~ date that the license was due to expire prior to the granting of certification.

#### **R162-2g-304c. Application to Sit for the State-Certified General Appraiser Exam.**

(1) An applicant to sit for the state-certified general appraiser exam shall provide the following to the division:

(a) completed experience forms, as required by the division, evidencing at least 3,000 hours of total appraisal experience, at least 1,000 of which:

(i) meet the requirements of ~~[Subsection ]~~Section R162-2g-304d;

(ii) are completed during the time when the applicant is licensed as a state-licensed appraiser or state-certified residential appraiser:

(A) with the division; or

(B) in another state, if licensure was required in that state at the time the appraisal was performed;

(iii) are accrued in no fewer than:

(A) 12 months from the date the applicant received a state-licensed appraiser credential for applicants submitting experience primarily from appendices 1 and 2, or

(B) 18 months from the date the applicant received a state-licensed appraiser credential for applicants submitting experience primarily from appendix 3; and

(iv) evidence that at least 1,500 experience hours are derived from non-residential appraisal experience~~[-]; or~~

(b) completed experience forms, as required by the division, evidencing at least 3,000 hours of total appraisal experience:

(i) at least 1,000 hours of which meet either the requirements of Subsections (1)(a)(i), (ii), and (iii);

(ii) up to 1,500 hours of which may be derived from the successful completion of AQB approved PAREA program modules; and

(iii) evidence that at least 1,500 experience hours are derived from non-residential appraisal experience;

(c)[(b)] evidence of having received a bachelor's degree or higher degree from an accredited college or university;

(d)[(e)] evidence of having successfully completed a state-certified general appraiser pre-licensing required core curriculum as described in Appendix 4, Table 1 and that has been certified by the division pursuant to ~~[Subsection ]~~Section R162-2g-307c; and

(e)[(d)] except as provided in ~~[this]~~ Subsection (4)(a), a nonrefundable application fee.

(2) The pre-licensing curriculum required by Subsections (1)(c) shall be provided by:

(a) a college or university;

(b) a community or junior college;



- (c) a real estate appraisal or real estate related organization;
  - (d) a state or federal agency or commission;
  - (e) a proprietary school;
  - (f) a provider approved by a state certification and licensing agency; or
  - (g) the Appraisal Foundation or its boards.
- (3)(a) Upon determining that the applicant satisfies the education and experience requirements, the division shall issue to the applicant a form permitting the applicant to register for the examination.
- (b) Upon being approved to register for the examination pursuant to ~~[this]~~ Subsection (3)(a), an applicant shall:
- (i) return the examination application form to the testing service designated by the division; and
  - (ii) pay a nonrefundable examination fee to the testing service designated by the division.
- (c) The permission to register to sit for the examination shall be valid for 24 months after issuance.
- (4)(a) A state-licensed appraiser or a state-certified residential appraiser who, within six months of renewing the license or certification, submits an application and consequently qualifies for certified general status shall not be required to pay the entire application fee but shall instead pay the difference between the renewal fee and the application fee.
- (b) A certification that is obtained under ~~[this]~~ Subsection (4)(a) shall expire on the ~~[same]~~ date that the license was due to expire prior to the granting of certified general status.

#### **R162-2g-304d. Experience Hours.**

- (1)(a) Except as provided in ~~[this]~~ Subsection (1)(b), appraisal experience shall be measured in hours according to the appraisal experience hours schedules found in Appendices 1 through 3 or according to AQB approved experience hours for PAREA modules.
- (b)(i) An applicant who has experience in categories other than those shown on the appraisal experience hours schedules or who believes the schedules do not adequately reflect the applicant's experience or the complexity or time spent on an appraisal, may petition the board on an individual basis for approval of the experience as being substantially equivalent to that required for licensure or certification.
- (ii) Upon a finding that an applicant's experience is substantially equivalent to that required for licensure or certification, the board may award the applicant an appropriate number of hours for the alternate experience.
- (2) ~~[General restrictions.]~~ Appraisal experience obtained pursuant to Appendices 1 through 3 are restricted as follows:
- (a) An applicant may not accrue more than 2,000 experience hours in any 12-month period.
  - (b) The board may not award credit for:
    - (i) appraisal experience earned more than five years prior to the date of application;
    - (ii) appraisals that were performed in violation of:
      - (A) Utah law;
      - (B) the law of another jurisdiction; or
      - (C) the administrative rules adopted by the division and the board;
    - (iii) appraisals that fail to comply with USPAP;
    - (iv) the performance of an evaluation as defined in the Real Estate Appraiser and Certification Act that ~~[which]~~ does not comply with USPAP;

(v) appraisals of the value of a business as distinguished from the appraisal of commercial real estate;

(vi) personal property appraisals; or

(vii) an appraisal that fails to clearly and conspicuously disclose the contribution made by the applicant in completing the assignment.

(c) At least 50% of the appraisals submitted for experience credit shall be appraisals of properties located in Utah.

(d) With regard to experience hours claimed from the schedules found in Appendices 1 and 2, no more than 25% of the total experience required for licensure or certification may be earned from appraisals where the interior of the subject property is not inspected.

(e) A maximum of 50% of required experience hours may be earned from appraisal of vacant land.

(f) Experience gained through the successful completion of an AQB approved PAREA module may, when approved, exceed 50% of the total experience requirement. Except for AQB approved PAREA modules, experience~~[Experience]~~ gained for work without a traditional client may qualify for experience hours but may not ~~cannot~~ exceed 50% of the total experience requirement. Work without a traditional client includes the following:

(i) a client hiring an appraiser for a business purpose; or

(ii) a practicum course so long as the course is approved by the AQB Course Approval Program and, if the course is taught in Utah either live or by distance education, also approved by the division.

(g) An applicant may receive credit only for experience hours actually worked by the applicant and as limited by the maximum experience hours described in these rules.

(3) Specific restrictions applicable to trainees applying for licensure.

(a)(i) Except for AQB approved PAREA module experience hours, a [A] registered trainee may not claim experience hours for any appraisal work ~~[performed after January 1, 2015]~~ unless the trainee and the trainee's supervisor~~(s)~~ have completed the division-approved Supervisory Appraiser and Appraiser Trainee Course prior to performing the work to be claimed.

(ii) Except for AQB approved PAREA module experience hours, a[A] trainee and the trainee's supervisor who signs the experience log shall document on the log the specific duties that the trainee performs for each appraisal.

(b) Except for AQB approved PAREA module experience hours, for [For] each duty performed, the trainee shall be awarded a percentage of the total experience hours that may be awarded for the property type being appraised:

(i) pursuant to the appraisal experience hour schedules found in Appendices 1 through 3; and

(ii) with the following limitations for Appendix 2:

(A) participation in highest and best use analysis: 10% of total hours;

(B) participation in neighborhood description and analysis: 10% of total hours;

(C) property inspection: 20% of total hours, pursuant to ~~[this]~~ Subsection (3)(c);

(D) participation in land value estimate: 20% of total hours;

(E) participation in sales comparison property selection and analysis: 30% of total hours;

(F) participation in cost analysis: 20% of total hours;

(G) participation in income analysis: 30% of total hours;

(H) participation in the final reconciliation of value: 10% of total hours; and

(I) participation in report preparation: 20% of total hours.

(J) The applicant may claim up to 100% of the total hours allowed for the tasks listed in ~~[this]~~ Subsections (A) through (I).

(c) ~~For [In order for]~~ a trainee to claim credit for an inspection pursuant to ~~[this]~~ Subsection (3)(b)(ii)(C):

(i) as to the first 35 residential appraisals or first 20 non-residential appraisals completed, as applicable to the license or certification being sought, the inspection must include:

(A) exterior measurement of the relatively permanent structures located on the subject property that are designed or intended for support, enclosure, shelter, or protection of persons, animals, or property having a permanent roof supported by columns or walls; and

(B) inspection of the exterior of a property that is used as a comparable in an appraisal; and

(ii) as to appraisals after the first 35 residential appraisals or first 20 non-residential appraisals completed, as applicable to the license or certification being sought, the inspection must satisfy the ~~[all]~~ scope of work requirements.

(d) No more than one-third of the experience hours submitted toward licensure may come from any one of the categories identified in ~~[this]~~ Subsection (3)(b)(ii).

(4) Specific restrictions applicable to applicants for certification.

(a) An individual who obtained a license from the division through reciprocity shall provide to the division the ~~[all]~~ records necessary for the division to verify that the individual satisfies the experience requirements outlined in these rules.

(b) The board may not award credit:

(i) for any appraisal where the applicant cannot prove more than 50% participation in the:

(A) data collection;

(B) verification of data;

(C) reconciliation;

(D) analysis;

(E) identification of property and property interests;

(F) compliance with USPAP standards; and

(G) preparation and development of the appraisal report; or

(ii) to more than one licensed appraiser per completed appraisal, except as provided in ~~[this]~~ Subsection (5).

(c)(i) An individual applying for certification as a state-certified residential appraiser shall document 1,500 experience hours, including:

(A) up to 1,500 hours of AQB approved experience hours for PAREA modules; or

(B) at least 75% of the hours submitted from:

~~(I)~~~~(A)~~ the residential experience hours schedule found in Appendix 1; or

~~(II)~~~~(B)~~ the residential portion of the mass appraisal hours schedule found in Appendix 3.

(ii) No more than 25% of the total hours submitted may be from:

(A) the general experience hours schedule found in Appendix 2; or

(B) properties other than 1- to 4-unit residential properties identified in the mass appraisal hours schedule found in Appendix 3.

(d) An individual applying for certification as a state-certified general appraiser shall document at least 1,500 experience hours as having been earned from:

(i) the general experience hours schedule found in Appendix 2; or

(ii) properties other than 1- to 4-unit residential properties identified in the mass appraisal hours schedule found in Appendix 3.

(5) Specific restrictions applicable to mass appraisers.

(a) Single-property appraisals performed under USPAP Standards 1 and 2 by mass appraisers shall be awarded full credit pursuant to Appendices 1 and 2.

(b) Review and supervision of appraisals by mass appraisers shall be awarded credit pursuant to ~~[this]~~ Subsection (6)(b) and ~~[-]~~(c).

(c)(i) Mass appraisers and mass appraiser trainees who perform 60% or more of the appraisal work shall be awarded full credit pursuant to Appendix 3.

(ii) Mass appraisers and mass appraiser trainees who perform between 25% and 59% of the appraisal work shall be awarded 50% credit pursuant to Appendix 3.

(iii) Mass appraisers and mass appraisal trainees who perform less than 25% of the appraisal work shall be awarded no credit for the appraisal assignment.

(d) In addition to submitting proof of required experience and samples, randomly selected from the experience log, of work conforming to USPAP Standards 5 and 6:

(i) a state-licensed appraiser applicant whose experience is earned primarily through mass appraisal shall submit proof of having performed at least five appraisals conforming to USPAP Standards 1 and 2 equaling at least 65 experience hours;

(ii) a state-certified residential appraiser applicant whose experience is earned primarily through mass appraisal shall submit proof of having performed at least eight residential appraisals equaling at least 110 experience hours:

(A) conforming to USPAP Standards 1 and 2; and

(B) including at least two of each of the following property types:

(I) vacant residential or agricultural land;

(II) two- to four-unit dwelling;

(III) single-family unit; and

(IV) complex one- to four-unit ~~[four-unit]~~ residential dwellings; and

(iii) a state-certified general appraiser applicant whose experience is earned primarily through mass appraisal shall submit proof of having performed at least eight appraisals from Appendix 2 conforming to USPAP Standards 1 and 2 equaling at least 300 experience hours.

(e) No more than 200 hours for qualification for a state-licensed credential, 500 hours for a state-certified residential credential, or 1,800 hours for a certified general credential may be earned from any combination of appraisal assignments related to:

(i) property improvement inspection;

(ii) land segregation (division);

(iii) CAMA data entry; and

(iv) sale ratio study.

(f)(i) Mass appraisal of property with a personal property component of less than 50% of value shall be awarded full credit pursuant to Appendix 3 for the type of property appraised.

(ii) Mass appraisal of property with a personal property component of 50% to 75% of value shall be awarded 50% credit pursuant to Appendix 3 for the type of property appraised.

(iii) Mass appraisal of property with a personal property component greater than 75%, but less than 100%, shall be awarded 25% credit pursuant to Appendix 3 for the type of property appraised.

(iv) Mass appraisal of property with no real property component shall be awarded no credit.

(g) The appraisals submitted for review pursuant to ~~[this]~~ Subsection (5)(d) shall be selected from the applicant's most recent work.

(6) Special circumstances - condemnation appraisals, review appraisals, supervision of appraisers, other real estate experience, and government agency experience.

(a) Condemnation appraisals. A condemnation appraisal shall be awarded an additional 50% of the hours normally awarded for the appraisal if the condemnation appraisal includes a before-and-after appraisal because of a partial taking of the property.

(b) Review appraisals.

(i) Review appraisals shall be awarded experience credit when the appraiser performs technical reviews of appraisals prepared by employees, associates, or others, provided the appraiser complies with USPAP Standards 3 and 4 when the appraiser is required to comply with the rule.

(ii) Except as provided in ~~[this]~~ Subsection (6)(e)(i), the following credit shall be awarded for review of appraisals:

(A) desk review: 30% of the hours that would be awarded if a separate written review appraisal report were prepared, up to a maximum of 500 hours; and

(B) field review: 50% of the hours that would be awarded if a separate written review appraisal report were prepared, up to a maximum of 500 hours.

(c) Supervision of appraisers. Except as provided in ~~[this]~~ Subsection (6)(e)(i), supervision of appraisers shall be awarded 20% of the hours that would be awarded to the appraisal, up to a maximum of 500 hours.

(d) Other real estate experience acceptable for certification.

(i) Provided that an applicant demonstrates to the satisfaction of the board that the applicant has the ability to arrive at a fair market value of property and to properly document value conclusions, the following activities may be used to satisfy up to 50% of the experience required for certification:

(A) preliminary valuation estimates;

(B) range of value estimates or similar studies;

(C) other real estate-related experience gained by:

(I) bankers;

(II) builders;

(III) city planners and managers; or

(IV) other individuals.

(ii) A comparative market analysis by an individual licensed under Title 61, Chapter 2f ~~[Section 61-2f et seq.]~~ may be granted up to 100% experience credit toward certification if:

(A) the analysis conforms with USPAP Standards Rules 1 and 2; and

(B) the individual demonstrates to the board that the individual uses similar techniques as appraisers to value properties and effectively utilize the appraisal process.

(iii) Except as provided in ~~[this]~~ Subsection (6)(e)(i), or except for AQB approved PAREA module experience hours, no more than 50% of the total experience required for certification may be earned through any combination of experience described in ~~[this]~~ Subsections (6)(b) through (6)(d). ~~[(6)(b)-(d).]~~

(e) Government agency experience.

(i) An individual who obtains experience hours in conjunction with investigation by a government agency is not subject to the hour limitations of ~~[this]~~ Subsection (6).

(ii) In addition to submitting proof of required experience, an applicant whose experience is earned primarily in conjunction with investigations by government agencies and through review of appraisals, with no opinion of value developed, shall submit proof of having complied with USPAP Standards 1 and 2 in performing appraisals as follows:

(A) if applying for state-licensed appraiser with experience reviewing residential appraisals, five appraisals of one-unit dwellings;

(B) if applying for state-certified residential appraiser with experience reviewing residential appraisals, eight appraisals of one-unit dwellings; and

(C) if applying for state-certified general appraiser with experience reviewing appraisals of property types listed in Appendix 2, at least eight appraisals of property types identified in Appendix 2.

(7) The board, at its discretion, may request the division to verify the claimed experience by any of the following methods:

(a) verification with the clients;

(b) submission of selected reports to the board; and

(c) field inspection of reports identified by the applicant at the applicant's office during normal business hours.

(8)

#### **R162-2g-304e. Experience Review Committee.**

(1) The board may appoint a committee to review the experience claimed by applicants for licensure or certification.

(2) Experience hours obtained through completion of an AQB approved PAREA module or modules do not require review by the experience review committee.

(3) [(2)] The committee shall:

(a) review each application for completion of the non PAREA experience hours required for licensure or certification;

(b) correspond with applicants concerning submissions, if necessary; and

(c) make recommendations to the division and the board for licensure or certification approval or disapproval.

(4) [(3)] The committee shall be composed of appraisers selected from among the following categories:

(a) residential appraisers;

(b) commercial appraisers;

(c) farm and ranch appraisers;

(d) right-of-way appraisers; and

(e) mass appraisers.

(5) [(4)] The chairperson of the committee shall be appointed by the board.

(6) [(5)] Meetings may be called upon:

(a) the request of the chairperson; or

(b) the written request of a quorum of committee members.

(7) [(6)] If the board denies the application on the recommendation of an experience review committee member, the applicant may, within thirty days after the denial, make a written request for board review of the applicant's experience, stating specific grounds upon which relief is requested. The board shall ~~[thereafter]~~ consider the request and issue a written decision.

#### **R162-2g-306a. Renewal and Reinstatement of a Registration, License, or Certification.**

(1)(a) A registration, license, or certification is valid for two years and expires unless it is renewed according to this ~~[Sub]section [R162-2g-306a-]~~ before the expiration date of of ~~[printed on]~~ the registration, license, or certificate.

(b) It ~~is~~ ~~shall be~~ grounds for disciplinary sanction if, after an individual's registration, license, or certification has expired, the individual continues to perform work for which the individual is required to be registered, licensed, or certified.

(2)(a) To timely renew a registration, license, or certification, an applicant shall, prior to the expiration date of the registration, license, or certification, submit to the division:

(i) a completed renewal application as provided by the division;

(ii)(A) evidence that the continuing education requirements listed in ~~[this]~~ Subsection (2)(b) have been completed; or

(B) evidence sufficient to enable the division ~~[Division]~~, in its sole discretion, to determine that a deferral of continuing education is appropriate due to the applicant's having been currently or recently:

(I) assigned to active military duty; or

(II) impacted by a state- or federally-declared natural disaster; and

(iii) the applicable non-refundable renewal fee.

(b) The continuing education required under ~~[this]~~ Subsection (2)(a)(ii)(A) shall be completed during the two-year period preceding the date of application and shall include:

(i)(A) the 7-hour National USPAP Update Course, taught by an instructor ~~who~~ ~~[or instructors, at least one of whom]~~ is a state certified appraiser in good standing and is USPAP certified by the AQB; or

(B) equivalent education, as determined through the course approval program of the AQB; and

(ii)(A) 21 additional hours of continuing education:

(I) certified by the division for the appraisal industry at the time the courses are taught (see Appendix 4, Table 2 for a list of continuing education topics); or

(II) not required to be certified, pursuant to Subsection R162-2g-307d(3); or

(B) if the renewal applicant is also working toward certification, 21 hours of pre-licensing education credit applicable to the certification being sought.

(iii) An appraiser may earn continuing education credit for attendance at one meeting of the ~~board~~ ~~[Board]~~ in each continuing education two-year cycle provided:

(A) the meeting is open to the public;

(B) the meeting is a minimum of two hours in length;

(C) the total credit for attendance at the meeting is limited to a maximum of seven hours; and

(D) the division verifies attendance to ensure that the appraiser attends the meeting for the required period of time.

~~(c)[(i) A trainee who registered with the division prior to January 1, 2015 shall complete the Supervisory Appraiser and Appraiser Trainee course by or before December 31, 2014.~~

~~———(ii)] A registered trainee may count the Supervisory Appraiser and Appraiser Trainee course toward the continuing education requirement of [this] Subsection (2)(b)(ii)(A) during any renewal cycle in which the trainee completes the course.~~

~~(d)[(i) An appraiser who supervises a trainee [identified in Subsection (2)(c)(i)] shall complete the Supervisory Appraiser and Appraiser Trainee course by or before December 31, 2014.~~

~~———(ii)] A supervising appraiser may count the Supervisory Appraiser and Appraiser Trainee course toward the continuing education requirement of Subsection (2)(b)(ii)(A) during any renewal cycle in which the appraiser completes the course.~~

(3)(a) In order to renew on time, an applicant shall complete continuing education hours by the 15th day of the month in which the registration, license, or certification expires.



(b) An applicant who complies with ~~[this]~~ Subsection (3)(a), but whose credits are not banked by the education provider ~~[pursuant to Subsection R162-2g-502a(5)(e)]~~, may obtain credit for the courses ~~[s]~~ taken by:

- (i) submitting to the division the original course completion certificates; and
- (ii) filing a complaint against the provider.

(4) A license, certification, or registration may be renewed for a period of 30 days after the expiration date upon payment of a late fee in addition to the requirements of ~~[this]~~ Subsection (2).

(5)(a) After the 30-day period described in ~~[this]~~ Subsection (4) and until six months after the expiration date, an individual may reinstate an expired license, certification, or registration by:

- (i) complying with ~~[this]~~ Subsection (2);
- (ii) paying a late fee; and
- (iii) paying a reinstatement fee.

(b) After the six-month period described in ~~[this]~~ Subsection (5)(a) and until one year after the expiration date, an individual may reinstate an expired license, certification, or registration by:

- (i) complying with ~~[this]~~ Subsection (2);
- (ii) paying a late fee; and
- (iii) paying a reinstatement fee ~~;~~ and

~~— (iv) completing 24 hours of additional continuing education as approved by the division].~~

(c)(i) An individual who does not reinstate an expired license, certification, or registration within 12 months of the expiration date shall:

- (A) reapply with the division as a new applicant;
- (B) retake and pass the 15-hour USPAP course; and
- (C) retake and pass any applicable licensing or certification examination.

(ii) An individual reapplying under ~~[this]~~ Subsection (4)(c)(i) shall receive credit for previously credited pre-licensing education if:

- (A) it was completed within the five-year period prior to the date of reapplication; and
- (B) it was ~~[either:~~

~~— (I) completed after January 1, 2008; or~~

~~— (II) ]certified by the division and the AQB [prior to January 1, 2008, ]as approved, qualified pre-licensing education.~~

(6) If the division receives renewal documents in a timely manner, but the information is incomplete, the appraiser or trainee may be extended a 15-day grace period to complete the application.

(7) Renewal after deferment of continuing education due to active military service or the impacts of a state- or federally-declared disaster.

(a) An appraiser or trainee who is unable to complete the continuing education requirements to renew a registration, license, or certification due to active military service or because the individual has been impacted by a state- or federally-declared disaster may:

- (i) submit a timely application for renewal pursuant to Subsection (2)(a)(ii)(B); and
- (ii) request that the application for renewal be conditionally approved, with the expiration date of the applicant's registration, license, or certification extended pursuant to ~~[this]~~ Subsection (7)(b), pending the completion of the continuing education requirement.

(b) Upon the division's approving a deferral of continuing education, the expiration date of the applicant's registration, license, or certification shall be extended 90 days, during which time the applicant shall:

- (i) complete the continuing education required for the renewal; and
- (ii) submit proof of the continuing education to the division.



**R162-2g-306b. Notification of Changes.**

(1) An individual registered, licensed, or certified under these rules shall notify the division of any status change, including the following:

- (a) creation or termination of an affiliation, except as provided in ~~[this]~~ Subsection (2);
- (b) change of name; and
- (c) change of business, home, mailing, or e-mail address.

(2) An individual is not required to report the creation or termination of an affiliation that:

- (a) facilitates a single transaction; and
- (b) is not part of an ongoing business association.

(3) ~~Notification procedure.~~

~~\_\_\_\_\_~~ (a) To report a change of name, an individual shall complete a ~~[paper]~~ change form and attach to it official documentation such as a:

- (i) marriage certificate;
- (ii) divorce decree; or
- (iii) driver license.

(b)(i) To report a change in affiliation or address, an individual shall complete and submit an electronic change form through RELMS.

(ii) A post office box without a street address is unacceptable as a business or home address. Any address may be designated as a mailing address.

~~[(c) All change forms shall be accompanied by a nonrefundable processing fee.]~~

(4) Deadlines and effective dates.

(a)(i) An individual shall comply with the notification requirements outlined in this ~~[Sub]~~section ~~[R162-2g-306b]~~ within ten business days of the ~~[making a]~~ status change.

(ii) If a deadline for notification falls on a day when the division is closed, the deadline shall be extended to the next business day.

(b) Status changes are effective on the date the properly executed forms and appropriate fees are received by the division.

**R162-2g-307a. General Education Criteria Applicable to ~~[All]~~ Pre-Licensing Education and Continuing Education.**

(1) A class hour is 60 minutes of which at least 50 minutes are instruction attended by the student.

(2) The prescribed number of class hours includes time for examinations.

(3) Experience may not be substituted for education, and education may not be substituted for experience.

**R162-2g-307b. School Certification.**

(1) ~~[Application.]~~ A school requesting certification shall:

(a) submit an application form as prescribed by the division, including:

(i) name, telephone number, email address, and address of:

(A) the school;

(B) the school director; and

(C) the ~~[all]~~ owners of the school; and

(ii) as to each school director or owner, disclosure of criminal history and adverse regulatory actions;

- (b) provide a description of:
  - (i) the type of school; and
  - (ii) the school's physical facilities or method for delivery of course instruction;
- (c) provide a statement outlining the:
  - (i) number of quizzes and examinations in each course offered;
  - (ii) grading system, including methods of testing and standards of grading;
  - (iii) requirements for attendance; and
  - (iv) school's refund policy.
- (2) Standards for operation.
  - (a) The ~~[All]~~ courses shall be taught in an appropriate ~~[classroom]~~ environment or facility and not in a private residence, except for a course approved for distance education.
  - (b) A school shall teach the approved course of study as outlined in the state-approved outline.
  - (c) At the time of registration, a school shall provide to each student:
    - (i) the statement described in ~~[this]~~ Subsection (1)(c);
    - (ii) a copy of the qualifying questionnaire that the student will be required by the division to answer as part of the pre-licensing ~~[prelicensing]~~ or precertification examination; and
    - (iii) a criminal history disclosure statement.
  - (d) A school shall require each student to attend 100% of the scheduled class time in order to earn credit for the course.
    - (e)(i) A school may not award credit to any student who fails the final examination.
    - (ii) A student who fails a school final examination must wait three days before retesting and may not retake the same final examination.
    - (iii) A student who fails a final examination a second time must wait two weeks before retesting and may not retake either exam that the student previously failed.
    - (iv) A student who fails a final exam a third time shall fail the course.
  - (f) A school may not allow a student to challenge a course or any part of a course by taking an exam in lieu of attendance.
  - (g) Credit hours.
    - (i) For a course that is taught outside of a college or university setting, one credit hour may be awarded for 50 minutes of instruction within a 60-minute period, allowing for a ten-minute break.
    - (ii) For a course that is taught in a college or university setting:
      - (A) one quarter hour is equivalent to 10 credit hours; and
      - (B) one semester hour is equivalent to 15 credit hours.
    - (iii) A school may not award more than eight credit hours per day per student.
- (3) A school shall report to the division within 10 calendar days of:
  - (a) any change in the information provided pursuant to ~~[this]~~ Subsection (1)(a)(i); and
  - (b) a school director or owner being convicted, or entering a plea in abeyance or diversion agreement, as to a criminal offense, excluding class C misdemeanors.
- (4)(a) A school certification is valid for two years from the date of issuance.
  - (b) To renew a school certification, an individual shall, prior to the date of expiration:
    - (i) submit a properly completed application as provided by the division; and
    - (ii) pay a nonrefundable applicable fee.

**R162-2g-307c. Pre-licensing Course Certification.**

- (1) To certify a pre-licensing course, an applicant shall, at least 30 days prior to the course being taught, submit a completed application as required by the division, including:

(a) a course outline, including:  
(i) a description of the course;  
(ii) the length of time to be spent on each subject area, broken into segments of no more than 30 minutes each; and

(iii) three to five learning objectives for every three hours;  
(b) a description of any method of instruction that will be used~~[-other than lecture method]~~, including:

~~\_\_\_\_\_ (i) webinar;~~  
~~\_\_\_\_\_ (ii) satellite broadcast; or~~  
~~\_\_\_\_\_ (iii) other form of distance education;]~~

\_\_\_\_\_ (i) traditional classroom education;  
\_\_\_\_\_ (ii) virtual-live education, also designated as synchronous education by the AQB, or  
\_\_\_\_\_ (iii) distance education;

(c) copies of at least three final examinations administered in the course and the answer keys that will be used to determine if a student passes the course;

(d) the school procedure for maintaining the security of the final exams and answer keys;

(e) the titles, authors, and publishers of all required textbooks;

(f)(i) the instructor~~[(s)]~~ who will teach each class; and

(ii) evidence that each instructor is:

(A) certified by the division;

(B) qualified to serve as a guest lecturer; or

(C) a college or university faculty member who has academic training or appraisal experience satisfactory to the division and the board;

(g) a nonrefundable applicable fee; and

(h) a signed statement agreeing that the course provider will, within 10 business days of completing the class, upload to the division the following information:

(i) course name;

(ii) course certificate number assigned by the division;

(iii) date the course was taught;

(iv) number of credit hours; and

(v) name and license number of each student receiving education credit.

(2) ~~[Standards for approval of traditional classroom courses. Each]~~ A traditional classroom course shall:

(a) meet the minimum standards set forth in the state-approved course outline governing the course, including minimum hourly requirements;

(b) be approved through the AQB course approval program;

(c) allow a maximum of 10% of the required class time for testing, including review test and final examination;

(d) use texts, workbooks, supplement pamphlets, and other materials that are appropriate and current in their application to the required course outline.

(3) A virtual-live course using a synchronous delivery method shall:

\_\_\_\_\_ (a) comply with Subsection (2);

\_\_\_\_\_ (b) provide verbal or written interaction between the student and instructor;

\_\_\_\_\_ (c) include a written examination personally proctored by an official approved by the presenting entity, or, with the prior approval of the division, remote proctoring, including bio-metric proctoring, pursuant to Subsection (5); and

- (d) meet the course delivery requirements established by the AQB;
- (4)(a) A distance education course shall:
- (i) comply with Subsection (2);
  - (ii) provide interaction between the student and instructor by means of a reciprocal environment where the student has verbal or written communication with the instructor;
  - (iii) include a written examination:
    - (A) personally proctored by an official approved by the presenting entity; or
    - (B) with the prior approval of the division, proctored remotely, including bio-metric proctoring, pursuant to Subsection (5); and
  - (iv) offer at least 15 credit hours.
- (b) A distance education course shall obtain content approval from:
- (i) the AQB the division; or
  - (ii) for an academic credit college course, content approval from an accredited college, community college, or university that offers a distance education program and is approved or accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education.
- (c) Content for a non-academic credit college course provided by a college shall be approved by the AQB and a state appraiser regulatory jurisdiction.
- (d) A distance education course shall obtain course delivery mechanism approval from one of the following sources:
- (i) an AQB approved organization that provides approval of course design and delivery;
  - (ii) a college or university that qualifies for content approval in Subsection (b) and awards academic credit for the distance education course; or
  - (iii) a qualifying college or university that qualifies for content approval in Subsection (b) and that has a distance education delivery program that approves the course design and delivery that incorporate interactivity.

[(3) Standards for approval of distance education

- (a) A distance education course shall:
  - (i) comply with Subsection (2);
  - (ii) provide interaction between the student and instructor;
  - (iii) include a written examination personally proctored by an official approved by the presenting entity;
  - (iv) meet the course delivery requirements established by the AQB and the International Distance Education Certification Center; and
  - (v) offer at least 15 credit hours.
- (b) A distance education course offered by a college or university may be deemed acceptable to meet the credit hour requirement if the course content is approved by:
  - (i) the AQB;
  - (ii) a state licensing jurisdiction; or
  - (iii) a college or university that:
    - (A) offers distance education programs in other disciplines; and
    - (B) is approved or accredited by:
      - (I) the Commission on Colleges;
      - (II) a regional or national accreditation association; or
      - (III) an accrediting agency that is recognized by the United States Secretary of Education.]

(5) Subject to division approval, either a synchronous course or an asynchronous course may use remote proctoring, including bio-metric proctoring.

(6)[(4)] Within 10 business days after the occurrence of any material change in a course that could affect approval, the school shall give the division written notice of the change.

(7)[(5)] A course certification is valid for no more than 24 months.

(8)[(6)] Credit for non-certified pre-licensing education.

(a) Division certification is not required for a pre-licensing course that is offered by a school, as defined in Subsection R162-2g-102(21)~~[R162-2g-102(17)]~~ as long as:

(i) the course content:

(A) meets the minimum standards set forth in the Utah state-approved course outline; and

(B) is approved by the AQB course approval program;

(ii) the course provides at least 15 credit hours, including examinations~~[(s)]~~;

(iii) a closed-book, closed-note final examination is administered at the end of each course;

(iv) students are not allowed to earn credit from the course provider by challenge examination without first attending the course;

(v) credit is not awarded for duplicate or highly comparable classes;

(vi) where multiple classes are offered, they represent a progression in a student's knowledge;

and

(vii) in order to receive credit, a student is required to:

(A) attend 100% of the scheduled class hours;

(B) complete all required exercises and assignments; and

(C) pass the course final examination.

(b) Hourly credit for a course taken from a professional appraisal organization shall be granted according to the division approved list.

(c) An applicant who wishes to be awarded credit for non-certified pre-licensing education shall:

(i) provide to the division ~~[a list of ]~~the name of the course ~~[course(s)]~~ taken, including:

(A) the course title~~[(s)]~~;

(B) the name~~[(s)]~~ of the sponsoring organization~~[(s)]~~;

(C) the number of classroom hours completed;

(D) the date ~~[date(s)]~~ of course completion; and

(E) evidence that the course meets ~~[course(s) meet ]~~ the requirements of:

(I) the AQB; and

(II) if distance education, the International Distance Education Certification Center;

(ii) request review of the course by the division and board;

(iii) establish that the criteria outlined in ~~[this]~~ Subsection (6)(a) are met;

(iv) attest on a notarized affidavit that the course has ~~[courses have ]~~ been completed as documented; and

(v) if requested by the division, provide proof of completion of the course[s] in the form of a certificate[s], transcript[s], report card[s], letter[s] of verification, or similar proof.

(9)[(7) Supervisory Appraiser and Appraiser Trainee Course.] In order to obtain certification of the supervisory appraiser and appraiser trainee course, a course provider shall:

(a) comply with ~~[this]~~ Subsection (1); and

(b) sign a written attestation agreeing to provide a ~~[paper]~~ copy of the course manual to each attendee.

**R162-2g-307d. Continuing Education Course Registration and Certification.**

(1) The division and the board may not award continuing education credit for a course that is taught in Utah to registered, licensed, or certified appraisers unless the course is registered or certified prior to its being taught.

(2) To certify a continuing education course, an applicant shall, at least 30 days prior to the course being taught, submit a completed application as required by the division, including:

(a) the name and contact information of the course sponsor and the entity through which the course will be provided;

(b)(i) if the application is for a course using the traditional classroom education, a description of the physical facility where the course will be taught; and

(ii) if the application is for a course using live-virtual or distance education, the delivery method for the course;

(c) the proposed number of credit hours for the course;

(d) identification of whether the method of instruction will be ~~traditional education or distance education~~;

(i) traditional education;

(ii) virtual-live education, including synchronous education as designated by the AQB;

(iii) distance education, including asynchronous education as designated by the AQB; or

(iv) a hybrid form of education that employs both synchronous and asynchronous delivery methods of education;

(e) title of the course;

(f) statement defining how the course will meet the objectives of continuing education by increasing the licensee's knowledge, professionalism, and ability to protect and serve the public;

(g) course outline including:

(i) a description of the subject matter covered in each 15-minute segment; and

(ii) a minimum of one learning objective for every hour of class time;

(h) the name and certification number of each certified instructor who will teach the course;

(i) copies of all materials that will be distributed to the participants;

(j) the procedure for pre-registration;

(k) the tuition or registration fee and a copy of the cancellation and refund policy;

(l) ~~[except for courses approved for distance education,]~~ the procedure for taking and maintaining control of attendance during class time;

(m) sample of the completion certificate;

(n) signed statement agreeing that the course provider will, within 10 business days of completing the class, upload to the division the following information:

(i) course name;

(ii) course certificate number assigned by the division;

(iii) date the course was taught;

(iv) number of credit hours; and

(v) names and license numbers of all students receiving continuing education credit;

(o) signed statement agreeing not to market personal sales products; and

(p) other information the division might require.

(3) Standards for approval of a certified course.

(a)(i) A distance education course shall:

(A) provide interaction between the student and instructor; and

(B) include a written examination that requires a student to demonstrate mastery and fluency.

(ii) The division may approve a distance education course offered by a college or university if the college or university:

(A) offers distance education programs in other disciplines; and

(B)(I) is accredited by the Commission on Colleges or a regional accreditation association; or

(II) is approved by the International Distance Education Certification Center.

(b) The course topic must be AQB-approved.

(c) The procedure for taking and maintaining control of attendance shall be more extensive than having the students sign a class roll.

(d) The completion certificate shall allow for entry of:

(i) licensee's name;

(ii) type of license;

(iii) license number;

(iv) date of course;

(v) name of the course provider;

(vi) course title;

(vii) course certification number and expiration date;

(viii) credit hours awarded; and

(ix) signatures of the course sponsor and the licensee.

(e) A real estate appraisal-related field trip that is submitted for continuing education credit may not include transit time to or from the field trip location as part of the credit hours awarded.

(4) ~~[Non-certified continuing education credit.]~~ Except as provided in Subsection R162-2g-307d(1), the board may award non-certified continuing education credit on a case-by-case basis for the following:

(a) up to one-half of an individual's continuing education credit requirement for:

(i) participation, other than as a student, in appraisal educational processes and programs; or

(ii) teaching, program development, authorship of textbooks, or similar activities that are determined by the board to be equivalent to obtaining continuing education;

(b) service as a member of the experience review committee, or the technical advisory panel, if approved by the board and offered in accordance with AQB standards as a:

(i) practicum course under ~~[this]~~ Subsection (3)(a); or

(ii) course under ~~[this]~~ Subsection (3)(b); and

(c) completion of any course that:

(i) meets the continuing education objectives of increasing the licensee's knowledge, professionalism, and ability to protect and serve the public; and

(ii) is taught outside the state of Utah.

(5) Standards for approval of a registered course.

(a) A professional appraisal education organization may register a special event for continuing education, subject to the following conditions:

(i) the professional appraisal education organization shall submit a one-time application and registration fee to the division to register the organization as a qualified continuing education course provider and the special event for continuing education;

(ii) the division may grant approval of the special event based on the demonstrated experience of the professional appraisal education organization in providing, monitoring, and supervising quality professional course offerings.

(b) The registered organization is solely responsible for and accountable to the division:

(i) for the selection of appraisal instructors who are subject matter experts and industry qualified in the course~~[(s)]~~ or segment of the course~~[(s)]~~ they teach;

(ii) to ensure that:

(A) course instructors have subject matter expertise in the content area they are instructing; and

(B) the course content of classes taught by both appraiser and non-appraiser course instructors is directly industry pertinent, relevant, and beneficial to and enhances the professional skills of the attending appraisers, and promotes the protection and wellbeing of the industry and the general public;

(iii) to monitor the attendance of each appraiser during the presentation of the course by taking and maintaining a list of attendees actually present during the presentation to ensure that an appraiser actually attends each CE course segment before providing a CE certificate or CE credit to the appraiser; and

(iv) to ensure that the registered course complies with the general criteria applicable to continuing education set forth in sections R162-2g-307a and R162-2g-307b.

(6)(a) The special event registered course may last for a maximum of seven consecutive days.

(b) The special event registered course is a single, one-time event and may not be repeated unless the professional appraisal education organization submits to the division an application and registration fee and receives division approval for a subsequent, single, one-time event.

(c) A professional appraisal education organization shall submit a separate course application for each course taught at the special event, however, only a single application fee is required to be paid to the division for each special event.

(d) The division maintains a fee schedule based on the total number of CE hours awarded for a CE course. The application and registration fee for a special event course is the fee from the division fee schedule.

#### **R162-2g-307e. Instructor Certification for Pre-licensing Education.**

(1) To certify as a pre-licensing education instructor, an individual shall:

(a) evidence that the applicant meets the character and competency requirements outlined in Subsections R162-2g-302(2)~~[-]~~ and (3);

(b) submit a completed application as provided by the division;

(c) demonstrate knowledge of the subject matter to be taught as evidenced by:

(i) current, active licensure or certification as applicable to the pre-licensing course proposed to be taught;

(ii) a minimum of five years active experience in appraising; and

(iii)(A) college or other appropriate courses specific to the topic proposed to be taught; or

(B) other experience acceptable to the board in the topic proposed to be taught;

(d) if the individual proposes to teach a course in USPAP, evidence that the individual is an AQB-certified USPAP instructor; and

(e) pay a nonrefundable application fee.

(2) A pre-licensing instructor certification is valid for 24 months from the date of issuance.

(3) To renew a pre-licensing instructor certification, an individual shall:

(a) submit a completed application, as provided by the division;

(b) evidence having taught at least 20 hours of ~~[in-class]~~ instruction in a certified course~~[(s)]~~ during the preceding term of certification;

(c) evidence having attended a real estate instructor development workshop sponsored or approved by the division during the preceding two years; and



- (d) pay a nonrefundable application fee.
- (4)(a) To reinstate an expired pre-licensing instructor certification within 30 days following the expiration date, an individual shall:
  - (i) comply with ~~[this]~~ Subsection (3); and
  - (ii) pay a nonrefundable late fee.
- (b) To reinstate an expired pre-licensing instructor certification after 30 days and within six months following the expiration date, an individual shall:
  - (i) comply with ~~[this]~~ Subsection (3);
  - (ii) pay a nonrefundable reinstatement fee; and
  - (iii) submit proof of having completed six classroom hours of education related to real estate appraisal or teaching techniques.
- (c) After a pre-licensing instructor certification has been expired for six months, an individual is required to apply as an original applicant and obtain a new certification.
- (5) A certified instructor shall comply with the reporting requirements of Section 61-2g-306~~(3)~~.

**R162-2g-307f. Instructor Certification for Continuing Education.**

- (1) Except for the limited circumstances provided for in Section R162-2g-307d for special continuing education events conducted by a professional appraisal education organization, a continuing education course that is required to be certified shall be taught by a certified instructor.
- (2) To obtain a continuing education instructor certification, an ~~and~~ individual shall, at least 30 days prior to the date on which instruction is proposed to begin:
  - (a) evidence that the applicant meets the character and competency requirements outlined in Subsections R162-2g-302(2) and ~~[-]~~(3);
  - (b) submit a completed application form, as provided by the division;
  - (c) evidence:
    - (i) at least three years of full-time experience in the course subject;
    - (ii) college-level education related to the course subject; or
    - (iii) a combination of experience and education acceptable to the division;
  - (d) evidence:
    - (i) at least 12 months of full-time teaching experience;
    - (ii) part-time teaching experience equivalent to 12 months of full-time teaching experience;

or

  - (iii) attendance at the division's Instructor Development Workshop;
  - (e) provide a signed statement agreeing to allow the instructor's courses to be randomly audited on an unannounced basis by the division or its representative;
  - (f) provide a signed statement agreeing not to market personal sales products;
  - (g) provide any other information the division requires; and
  - (h) pay a nonrefundable application fee.- (3) A continuing education instructor certification is valid for two years.
- (4) To renew a continuing education instructor certification, an individual shall, prior to the date of expiration:
  - (a) submit a completed renewal application, as provided by the division;
  - (b)(i) evidence having taught a minimum of 12 continuing education credit hours during the past term of certification; or

(ii) provide a written explanation outlining the reason for not meeting the requirement having taught 12 continuing education credit hours and provide evidence satisfactory to the division that the applicant maintains an appropriate level of expertise; and

(c) pay a nonrefundable renewal fee.

(5)(a) To reinstate an expired continuing instructor certification within 30 days following the expiration date, an individual shall:

(i) comply with Subsection (4); and

(ii) pay a nonrefundable late fee.

(b) To reinstate an expired continuing instructor certification after 30 days and within six months following the expiration date, an individual shall:

(i) comply with Subsection (4); and

(ii) pay a nonrefundable reinstatement fee;

(c) After a continuing instructor certification has been expired for six months, an individual is required to apply as an original applicant and obtain a new certification.

#### **R162-2g-308. Application for a Six-Month Temporary Permit.**

(1) A non-resident of this state who is licensed or certified in another state and who wishes to apply for a six-month temporary permit to perform one or more specific appraisal assignments in Utah shall:

(a) evidence that each specific appraisal assignment is covered by a contract to provide appraisals;

(b) submit an application as provided by the division and including the following:

(i) name of the client;

(ii) specific property ~~addresses~~~~[address(es)]~~ to be appraised;

(iii) ~~types~~~~[(s)]~~ of property being appraised; and

(iv) estimated time to complete each assignment;

(c) complete and submit a qualifying questionnaire as provided by the division;

(d) sign an irrevocable consent to service authorizing the division to receive service of any lawful process on behalf of the applicant in any non-criminal proceeding arising out of the applicant's practice as an appraiser in this state;

(e) pay a nonrefundable application fee in the amount established by the division; and

(f) provide the starting date of the appraisal assignment for which the temporary permit is being sought.

(2)(a) A non-resident is limited to two temporary permits per calendar year, each of which may be extended one time for an additional six-month period if the assignments~~[(s)]~~ for which the permit is issued have not been completed within the original six-month term of the temporary permit.

(b) A temporary permit may be extended by submitting the forms required by the division.

#### **R162-2g-310. Application for Licensure or Certification Through Reciprocity.**

An individual who is licensed or certified as an appraiser by another state may be licensed or certified in Utah by reciprocity on the following conditions:

(1) The applicant shall provide evidence that:

(a) the state in which the applicant is licensed requires appraisal pre-licensing education that is:

(i) approved by that state; and

(ii) substantially equivalent in number to the hours required for the license or certification for which the applicant is applying in Utah;

(b) the applicant's pre-licensing education included either:

(i) the 15-hour National USPAP Course; or

(ii) equivalent education as determined through the course approval program of the AQB; and

(c) the applicant has passed an examination that has been approved by the AQB for the license or certification for which the applicant is applying.

(2) The applicant shall:

(a) obtain and study the Utah Real Estate Appraiser Licensing and Certification Act and the rules promulgated thereunder; and

(b) sign an attestation that the applicant understands and will abide by both the statute and the rules.

(3) If the applicant resides outside ~~[of the state]~~ of Utah, the applicant shall sign an irrevocable consent to service authorizing the division to receive service of any lawful process on behalf of the applicant in any noncriminal proceeding arising out of the applicant's practice as an appraiser in this state.

~~[(4) The board may not issue a license or certification to an applicant who has been convicted of a criminal offense involving moral turpitude relating to the applicant's ability to provide services as an appraiser.]~~

### **R162-2g-311. Scope of Authority.**

(1) Trainees.

(a) An individual who has properly qualified as a trainee pursuant to Section R162-2g-302 may perform appraisal-related duties within the competence and scope of authority of the state-certified supervisory appraiser as follows:

(i) participating in property inspections;

(ii) measuring or assisting in the measurement of properties;

(iii) performing appraisal-related calculations;

(iv) participating in the selection of comparable properties for an appraisal assignment;

(v) making adjustments to comparable properties; and

(vi) drafting or assisting in the drafting of an appraisal report.

(b) The trainee may have more than one supervisory appraiser.

(c) The supervising appraiser shall be responsible to determine the point at which a trainee is competent to participate in each of the activities identified in ~~[this]~~ Subsection (1)(a), within the following limitations:

(i) As to a minimum of the trainee's first 35 inspections of residential properties:

(A) the trainee shall be accompanied and supervised by a state-certified appraiser;

(B) both the interior and the exterior of the properties shall be inspected; and

(C) the appraisal report shall comply with the requirements of Subsection R162-2g-502a(1)(g).

(ii) After the trainee's first 35 inspections, the supervising appraiser shall determine whether the trainee has demonstrated sufficient competency to continue making inspections of residential properties without being accompanied by the supervising appraiser.

(iii) As to the trainee's first 20 inspections of non-residential properties:

(A) the trainee shall be accompanied and supervised by a state-certified general appraiser;

(B) both the interior and the exterior of the properties shall be inspected; and

(C) the appraisal report shall comply with the requirements of Subsection R162-2g-502a(1)(g).

(d) A trainee may not:

(i) solicit or accept an assignment on behalf of anyone other than:

(A) the trainee's supervisor; or

(B) the supervisor's appraisal firm;

(ii) discuss an appraisal assignment with anyone other than:

(A) the supervisory appraiser responsible for the assignment;

(B) state enforcement agencies;

(C) third parties as may be authorized by due process of law; and

(D) a duly authorized professional peer review committee.

(e) The following persons are not subject to the scope of authority limitations of this subsection~~[Subsection (1)]~~:

(i) full-time elected county assessors; and

(ii) any person performing an appraisal for the purposes of establishing the fair market value of real estate for the assessment roll.

(2) ~~[State-licensed appraisers.]~~ In a federally-related transaction, state-licensed appraisers may appraise:

(a) non-complex one- to four-residential units having a transaction value of less than \$1,000,000;

(b) complex one- to four- residential units having a transaction value of less than \$250,000; and

(c) vacant or unimproved land that is utilized for one- to four-family purposes, or for which the highest and best use is one- to four-family purposes, so long as net income capitalization analysis is not required by the terms of the assignment.

(3) State-licensed appraisers and state-certified residential appraisers may not perform appraisals of the following:

(a) subdivisions for which:

(i) a development analysis~~[/appraisal]~~ is necessary; or

(ii) a discounted cash flow analysis is required by the terms of the assignment;

(b) vacant land, if the highest and best use of the land is for five or more one- to four-family units;

(c) commercial real property; or

(d) vacant land if the highest and best use of the vacant land is commercial use.

#### **R162-2g-502a. Standards of Conduct and Practice.**

(1) ~~[Affirmative duties in general.]~~ A person registered, licensed, or certified by the division shall:

(a) if employing an unlicensed assistant who is not registered as a trainee pursuant to Section R162-2g-302:

(i) actively supervise the unlicensed assistant; and

(ii) ensure that the assistant performs only clerical duties, including:

(A) typing research notes or reports completed by a trainee or an appraiser;

(B) taking photographs of properties; and

(C) obtaining copies of public records;

(b) except as provided in Subsection (2):

(i) comply with the current edition of USPAP; and

- (ii) observe the advisory opinions of USPAP;
- (c) in order to authorize another individual to sign an appraisal report on behalf of the individual who completes the report:
  - (i) grant authority to the signer in writing;
  - (ii) limit the signing authority to a specific property address;
  - (iii) explicitly disclose within the appraisal report that the signer is authorized by the appraiser to sign the report on the appraiser's behalf;
  - (iv) attach a copy of the written permission required pursuant to ~~[this]~~ Subsection (1)(c)(i) to the report; and
  - (v) ensure that the signer signs the appraiser's name, followed by the word "by," and then followed by the signer's own name;
  - (d) if using a digital signature in place of a handwritten signature, ensure that:
    - (i) the software program that generates the digital signature has a security feature; and
    - (ii) no one other than the appraiser has control of the digital signature;
  - (e) retain a photocopy or other exact copy of each report as it is provided to the client, including the appraiser's signature;
  - (f) analyze and report the sales and listing history of the subject property for the three years preceding the appraisal if such information is available to the appraiser from a multiple listing service, listing agents, property owner, or other verifiable sources;
  - (g)(i) include in each appraisal report a statement indicating whether or not the subject property was inspected as part of the appraisal process; and
  - (ii) if any inspections were done, include the following information concerning each inspection:
    - (A) the names of appraisers and trainees who participated in the inspection;
    - (B) whether the inspection was an exterior inspection only or both an exterior and an interior inspection; and
    - (C) the date that the inspection was performed; and
  - (h) unless Subsection (2)(b) applies, respond within ten business days to division notification:
    - (i) of a complaint against the individual; or
    - (ii) that information is needed from the individual; and
  - (i) immediately following the signature on the report in an appraisal report prepared and signed by a state-licensed or certified appraiser, state either:
    - ~~(i) [(A)]~~ the credential type of State-Licensed Appraiser, State-Certified Residential Appraiser, or State-Certified General Appraiser; or
    - ~~(ii) [(B)]~~ the license or certification number assigned to the appraiser by the division.
- (2) Exceptions.
  - (a) An individual is exempt from complying with ~~[the provisions of]~~ USPAP when acting in an official capacity as:
    - (i) a division staff member or employee;
    - (ii) a member of the experience review committee as appointed and approved by the board;
    - (iii) a member of the technical review panel as appointed and approved by the board;
    - (iv) a hearing officer;
    - (v) a member of a county board of equalization;
    - (vi) an administrative law judge;
    - (vii) a member of the Utah State Tax Commission; or
    - (viii) a member of the board.

(b) If a deadline for response under ~~[this]~~ Subsection (1)(h) falls on a day when the division is closed, the deadline shall be extended to the next business day.

(c) When performing an evaluation as defined in the Real Estate Appraiser and Certification Act, an appraiser trainee or a licensed or certified appraiser is exempt from complying with Standards 1 through 4 of USPAP.

(3) A trainee shall:

(a) using forms provided by the division, maintain a separate log of experience hours for each supervising appraiser with whom the trainee works; and

(b) include in each log the following information for each appraisal:

(i) file number;

(ii) report date;

(iii) subject address;

(iv) client name;

(v) type of property;

(vi) report form number or type;

(vii) number of work hours;

(viii) description of work performed by the trainee; and

(ix) scope of the review and supervision of the supervising appraiser.

(4) Unless there is a client assignment condition prohibiting an appraiser trainee from signing an appraisal report, when an appraiser trainee performs significant appraisal assistance on an appraisal, the trainee may sign the appraisal report if the appraisal report is also signed by the trainee's supervisory appraiser. The appraiser trainee shall state, immediately following the trainee's signature in the report, "Trainee" and include the registration number assigned to the appraiser trainee by the division

(5)(a) A supervisory appraiser shall delegate to a trainee only such duties as the trainee is authorized to perform under Subsection R162-2g-311(1).

(b) A supervisory appraiser shall directly train and supervise the trainee in the performance of assigned duties by:

(i) critically observing and directing each aspect[s] of the appraisal process;

(ii) accepting full responsibility for the appraisal and the contents of the appraisal report by signing and certifying the appraisal complies with USPAP; and

(iii) reviewing and signing the trainee appraisal reports.

(c) A supervisory appraiser shall personally inspect:

(i) each property that is appraised with a trainee until the supervisory appraiser determines the trainee is competent to inspect the property in accordance with the competency rule of USPAP for the property type, and the trainee has performed at least:

(A) 35 residential inspections as provided in Subsection R162-2g-311(1)(c)(i); and

(B) 20 non-residential inspections as provided in Subsection R162-2g-311(1)(b)(ii); and

(ii) any property for which the appraisal report scope of work or certification requires appraiser inspection.

(d) A supervisory appraiser shall be state-certified and in good standing with the division for a period of at least three years prior to being eligible to become a supervisory appraiser.

(e) An appraiser may not act as a supervisory appraiser if the appraiser has been subject to a disciplinary action in any jurisdiction:

(i) within the three year period preceding the date that ~~on which~~ the appraiser proposes to act as a supervisor; and

(ii) where the supervisory appraiser's legal eligibility to engage in the appraisal practice was impacted or impaired.

(f) A supervisory appraiser subject to a disciplinary action will be considered to be in good standing three years after the successful completion or termination of the sanction imposed against the appraiser.

(g) A supervisory appraiser shall comply with the competency rule of USPAP for the property type and geographic location for which the trainee appraiser is being supervised.

(h) Although a trainee is permitted to have more than one supervisory appraiser, a supervisory appraiser may not supervise more than three trainees at one time, unless a division program provides for progress monitoring, supervisory certified appraiser qualifications, and supervision and oversight requirements for supervisory appraisers.

(i) Except for AQB approved PAREA module experience hours, an [A~~n~~] appraisal experience log shall be maintained jointly by the supervisory appraiser and the trainee. It is the responsibility of both the supervisory appraiser and the trainee to ensure the experience log is accurate, current, and complies with division requirements.

(6) A school or continuing education provider shall:

(a) maintain a record of each student's attendance for a minimum of five years after the student enrolls;

(b) display the certification number of each continuing education course[s] in advertising and marketing;

(c) upload course completion information as to each student who provides the school or continuing education provider the student's name according to division records and the student's license number:

(i) within 10 days after the end of a course offering; and

(ii) to the database specified by the division;

(d) upon request of the division, substantiate any claim made in advertising or marketing;

(e) within 15 calendar days of any material change in the information outlined in R162-2g-307b(1), provide to the division written notice of the change;

(f) with regard to the criminal history disclosure required under R162-2g-307b(2)(c)(iii):

(i) obtain each student's signature before allowing the student to participate in course instruction;

(ii) retain each signed criminal history disclosure for a minimum of two years; and

(iii) make any signed criminal history disclosure available to the division upon request;

(g) maintain a high quality of instruction;

(h) adhere to the state laws and administrative rules regarding school and instructor certification;

(i) provide the instructor[~~s~~] for each course with the required course content outline;

(j) require instructors to adhere to the approved course content;

(k) comply with a division request for information within 10 business days of the date of the request; and

(l) verify that the material is current in any course taught on:

(i) Utah statutes;

(ii) Utah administrative rules;

(iii) Federal laws; and

(iv) Federal regulations.

(7) An instructor shall adhere to the approved outline for any course taught.

**R162-2g-502b. [Prohibited] Unprofessional Conduct.**

- (1) An individual registered, licensed, or certified by the division may not:
- (a) release to a client a draft report of a one- to four-unit residential real property;
  - (b) release to a client a draft report of a property other than a one- to four-unit residential real property unless:
    - (i) the first page of the report prominently identifies the report as a draft;
    - (ii) the draft report is signed by the appraiser; and
    - (iii) the appraiser complies with USPAP in the preparation of the draft report;
  - (c) affix a signature to an appraisal report by means of a signature stamp; or
  - (d) sign a blank or partially completed appraisal report that will be completed by anyone other than the appraiser who has signed the report;
  - (e) sign an appraisal report containing a statement indicating that an appraiser has inspected a property if the appraiser has not inspected the property; or
  - (f) split appraisal fees with any person who is not a state-licensed or state-certified appraiser, except that a supervising appraiser may pay a trainee reasonable compensation proportionate to the lawful services actually performed by the trainee in connection with appraisals.
- (2) A trainee may not:
- (a) solicit a client to address an engagement letter directly to the trainee; or
  - (b) accept payment for appraisal services from anyone other than:
    - (i) the trainee's supervisor; or
    - (ii) an appraisal or government entity with which the trainee is affiliated.
- (3) A supervising appraiser may not:
- (a) sign a report that is completed in response to an engagement letter that is addressed to a trainee;
  - (b) sign an appraisal report as the supervising appraiser without having given adequate supervision to the trainee, appraiser, or assistant being supervised.
- (4) A state-licensed appraiser may not place a seal on an appraisal report or use a seal in any other manner likely to create the impression that the appraiser is a state-certified appraiser.
- (5) A school may not:
- (a) in advertising and marketing:
    - (i) make a misrepresentation about any course of instruction;
    - (ii) make statements or implications that disparage the dignity and integrity of the appraisal profession;
    - (iii) disparage a competitor's services or methods of operation;
    - (iv) as to a continuing education course, use language that indicates division approval is pending or otherwise forthcoming;
  - (b) attempt by any means to obtain or use the questions on the state licensure or certification exam unless those questions have been dropped from the current exam bank;
  - (c) accept payment from a student without first providing to that student the information outlined in R162-2g-307b(2)(c);
  - (d) continue to operate after the expiration date of the school certification without renewing;
  - (e) continue to offer a course after its expiration date without renewing;
  - (f) allow an instructor whose instructor certification has expired to continue teaching;
  - (g) allow an individual student to earn more than eight credit hours of education in a single day;



(h) award credit to a student who has not complied with the minimum attendance requirements;

(i) allow a student to obtain credit for all or part of a course by taking an examination in lieu of attending the course;

(j) give valuable consideration to a person licensed with or certified by the division under the Real Estate Appraiser Licensing and Certification Act [~~Section 61-2g~~] for referring students to the school;

(k) accept valuable consideration from a person licensed with or certified by the division under the Real Estate Appraiser Licensing and Certification Act [~~Section 61-2g~~] for referring students to a licensed or certified appraiser; or

(l) require a student to attend any program organized for [~~the purpose of~~] solicitation.

(6) A continuing education provider may not:

(a) in advertising and marketing:

(i) make a misrepresentation about any course of instruction;

(ii) make statements or implications that disparage the dignity and integrity of the appraisal profession; or

(iii) as to a continuing education course, use language that indicates division approval is pending or otherwise forthcoming;

(b) continue to offer a course after its expiration date without renewing;

(c) allow an instructor whose instructor certification has expired to continue teaching;

(d) allow an individual student to earn more than eight credit hours of education in a single day;

(e) award credit to a student who has not complied with the minimum attendance requirements; or

(f) allow a student to obtain credit for all or part of a course by taking an examination in lieu of attending the course.

(7) An instructor may not:

(a) continue to teach any course after the course has expired and without renewing the course certification; or

(b) continue to teach any course after the individual's certification has expired and without renewing the instructor certification.

#### **R162-2g-504. Administrative Proceedings.**

(1) Formal adjudicative proceedings. An adjudicative proceeding conducted subsequent to the issuance of a cease and desist order or other emergency order shall be conducted as a formal adjudicative proceeding.

(2) Informal adjudicative proceedings.

(a) An adjudicative proceeding as to any matter not specifically designated as requiring a formal adjudicative proceeding shall be conducted as an informal adjudicative proceeding.

(b) A hearing shall be held in an informal adjudicative proceeding only if required or permitted by the Utah Real Estate Appraiser Licensing and Certification Act or by these rules.

(3)(a) A hearing before the board will be held in:

(i) a proceeding conducted subsequent to the issuance of a cease and desist order or other emergency order;

(ii) a case where the division seeks to deny an application for original or renewed registration, licensure, or certification for failure of the applicant to meet the criteria of ~~[-good moral character,]~~ honesty, integrity or truthfulness;

(iii) a case where the division seeks disciplinary action pursuant to Sections 61-2g-501 and 502 against a trainee or an appraiser; and

(iv) an appeal from an automatic revocation under Section 61-2g-302(2)(d), if the appellant requests a hearing.

(b) If properly requested by the applicant, a hearing will be held before the board to consider an application:

(i) that is denied by the division on the grounds of ~~[that]~~ the instructor's failure to evidence honesty, integrity or truthfulness~~[attestation to upstanding moral character is false]~~;

(ii) for an initial appraiser license or certification that is denied by the board on the recommendation of the experience review committee; and

(iii) for a temporary permit that is denied by the division for any reason.

(c) A hearing is not required and will not be held in the following informal adjudicative proceedings:

(i) the issuance, renewal, or reinstatement of a trainee registration or an appraiser license or certification by the division;

(ii) the issuance or renewal of an appraisal course, school, or instructor certification;

(iii) the issuance of any interpretation of statute, rule or order, or the issuance of any written opinion or declaratory order determining the applicability of a statute, rule or order, when enforcement or implementation of the statute, rule or order lies within the jurisdiction of the division; and

(iv) the denial of renewal or reinstatement of a trainee registration or an appraiser license or certification for failure to complete any continuing education required by statute or rule; and

(v) the denial of an application for an original or renewed school, instructor, or course certification on the ground that it does not comply with the requirements stated in these rules.

(4)(a) Request for agency action. The following applications shall be deemed a request for agency action:

(i) registration as a trainee;

(ii) licensure or certification as an appraiser;

(iii) certification of a course, school, or instructor; and

(iv) issuance of a temporary permit.

(b) Any other request for agency action shall be in writing, signed by the requestor, and shall contain the following:

(i) the names and addresses of all persons to whom a copy of the request for agency action is being sent;

(ii) the agency's file number or other reference number, if known;

(iii) the date of mailing of the request for agency action;

(iv) a statement of the legal authority and jurisdiction under which the agency action is requested, if known;

(v) a statement of the relief or action sought from the division; and

(vi) a statement of the facts and reasons forming the basis for relief or agency action.

(c) A complaint against a trainee, an appraiser, or the holder of a temporary permit requesting that the division commence an investigation or a disciplinary action is not a request for agency action.

(5) Procedures for hearings in informal adjudicative proceedings.

(a) All informal adjudicative proceedings shall adhere to procedures as outlined in:

- (i) Utah Administrative Procedures Act Title 63G, Chapter 4;
- (ii) Utah Administrative Code Rule R151-4~~[-et seq.]~~; and
- (iii) the rules promulgated by the division.

(b) Except as provided in ~~[this]~~ Subsection (6)(b), a party is not required to file a written answer to a notice of agency action from the division in an informal adjudicative proceeding.

(c) In any proceeding under this section, ~~[Subsection R162-2g-504]~~, the board and division may at their discretion delegate a hearing to an administrative law judge or request that an administrative law judge assist the board and the division in conducting the hearing. Any delegation of a hearing to an administrative law judge shall be in writing.

(d)(i) Upon the scheduling of a hearing by the division and at least 30 days prior to the hearing, the division shall, by first class postage-prepaid delivery, mail written notice of the date, time, and place scheduled for the hearing, to the respondent at the address last provided to the division pursuant to ~~S[ubs]~~ection R162-2g-306b.

(ii) The notice shall set forth the matters to be addressed in the hearing.

(e) Formal discovery is prohibited.

(f) The division may issue subpoenas or other orders to compel production of necessary evidence:

(i) on its own behalf; or

(ii) on behalf of a party where the party:

(A) makes a written request;

(B) assumes responsibility for effecting service of the subpoena; and

(C) bears the costs of the service, any witness fee, and any mileage to be paid to a witness.

(g) Upon ordering a licensee to appear for a hearing, the division shall provide to the licensee the information that the division will introduce at the hearing.

(h) Intervention is prohibited.

(i) Hearings shall be open to all parties unless the presiding officer closes the hearing pursuant to:

(i) Title 63G, Chapter 4, the Utah Administrative Procedures Act; or

(ii) Title 52, Chapter 4, the Open and Public Meetings Act.

(j) Upon filing a proper entry of appearance with the division pursuant to Utah Administrative Code ~~Subsection~~[Section] R151-4-110(1)(a), an attorney may represent a party.

(6) Additional procedures for disciplinary proceedings.

(a) The division shall commence a disciplinary proceeding by filing and serving on the respondent:

(i) a notice of agency action;

(ii) a petition setting forth the allegations made by the division;

(iii) a witness list, if applicable; and

(iv) an exhibit list, if applicable.

(b) Answer.

(i) At the time the petition is filed, the presiding officer, upon a determination of good cause, may require the respondent to file an answer to the petition by so ordering in the notice of agency action.

(ii) The respondent may file an answer, even if not ordered to do so in the notice of agency action.

(iii) Any answer shall be filed with the division no later than 30 days following the mailing date of the notice of agency action pursuant to ~~[this]~~ Subsection (6)(a).

- (c) Witness and exhibit lists.
- (i) Where applicable, the division shall provide its witness and exhibit lists to the respondent at the time it mails its notice of agency action.
- (ii) Any witness list shall contain:
- (A) the name, address, and telephone number of each witness; and
- (B) a summary of the testimony expected from the witness.
- (iii) Any exhibit list:
- (A) shall contain an identification of each document or other exhibit that the party intends to use at the hearing; and
- (B) shall be accompanied by copies of the exhibits.
- (iv)(A) The presiding officer, upon a determination of good cause, may require a respondent to file a witness and exhibit list.
- (B) Failure to comply with a requirement to file a witness and exhibit list may result in the exclusion of any witness or exhibit not disclosed.
- (d) Pre-hearing motions.
- (i) Any pre-hearing motion permitted under the Administrative Procedures Act or the rules promulgated by the Department of Commerce shall be made in accordance with those rules.
- (ii) The division director shall receive and rule upon any pre-hearing motions.

**R162-2g-601. Appendices.**

Appendix 1. Residential Experience Hours Schedule. An applicant may submit experience for the successful completion of an AQB approved PAREA program module including the Licensed Residential Module of 1,000 experience hours and the Certified Residential Module of 500 experience hours. Alternatively, the hours shown in the following schedule shall be awarded for form appraisals. Fifteen hours may be added to the hours shown if the appraisal is a narrative appraisal instead of a form appraisal.

<u>TABLE</u>	
<u>Property Type</u>	<u>Hours that may be earned</u>
<u>(a) one-unit dwelling, above-grade:</u>	
<u>(i) living area less than 4,000 square feet, including a site</u>	<u>Up to 10 hours</u> <u>(Expected avg hrs 7.5)</u>
<u>PART 1</u>	
<u>Task</u>	<u>Hours</u>
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>

<u>Exterior Inspection</u>	<u>0.5</u>
<u>Interior Inspection</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.5</u>
<u>Improvement Cost Estimate</u>	<u>0.5</u>
<u>Income Value Estimate</u>	<u>2.5</u>
<u>Sales Comparison Value Estimate</u>	<u>2.5</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>1.75</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(ii) living area 4,000 square feet or more, including a site</u>	<u>Up to 10 hours</u>
<u>PART 2</u>	
<u>Task</u>	<u>Hours</u>
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.75</u>
<u>Interior Inspection</u>	<u>0.75</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.75</u>
<u>Improvement Cost Estimate</u>	<u>0.75</u>
<u>Income Value Estimate</u>	<u>3.0</u>
<u>Sales Comparison Value Estimate</u>	<u>3.0</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>

<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(b) multiple one-unit dwellings in the same subdivision or condominium project, which dwellings are substantially similar:</u> <u>(ii) over 25 dwellings</u>	<u>7 hours per dwelling, up to a maximum of 42 hours</u>
<u>(c) two to four-unit dwelling</u> <u>(i) 1-25 dwellings</u>	<u>70 hours maximum</u>
<u>PART 3</u>	
<u>Task</u>	<u>Hours</u>
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.5</u>
<u>Interior Inspection</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.5</u>
<u>Improvement Cost Estimate</u>	<u>0.5</u>
<u>Income Value Estimate</u>	<u>3.0</u>
<u>Sales Comparison Value Estimate</u>	<u>3.0</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(d) employee relocation counsel reports completed on currently accepted Employee Relocation Counsel form</u>	<u>Up to 10 hours</u>
<u>(e) residential lot, 1-4 unit</u>	<u>Up to 7 hours</u>
<u>PART 4</u>	

<u>Task</u>	<u>Hours</u>
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Site Inspection</u>	<u>0.25</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Sales Comparison Value Estimate</u>	<u>1-3</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(f) multiple lots in the same subdivision, which lots are substantially similar</u>	<u>5 hours per lot, up to a maximum of 30 hours</u>
<u>(i) 1-25 lots</u>	
<u>(ii) Over 25 maximum lots</u>	<u>50 hours</u>
<u>(g) small parcel of less than 20 acres</u>	<u>Up to 6.5 hours</u>
<u>PART 5</u>	
<u>Task</u>	<u>Hours</u>
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Site Inspection</u>	<u>0.25</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Sales Comparison Value Estimate</u>	<u>1-3</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>

<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(h) vacant land, 20-640 acres</u>	<u>20-40 hours, per board decision</u>
<u>(k) review of residential appraisals with no opinion of value developed as part of the review performed in conjunction with investigations by government agencies</u>	<u>10-50 hours</u>
<u>(i) recreational, farm, or timber acreage suitable for a house site:</u>	
<u>(i) up to 10 acres</u>	<u>10 hours</u>
<u>(ii) 10 acres or more</u>	<u>15 hours</u>
<u>(j) other unusual structures or acreage that are much larger or more complex than typical properties</u>	<u>5-35 hours, per board decision</u>
<u>(k) review of residential appraisals with no opinion of value developed as part of the review performed in conjunction with investigations by government agencies</u>	<u>10-50 hours</u>

Appendix 2. General experience Hours Schedule. Appraisal reports claimed for property types identified in sections (a) through (k) of the following schedule shall be narrative appraisal reports. Experience hours listed in this schedule may be increased by 50% for unique and complex properties if the applicant notes the number of extra hours claimed on the appraiser experience log submitted by the applicant, and if the applicant maintains in the workfile for the appraisal an explanation as to why the extra hours are claimed.

<u>TABLE</u>	
<u>Property Type</u>	<u>Hours that may be earned</u>
<u>(a) Apartment buildings:</u>	
<u>(i) 5-100 units</u>	<u>40 hours</u>
<u>(ii) over 100 units</u>	<u>50 hours</u>
<u>(b) hotel or motels:</u>	
<u>(i) 50 units or fewer</u>	<u>30 hours</u>



<u>(ii) 51-150 units</u>	<u>40 hours</u>
<u>(iii) over 150 units</u>	<u>50 hours</u>
<u>(c) nursing home, rest home, care facilities:</u>	<u>40 hours</u>
<u>(i) fewer than 80 beds</u>	
<u>(ii) 80 beds or more</u>	<u>50 hours</u>
<u>(d) industrial or warehouse building:</u>	<u>30 hours</u>
<u>(i) smaller than 20,000 square feet</u>	
<u>(ii) 20,000 square feet or more, single tenant</u>	<u>40 hours</u>
<u>(iii) 20,000 square feet or more, multiple tenants</u>	<u>50 hours</u>
<u>e) office buildings:</u>	
<u>(i) smaller than 10,000 square feet</u>	<u>30 hours</u>
<u>(ii) 10,000 square feet or more, single tenant</u>	<u>40 hours</u>
<u>(iii) 10,000 square feet or more, multiple tenants</u>	<u>50 hours</u>
<u>(f) entire condominium projects, using income approach to value:</u>	
<u>(i) 5- to 30-unit project</u>	<u>30 hours</u>
<u>(ii) 31- or more-unit project</u>	<u>50 hours</u>
<u>(g) retail buildings:</u>	
<u>(i) smaller than 10,000 square feet</u>	<u>30 hours</u>
<u>(ii) 10,000 square feet or more, single tenant</u>	<u>40 hours</u>
<u>(iii) 10,000 square feet or more, multiple tenants</u>	<u>50 hours</u>
<u>(ii) 10,000 square feet or more, single tenant</u>	<u>40 hours</u>

<u>(iii) 10,000 square feet or more, multiple tenants</u>	<u>50 hours</u>	
<u>(f) entire condominium projects, using income approach to value:</u> <u>(i) 5- to 30-unit project</u>	<u>30 hours</u>	
<u>(ii) 31- or more-unit project</u>	<u>50 hours</u>	
<u>(h) commercial, multi-unit, industrial, or other nonresidential use acreage:</u> <u>(i) 1 to less than 100 acres</u>	<u>20-40 hours</u>	
<u>(ii) 100 acres or more, income approach to value</u>	<u>50-60 hours</u>	
<u>(i) other unusual structures or assignments that are much larger or more complex than the properties described in Subsection (a) to (h)</u>	<u>5 to 100 hours per board decision</u>	
<u>(j) entire subdivisions or planned unit developments (PUDs):</u> <u>(i) 1- to 25-unit subdivision or PUD</u>	<u>30 hours</u>	
<u>(ii) over 25-unit subdivision or PUD</u>	<u>50 hours</u>	
<u>(k) feasibility or market analysis</u>	<u>5 to 100 hours, each per board decision, up to a maximum of 500 hours</u>	
	<u>Form</u>	<u>Narrative</u>
<u>(l) farm and ranch appraisals:</u> <u>(i) irrigated cropland, pasture other than rangeland:</u>		
<u>(A) 1 to less than 11 acres</u>	<u>10 hrs</u>	<u>15 hrs</u>
<u>(B) 11-less than 40 acres</u>	<u>12.5 hrs</u>	<u>20 hrs</u>

<u>(C) 40-less than 160 acres</u>	<u>15 hrs</u>	<u>25 hrs</u>
<u>(D) 160-less than 1280 acres</u>	<u>25 hrs</u>	<u>40 hrs</u>
<u>(E) 1280 acres or more</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(ii) dry farm:</u>		
<u>(A) 1 to less than 1280 acres</u>	<u>15 hrs</u>	<u>25 hrs</u>
<u>(B) 1280 acres or more</u>	<u>20 hrs</u>	<u>40 hrs</u>
<u>m) Improvements on properties other than a rural residence, maximum 10 hours:</u>		
<u>(i) dwelling</u>	<u>5 hrs</u>	<u>5 hrs</u>
<u>(ii) shed</u>	<u>2.5 hrs</u>	<u>2.5 hrs</u>
<u>(n) cattle ranches</u>		
<u>(i) 0-200 head</u>	<u>15 hrs</u>	<u>20 hrs</u>
<u>(ii) 201-500 head</u>	<u>25 hrs</u>	<u>30 hrs</u>
<u>(iii) 501-1,000 head</u>	<u>30 hrs</u>	<u>40 hrs</u>
<u>(iv) more than 1,000 head</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(o) sheep ranches</u>		
<u>(i) 0-2,000 head</u>	<u>25 hrs</u>	<u>30 hrs</u>
<u>(ii) more than 2,000 head</u>	<u>35 hrs</u>	<u>45 hrs</u>
<u>(ii) 101-300 head</u>	<u>25 hrs</u>	<u>30 hrs</u>
<u>(iii) more than 300 head</u>	<u>30 hrs</u>	<u>35 hrs</u>
<u>(q) orchards</u>		
<u>(i) up to 50 acres</u>	<u>30 hrs</u>	<u>40 hrs</u>
<u>(ii) more than 50 acres</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(r) rangeland or timber</u>		
<u>(i) 0-640 acres</u>	<u>20 hrs</u>	<u>25 hrs</u>

<u>(ii) more than 640 acres</u>	<u>30 hrs</u>	<u>35 hrs</u>
<u>(s) poultry</u>		
<u>(i) 0-100,000 birds</u>	<u>30 hrs</u>	<u>40 hrs</u>
<u>(ii) more than 100,000 birds</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(t) mink</u>		
<u>(i) 0-5,000 cages</u>	<u>30 hrs</u>	<u>35 hrs</u>
<u>(ii) more than 5,000 cages</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(u) fish farm</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(v) hog farm</u>	<u>40 hrs</u>	<u>50 hrs</u>
<u>(w) review of appendix 2 appraisals with no opinion of value developed as part of the review, performed in conjunction with investigations by government agencies</u>	<u>20-100 hours</u>	
<u>(x) natural resource properties, depending on complexity:</u>		
<u>(i) sand and gravel</u>		<u>1-20 hours per site</u>
<u>(ii) mine</u>		<u>1-110 hours</u>
<u>(iii) oil and gas</u>		<u>1-50 hours per site</u>
<u>(y) pipelines and gas distribution properties, depending on complexity</u>		<u>10-40 hours</u>
<u>(z) telephone and electrics properties, depending on complexity</u>		<u>5-80 hours</u>
<u>(aa) airline and railroad properties, depending on complexity</u>		<u>10-80 hours</u>
<u>(bb) appraisal review or audit, depending on complexity</u>		<u>2.5-125 hours</u>
<u>(cc) capitalization rate study</u>		<u>10 to 100 hours</u>
<u>(dd) mineral pricing study</u>		<u>10 to 100 hours</u>

<u>(ee) effective tax rate study</u>	<u>10 to 100 hours</u>
<u>(ff) Ad valorem centrally assessed property tax appeal preparation</u>	<u>5 to 125 hours</u>

Appendix 3. Mass Appraisal Experience Hours Schedule.

<u>TABLE</u>	
<u>Property Type</u>	<u>Hours that may be earned</u>
<u>(a) one-unit dwelling, above-grade living area less than 4,000 square feet:</u>	
<u>PART 1</u>	
<u>Task</u>	<u>Hours</u>
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Income Value Estimate</u>	<u>2.5</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.5</u>
<u>Interior Inspection</u>	<u>0.5</u>
<u>CAMA Data Input and Review</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.5</u>
<u>Improvement Cost Estimate</u>	<u>0.5</u>
<u>Sales Comparison Value Estimate</u>	<u>2.5</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>1.75</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>

<u>(b) one-unit dwelling, above-grade living area area 4,000 square feet or more:</u>	
<u>PART 2</u>	
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.75</u>
<u>Interior Inspection</u>	<u>0.75</u>
<u>CAMA Data Input and Review</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.75</u>
<u>Improvement Cost Estimate</u>	<u>0.75</u>
<u>Income Value Estimate</u>	<u>3.0</u>
<u>Sales Comparison Value Estimate</u>	<u>3.0</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(c) two- to four-unit dwelling:</u>	
<u>PART 3</u>	
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.5</u>
<u>Interior Inspection</u>	<u>0.5</u>
<u>CAMA Data Input and Review</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.5</u>

<u>Improvement Cost Estimate</u>	<u>0.5</u>
<u>Income Value Estimate</u>	<u>3.0</u>
<u>Sales Comparison Value Estimate</u>	<u>3.0</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(d) commercial and industrial buildings, depending on complexity:</u>	
<u>PART 4</u>	
<u>Highest and Best Use Analysis</u>	<u>0.25</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.5-4.5</u>
<u>Interior Inspection</u>	<u>0.5-9.5</u>
<u>CAMA Data Input and Review</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>1.5</u>
<u>Land Value Estimate</u>	<u>2.0</u>
<u>Improvement Cost Estimate</u>	<u>2.0</u>
<u>Income Value Estimate</u>	<u>2-15</u>
<u>Sales Comparison Value Estimate</u>	<u>2-15</u>
<u>Final Reconciliation</u>	<u>0.5</u>
<u>Appraisal Report Preparation</u>	<u>1-10</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>(e) agricultural and other improvements, depending on complexity:</u>	
<u>PART 5</u>	

<u>Highest and Best Use Analysis</u>	<u>0.25 - 0.5</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Exterior Inspection</u>	<u>0.25 - 0.5</u>
<u>Interior Inspection</u>	<u>0.5-1</u>
<u>CAMA Data Input and Review</u>	<u>0.5</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Land Value Estimate</u>	<u>0.5 - 1</u>
<u>Improvement Cost Estimate</u>	<u>0.5 - 1</u>
<u>Income Value Estimate</u>	<u>1 - 3</u>
<u>Sales Comparison Value Estimate</u>	<u>1 - 3</u>
<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
(f) vacant land, depending on complexity:	
<u>PART 6</u>	
<u>Highest and Best Use Analysis</u>	<u>0.25 - 0.5</u>
<u>Neighborhood Description</u>	<u>0.5</u>
<u>Site Inspection</u>	<u>0.25</u>
<u>Land Segregation</u>	<u>0.25</u>
<u>CAMA Data Input and Review</u>	<u>0.5</u>
<u>Inspection</u>	<u>0.25 - 2.25</u>
<u>Market Conditions</u>	<u>0.75</u>
<u>Income Value Estimate</u>	<u>1-3</u>
<u>Sales Comparison Value Estimate</u>	<u>1-3</u>



<u>Final Reconciliation</u>	<u>0.25</u>
<u>Appraisal Report Preparation</u>	<u>2.0</u>
<u>Restricted Appraisal Report Preparation</u>	<u>0.5</u>
<u>g) land valuation guideline (development):</u>	
<u>(i) 25 or fewer parcels</u>	<u>10 hours</u>
<u>(ii) 26 to 500 parcels</u>	<u>30 hours</u>
<u>(iii) over 500 parcels</u>	<u>25 additional hours for each 500 parcels, up to a maximum of 125 hours for each guideline</u>
<u>(h)land valuation guideline (update):</u>	<u>1 hour</u>
<u>(i) 25 or fewer parcels</u>	
<u>(ii) 26 to 500 parcels</u>	<u>3 hours</u>
<u>(iii) over 500 parcels</u>	<u>2.5 additional hours for each 500 parcels, up to a maximum of 12.5 hours for each guideline</u>
<u>(i) assessment or sales ratio study, data collection, verification, sample inspection, analysis, conclusion, and implementation:</u>	
<u>(i) base study of 100 reviewed sales</u>	<u>125 hours</u>
<u>(ii) additional increments of 100 sales</u>	<u>25 additional hours for each 100 additional</u>

	<u>sales, up to a maximum of 375 hours for each study</u>
<u>(j) multiple regression model, development and implementation:</u> <u>(i) fewer than 5,000 parcels</u>	<u>100 hours</u>
<u>(ii) additional increments of 500 parcels</u>	<u>5 additional hours for each additional 500 parcels, up to a maximum of 375 hours for each regression model</u>
<u>(k) industry depreciation study and analysis</u>	<u>5 to 40 hours</u>
<u>(l) reviews of "land value in use" in accordance with U.C.A. Section 59-2-505:</u> <u>" (i)office review only</u>	<u>0.25 hours</u>
<u>(ii) field review</u>	<u>0.5 hours</u>
<u>(m) natural resource properties, depending on complexity:</u>	
<u>(i) sand and gravel</u>	<u>1-20 hours per site</u>
<u>(ii) mine</u>	<u>1-110 hours</u>
<u>(iii) oil and gas</u>	<u>1-50 hours per site</u>
<u>(n) pipelines and gas distribution properties, depending on complexity</u>	<u>10-40 hours</u>
<u>(o) telephone and electrics properties, depending on complexity</u>	<u>5-80 hours</u>
<u>(p) airline and railroad properties, depending on complexity</u>	<u>10-80 hours</u>
<u>(q) appraisal review or audit, depending on complexity</u>	<u>2.5-125 hours</u>

<u>(r) capitalization rate study</u>	<u>10 to 100 hours</u>
<u>(s) mineral pricing study</u>	<u>10 to 100 hours</u>
<u>(t) effective tax rate study</u>	<u>10 to 100 hours</u>
<u>(u) Ad valorem centrally assessed property tax appeal preparation</u>	<u>5 to 125 hours</u>

Appendix 4. Appraiser Education.

<p style="text-align: center;"><u>TABLE 1</u> <u>Required Core Curriculum</u></p>	
<b><u>Trainee Appraiser</u></b>	<b><u>Hours</u></b>
<u>Basic Appraisal Principles</u>	<u>30 Hours</u>
<u>Basic Appraisal Procedures</u>	<u>30 Hours</u>
<u>15-Hour national USPAP Course or its Equivalent</u>	<u>15 Hours</u>
<u>Utah Appraiser and Trainee Course</u>	<u>6 Hours</u>
<u>Trainee Appraiser Education Requirements</u>	<u>81 Total Hours</u>
<b><u>Licensed Appraiser</u></b>	
<u>Basic Appraisal Principles</u>	<u>30 Hours</u>
<u>Basic Appraisal Procedures</u>	<u>30 Hours</u>
<u>15-Hour national USPAP Course or its Equivalent</u>	<u>15 Hours</u>
<u>Utah Appraiser and Trainee Course</u>	<u>6 Hours</u>
<u>Residential Market Analysis and Highest and Best Use</u>	<u>15 Hours</u>
<u>Residential Appraiser Site Valuation and Cost Approach</u>	<u>15 Hours</u>
<u>Residential Sales Comparison and Income Approaches</u>	<u>30 Hours</u>
<u>Residential Report Writing and Case Studies</u>	<u>15 Hours</u>

<u>Licensed Residential Education Requirements</u>	<u>156 Total Hours</u>
<b><u>Certified Residential</u></b>	
<u>Basic Appraisal Principles</u>	<u>30 Hours</u>
<u>Basic Appraisal Procedures</u>	<u>30 Hours</u>
<u>15-Hour national USPAP Course or its Equivalent</u>	<u>15 Hours</u>
<u>Utah Appraiser and Trainee Course</u>	<u>6 Hours</u>
<u>Residential Market Analysis and Highest and Best Use</u>	<u>15 Hours</u>
<u>Residential Appraiser Site Valuation and Cost Approach</u>	<u>15 Hours</u>
<u>Residential Sales Comparison and Income Approaches</u>	<u>30 Hours</u>
<u>Residential Report Writing and Case Studies</u>	<u>15 Hours</u>
<u>Statistics, Modeling and Finance</u>	<u>15 Hours</u>
<u>Advanced Residential Applications and Case Studies</u>	<u>15 Hours</u>
<u>Appraisal Subject Matter Electives</u>  <u>(May include hours over the minimum shown in other modules)</u>	<u>20 Hours</u>
<u>Certified Residential Education Requirements</u>	<u>206 Total Hours</u>
<b><u>Certified General*</u></b>	
<u>Basic Appraisal Principles</u>	<u>30 Hours</u>
<u>Basic Appraisal Procedures</u>	<u>30 Hours</u>
<u>15-Hour national USPAP Course or its Equivalent</u>	<u>15 Hours</u>
<u>Utah Appraiser and Trainee Course</u>	<u>6 Hours</u>

<u>*General Appraiser Market Analysis and Highest and Best Use</u>	<u>30 Hours</u>
<u>Statistics, Modeling and Finance</u>	<u>15 Hours</u>
<u>*General Sales Comparison and Income Approaches</u>	<u>30 Hours</u>
<u>*General Appraiser Site Valuation and Cost Approach</u>	<u>30 Hours</u>
<u>General Appraiser Income Approach</u>	<u>60 Hours</u>
<u>*General Appraiser Report Writing and Case Studies</u>	<u>30 Hours</u>
<u>Appraisal Subject Matter Electives</u> <u>(May include hours over the minimum shown in other modules)</u>	<u>30 Hours</u>
<u>Certified General Education Requirements</u>	<u>306 Total Hours</u>

\*The four Certified General courses identified with an asterisk \* may substitute for the equivalent four Licensed Appraiser or Certified Residential courses when a candidate provides proof of completion of these courses when applying for a Licensed or Certified Residential appraisal credential.

<u>TABLE 2</u> <u>Continuing Education Topics</u> <u>(Division Certification Required)</u>
<u>(1) Ad valorem taxation</u>
<u>(2) Arbitration, dispute resolution</u>
<u>(3) Courses related to the practice of real estate appraisal or Consulting</u>
<u>(4) Development cost estimating</u>
<u>(5) Ethics and standards of professional practice, USPAP</u>
<u>(6) Land use planning, zoning</u>

<u>(7) Management, leasing, timesharing</u>
<u>(8) Property development, partial interests</u>
<u>(9) Real estate law, easements, and legal interests</u>
<u>(10) Real estate litigation, damages, condemnation</u>
<u>(11) Real estate financing and investment</u>
<u>(12) Real estate appraisal related computer applications</u>
<u>(13) Real estate securities and syndication</u>
<u>(14) Developing opinions of real property value in appraisals that also include personal property or business value</u>
<u>(15) Seller concessions and impact on value</u>
<u>(16) Energy efficient items and "green building" appraisals</u>

**~~[R162-2g-601. Appendices.~~**

~~Appendix 1. Residential Experience Hours Schedule. The hours shown in the following schedule shall be awarded to form appraisals. Fifteen hours may be added to the hours shown if the appraisal is a narrative appraisal instead of a form appraisal.~~

~~TABLE~~

<del>Property Type</del>	<del>Hours that may be earned</del>
<del>(a) one unit dwelling, above grade:</del>	
<del>(i) living area less than 4,000 square feet, including a site</del>	<del>Up to 10 hours</del>
	<del>(Expected avg hrs 7.5)</del>

~~Part 1~~

<del>Task</del>	<del>Hours</del>
<del>Highest and Best Use Analysis</del>	<del>0.25</del>
<del>Neighborhood Description</del>	<del>0.5</del>
<del>Exterior Inspection</del>	<del>0.5</del>
<del>Interior Inspection</del>	<del>0.5</del>
<del>Market Conditions</del>	<del>0.75</del>
<del>Land Value Estimate</del>	<del>0.5</del>
<del>Improvement Cost Estimate</del>	<del>0.5</del>

Income Value Estimate	2.5
Sales Comparison Value Estimate	2.5
Final Reconciliation	0.25
Appraisal Report Preparation	1.75
Restricted Appraisal Report Preparation	0.5

~~(ii) living area 4,000 square feet or more, including a site~~ Up to 10 hours

## Part 2

Task	Hours
Highest and Best Use Analysis	0.25
Neighborhood Description	0.5
Exterior Inspection	0.75
Interior Inspection	0.75
Market Conditions	0.75
Land Value Estimate	0.75
Improvement Cost Estimate	0.75
Income Value Estimate	3.0
Sales Comparison Value Estimate	3.0
Final Reconciliation	0.25
Appraisal Report Preparation	2.0
Restricted Appraisal Report Preparation	0.5

~~(b) multiple one-unit dwellings in the same subdivision or condominium project, which dwellings are substantially similar:~~

- ~~(i) 1-25 dwellings~~ 7 hours per dwelling, up to a maximum of 42 hours
- ~~(ii) over 25 dwellings~~ 70 hours maximum
- ~~(c) two to four unit dwelling~~

## Part 3

Task	Hours
Highest and Best Use Analysis	0.25
Neighborhood Description	0.5
Exterior Inspection	0.5
Interior Inspection	0.5
Market Conditions	0.75

Land Value Estimate	0.5
Improvement Cost Estimate	0.5
Income Value Estimate	3.0
Sales Comparison Value Estimate	3.0
Final Reconciliation	0.25
Appraisal Report Preparation	2.0
Restricted Appraisal Report Preparation	0.5

(d) employee relocation counsel reports  
completed on currently accepted Employee  
Relocation Counsel form Up to 10 hours

(e) residential lot, 1-4 unit Up to 7 hours

#### Part 4

Task	Hours
Highest and Best Use Analysis	0.25
Neighborhood Description	0.5
Site Inspection	0.25
Market Conditions	0.75
Sales Comparison Value Estimate	1-3
Final Reconciliation	0.25
Appraisal Report Preparation	2.0
Restricted Appraisal Report Preparation	0.5

(f) multiple lots in the same subdivision,  
which lots are substantially similar

(i) 1-25 lots 5 hours per lot,  
up to a maximum of  
30 hours

(ii) Over 25 lots 50 hours maximum

(g) small parcel of less  
than 20 acres up to 6.5 hours

#### Part 5

Task	Hours
Highest and Best Use Analysis	0.25
Neighborhood Description	0.5
Site Inspection	0.25
Market Conditions	0.75
Sales Comparison Value Estimate	1-3
Final Reconciliation	0.25
Appraisal Report Preparation	2.0



## Restricted Appraisal Report Preparation — 0.5

- ~~(h) vacant land, 20-640 acres ————— 20-40 hours, per  
board decision~~
- ~~(i) recreational, farm, or  
timber acreage suitable for a house site:~~
  - ~~(i) up to 10 acres ————— 10 hours~~
  - ~~(ii) 10 acres or more ————— 15 hours~~
- ~~(j) all other unusual structures or ————— 5-35 hours, per  
acreage which are much larger or more — board decision  
complex than typical properties~~
- ~~(k) review of residential appraisals with no  
opinion of value developed as part of the  
review performed in conjunction with  
investigations by government agencies — 10-50 hours~~

~~————— Appendix 2. General Experience Hours Schedule. All appraisal reports claimed for property types identified in sections (a) through (k) of the following schedule shall be narrative appraisal reports. Experience hours listed in this schedule may be increased by 50% for unique and complex properties if the applicant notes the number of extra hours claimed on the appraiser experience log submitted by the applicant, and if the applicant maintains in the workfile for the appraisal an explanation as to why the extra hours are claimed.~~

TABLE

<del>Property Type —————</del>	<del>Hours that may be earned</del>
<del>(a) Apartment buildings:</del>	
<del>(i) 5-100 units —————</del>	<del>40 hours</del>
<del>(ii) over 100 units —————</del>	<del>50 hours</del>
<del>(b) hotel or motels:</del>	
<del>(i) 50 units or fewer —————</del>	<del>30 hours</del>
<del>(ii) 51-150 units —————</del>	<del>40 hours</del>
<del>(iii) over 150 units —————</del>	<del>50 hours</del>
<del>(c) nursing home, rest home, care facilities:</del>	
<del>(i) fewer than 80 beds —————</del>	<del>40 hours</del>
<del>(ii) 80 beds or more —————</del>	<del>50 hours</del>
<del>(d) industrial or warehouse building:</del>	
<del>(i) smaller than 20,000 square feet —</del>	<del>30 hours</del>
<del>(ii) 20,000 square feet or more, single tenant —————</del>	<del>40 hours</del>
<del>(iii) 20,000 square feet or more, multiple tenants —————</del>	<del>50 hours</del>
<del>(e) office buildings:</del>	

- ~~(i) smaller than 10,000 square feet — 30 hours~~
- ~~(ii) 10,000 square feet or more, single tenant — 40 hours~~
- ~~(iii) 10,000 square feet or more, multiple tenants — 50 hours~~
- ~~(f) entire condominium projects, using income approach to value:~~
  - ~~(i) 5 to 30 unit project — 30 hours~~
  - ~~(ii) 31 or more unit project — 50 hours~~
- ~~(g) retail buildings:~~
  - ~~(i) smaller than 10,000 square feet — 30 hours~~
  - ~~(ii) 10,000 square feet or more, single tenant — 40 hours~~
  - ~~(iii) 10,000 square feet or more, multiple tenants — 50 hours~~
- ~~(h) commercial, multi-unit, industrial, or other nonresidential use acreage:~~
  - ~~(i) 1 to less than 100 acres — 20-40 hours~~
  - ~~(ii) 100 acres or more, income approach to value — 50-60 hours~~
- ~~(i) [all] other unusual structures or assignments that are much larger or more complex than the properties described in (a) to (h) — 5 to 100 hours per board decision herein.~~
- ~~(j) entire subdivisions or planned unit developments (PUDs):~~
  - ~~(i) 1 to 25-unit subdivision or PUD — 30 hours~~
  - ~~(ii) over 25-unit subdivision or PUD — 50 hours~~
- ~~(k) feasibility or market analysis — 5 to 100 hours, each per board decision, up to a maximum of 500 hours~~
- ~~(l) farm and ranch appraisals: Form — Narrative~~
  - ~~(i) irrigated cropland, pasture other than rangeland:~~
    - ~~(A) 1 to less than 11 acres — 10 hrs — 15 hrs~~
    - ~~(B) 11 less than 40 acres — 12.5 hrs — 20 hrs~~
    - ~~(C) 40 less than 160 acres — 15 hrs — 25 hrs~~
    - ~~(D) 160 less than 1280 acres — 25 hrs — 40 hrs~~
    - ~~(E) 1280 acres or more — 40 hrs — 50 hrs~~
  - ~~(ii) dry farm:~~
    - ~~(A) 1 to less than 1280 acres — 15 hrs — 25 hrs~~

<del>(B) 1280 acres or more</del>	<del>20 hrs</del>	<del>40 hrs</del>
<del>(m) Improvements on properties other than a rural residence, maximum 10 hours:</del>		
<del>(i) dwelling</del>	<del>5 hrs</del>	<del>5 hrs</del>
<del>(ii) shed</del>	<del>2.5 hrs</del>	<del>2.5 hrs</del>
<del>(n) cattle ranches</del>		
<del>(i) 0-200 head</del>	<del>15 hrs</del>	<del>20 hrs</del>
<del>(ii) 201-500 head</del>	<del>25 hrs</del>	<del>30 hrs</del>
<del>(iii) 501-1000 head</del>	<del>30 hrs</del>	<del>40 hrs</del>
<del>(iv) more than 1000 head</del>	<del>40 hrs</del>	<del>50 hrs</del>
<del>(o) sheep ranches</del>		
<del>(i) 0-2000 head</del>	<del>25 hrs</del>	<del>30 hrs</del>
<del>(ii) more than 2000 head</del>	<del>35 hrs</del>	<del>45 hrs</del>
<del>(p) dairy, including all improvements except a dwelling</del>		
<del>(i) 0-100 head</del>	<del>20 hrs</del>	<del>25 hrs</del>
<del>(ii) 101-300 head</del>	<del>25 hrs</del>	<del>30 hrs</del>
<del>(iii) more than 300 head</del>	<del>30 hrs</del>	<del>35 hrs</del>
<del>(q) orchards</del>		
<del>(i) up to 50 acres</del>	<del>30 hrs</del>	<del>40 hrs</del>
<del>(ii) more than 50 acres</del>	<del>40 hrs</del>	<del>50 hrs</del>
<del>(r) rangeland/timber</del>		
<del>(i) 0-640 acres</del>	<del>20 hrs</del>	<del>25 hrs</del>
<del>(ii) more than 640 acres</del>	<del>30 hrs</del>	<del>35 hrs</del>
<del>(s) poultry</del>		
<del>(i) 0-100,000 birds</del>	<del>30 hrs</del>	<del>40 hrs</del>
<del>(ii) more than 100,000 birds</del>	<del>40 hrs</del>	<del>50 hrs</del>
<del>(t) mink</del>		
<del>(i) 0-5000 cages</del>	<del>30 hrs</del>	<del>35 hrs</del>
<del>(ii) more than 5000 cages</del>	<del>40 hrs</del>	<del>50 hrs</del>
<del>(u) fish farm</del>	<del>40 hrs</del>	<del>50 hrs</del>
<del>(v) hog farm</del>	<del>40 hrs</del>	<del>50 hrs</del>
<del>(w) review of appendix 2 appraisals with no opinion of value developed as part of the review, performed in conjunction with investigations by government agencies</del>		
	<del>20</del>	<del>100 hours</del>

~~Appendix 3. Mass Appraisal Experience Hours Schedule.~~

~~TABLE~~

<del>Property Type</del>	<del>Hours that may be earned</del>
<del>(a) one-unit dwelling, above-grade living</del>	

~~area less than 4,000 square feet:~~

~~Part 1~~

<del>Task</del>	<del>Hours</del>
<del>Highest and Best Use Analysis</del>	<del>0.25</del>
<del>Neighborhood Description</del>	<del>0.5</del>
<del>Exterior Inspection</del>	<del>0.5</del>
<del>Interior Inspection</del>	<del>0.5</del>
<del>CAMA Data Input and Review</del>	<del>0.5</del>
<del>Market Conditions</del>	<del>0.75</del>
<del>Land Value Estimate</del>	<del>0.5</del>
<del>Improvement Cost Estimate</del>	<del>0.5</del>
<del>Income Value Estimate</del>	<del>2.5</del>
<del>Sales Comparison Value Estimate</del>	<del>2.5</del>
<del>Final Reconciliation</del>	<del>0.25</del>
<del>Appraisal Report Preparation</del>	<del>1.75</del>
<del>Restricted Appraisal Report Preparation</del>	<del>0.5</del>

~~(b) one unit dwelling, above grade living area  
area 4,000 square feet or more:~~

~~Part 2~~

<del>Task</del>	<del>Hours</del>
<del>Highest and Best Use Analysis</del>	<del>0.25</del>
<del>Neighborhood Description</del>	<del>0.5</del>
<del>Exterior Inspection</del>	<del>0.75</del>
<del>Interior Inspection</del>	<del>0.75</del>
<del>CAMA Data Input and Review</del>	<del>0.5</del>
<del>Market Conditions</del>	<del>0.75</del>
<del>Land Value Estimate</del>	<del>0.75</del>
<del>Improvement Cost Estimate</del>	<del>0.75</del>
<del>Income Value Estimate</del>	<del>3.0</del>
<del>Sales Comparison Value Estimate</del>	<del>3.0</del>
<del>Final Reconciliation</del>	<del>0.25</del>
<del>Appraisal Report Preparation</del>	<del>2.0</del>
<del>Restricted Appraisal Report Preparation</del>	<del>0.5</del>

~~(c) two to four unit dwelling:~~

~~Part 3~~

<del>Task</del>	<del>Hours</del>
-----------------	------------------

Highest and Best Use Analysis	0.25
Neighborhood Description	0.5
Exterior Inspection	0.5
Interior Inspection	0.5
CAMA Data Input and Review	0.5
Market Conditions	0.75
Land Value Estimate	0.5
Improvement Cost Estimate	0.5
Income Value Estimate	3.0
Sales Comparison Value Estimate	3.0
Final Reconciliation	0.25
Appraisal Report Preparation	2.0
Restricted Appraisal Report Preparation	0.5

(d) commercial and industrial buildings,  
—depending on complexity:

#### Part 4

Task	Hours
Highest and Best Use Analysis	0.25
Neighborhood Description	0.5
Exterior Inspection	0.5-4.5
Interior Inspection	0.5-9.5
CAMA Data Input and Review	0.5
Market Conditions	1.5
Land Value Estimate	2.0
Improvement Cost Estimate	2.0
Income Value Estimate	2-15
Sales Comparison Value Estimate	2-15
Final Reconciliation	0.5
Appraisal Report Preparation	1-10
Restricted Appraisal Report Preparation	0.5

(e) agricultural and other improvements,  
—depending on complexity:

#### Part 5

Task	Hours
Highest and Best Use Analysis	0.25-0.5
Neighborhood Description	0.5
Exterior Inspection	0.25-0.5
Interior Inspection	0.5-1

CAMA Data Input and Review	0.5
Market Conditions	0.75
Land Value Estimate	0.5 1
Improvement Cost Estimate	0.5 1
Income Value Estimate	1 3
Sales Comparison Value Estimate	1 3
Final Reconciliation	0.25
Appraisal Report Preparation	2.0
Restricted Appraisal Report Preparation	0.5

(f) vacant land, depending on complexity:

#### Part 6

Task	Hours
Highest and Best Use Analysis	0.25-0.5
Neighborhood Description	0.5
Site Inspection	0.25
Land Segregation	0.25
CAMA Data Input and Review	0.5
Inspection	0.25 2.25
Market Conditions	0.75
Income Value Estimate	1 3
Sales Comparison Value Estimate	1 3
Final Reconciliation	0.25
Appraisal Report Preparation	2.0
Restricted Appraisal Report Preparation	0.5

(g) land valuation guideline (development):

- ~~(i) 25 or fewer parcels~~ 10 hours
- ~~(ii) 26 to 500 parcels~~ 30 hours
- ~~(iii) over 500 parcels~~ 25 additional  
hours for each 500  
parcels, up to a  
maximum of 125  
hours for each  
guideline

(h) land valuation guideline (update):

- ~~(i) 25 or fewer parcels~~ 1 hour
- ~~(ii) 26 to 500 parcels~~ 3 hours
- ~~(iii) over 500 parcels~~ 2.5 additional  
hours for each 500  
parcels, up to a  
maximum of 12.5

\_\_\_\_\_ hours for each  
\_\_\_\_\_ guideline

(i) assessment/sales ratio study, data

—collection, verification, sample inspection,

—analysis, conclusion, and implementation:

—(i) base study of 100 reviewed sales — 125 hours

—(ii) additional increments of 100 sales — 25 additional

\_\_\_\_\_ hours for each 100

\_\_\_\_\_ additional sales,

\_\_\_\_\_ up to a maximum

\_\_\_\_\_ of 375 hours for

\_\_\_\_\_ each study

(j) multiple regression model,

—development and implementation:

—(i) fewer than 5,000 parcels — 100 hours

—(ii) additional increments of 500 parcels — 5 additional hours

\_\_\_\_\_ for each

\_\_\_\_\_ additional 500

\_\_\_\_\_ parcels, up to a

\_\_\_\_\_ maximum of 375

\_\_\_\_\_ hours for each

\_\_\_\_\_ regression model

(k) industry depreciation study and analysis — 5 to 40 hours

(l) reviews of "land value in use" in

—accordance with U.C.A. Section 59-2-505:

—(i) office review only — 0.25 hours

—(ii) field review — 0.5 hours

(m) natural resource properties,

—depending on complexity:

—(i) sand and gravel — 1-20 hours per

\_\_\_\_\_ site

—(ii) mine — 1-110 hours

—(iii) oil and gas — 1-50 hours per

\_\_\_\_\_ site

(n) pipelines and gas distribution

—properties, depending on complexity — 10-40 hours

(o) telephone and electric properties,

—depending on complexity — 5-80 hours

(p) airline and railroad properties,

—depending on complexity — 10-80 hours

(q) appraisal review/audit, depending

—on complexity — 2.5-125 hours

(r) capitalization rate study — 10 to 100 hours

(s) mineral pricing study ————— 10 to 100 hours  
 (t) effective tax rate study ————— 10 to 100 hours  
 (u) Ad valorem centrally assessed  
 property tax appeal preparation ————— 5 to 125 hours

————— Appendix 4. Appraiser Education.

TABLE 1  
 Required Core Curriculum

**Trainee Appraiser**

Basic Appraisal Principles ————— 30 Hours  
 Basic Appraisal Procedures ————— 30 Hours  
 15-Hour national USPAP Course or its  
 —Equivalent ————— 15 Hours  
 Trainee Appraiser Education Requirements — 75 Total Hours

**Licensed Appraiser**

Basic Appraisal Principles ————— 30 Hours  
 Basic Appraisal Procedures ————— 30 Hours  
 15-Hour national USPAP Course or its  
 —Equivalent ————— 15 Hours  
 Residential Market Analysis and Highest and  
 —Best Use ————— 15 Hours  
 Residential Appraiser Site Valuation and  
 —Cost Approach ————— 15 Hours  
 Residential Sales Comparison and Income  
 —Approaches ————— 30 Hours  
 Residential Report Writing and Case Studies — 15 Hours  
 Licensed Residential Education Requirements — 150 Total  
 ————— Hours

**Certified Residential**

Basic Appraisal Principles ————— 30 Hours  
 Basic Appraisal Procedures ————— 30 Hours  
 15-Hour national USPAP Course or its  
 —Equivalent ————— 15 Hours  
 Residential Market Analysis and Highest and  
 —Best Use ————— 15 Hours  
 Residential Appraiser Site Valuation and Cost  
 —Approach ————— 15 Hours  
 Residential Sales Comparison and Income  
 —Approaches ————— 30 Hours  
 Residential Report Writing and Case Studies — 15 Hours



~~Statistics, Modeling and Finance — 15 Hours~~  
~~Advanced Residential Applications and Case~~  
~~— Studies — 15 Hours~~  
~~Appraisal Subject Matter Electives — 20 Hours~~  
~~(May include hours over minimum shown above~~  
~~— in other modules)~~  
~~Certified Residential Education Requirements — 200 Total~~  
~~Hours~~

~~Certified General\*~~  
~~Basic Appraisal Principles — 30 Hours~~  
~~Basic Appraisal Procedures — 30 Hours~~  
~~15-Hour national USPAP Course or its~~  
~~— Equivalent — 15 Hours~~  
~~\*General Appraiser Market Analysis and~~  
~~— Highest and Best Use — 30 Hours~~  
~~Statistics, Modeling and Finance — 15 Hours~~  
~~\*General Sales Comparison and Income~~  
~~— Approaches — 30 Hours~~  
~~\*General Appraiser Site Valuation and Cost~~  
~~— Approach — 30 Hours~~  
~~General Appraiser Income Approach — 60 Hours~~  
~~\*General Appraiser Report Writing and Case~~  
~~— Studies — 30 Hours~~  
~~Appraisal Subject Matter Electives — 30 Hours~~  
~~(May include hours over minimum shown above~~  
~~— in other modules)~~  
~~Certified General Education Requirements — 300 Total~~  
~~Hours~~

~~\*The four Certified General courses identified with an~~  
~~asterisk \* may substitute for the equivalent four Licensed~~  
~~Appraiser or Certified Residential courses when a candidate~~  
~~provides proof of completion of these courses when applying~~  
~~for a Licensed or Certified Residential appraisal credential.~~

TABLE 2

Continuing Education Topics (Division Certification Required)

- ~~(1) Ad valorem taxation~~
- ~~(2) Arbitration, dispute resolution~~
- ~~(3) Courses related to the practice of real estate appraisal or~~  
~~— consulting~~

- ~~(4) Development cost estimating~~
- ~~(5) Ethics and standards of professional practice, USPAP~~
- ~~(6) Land use planning, zoning~~
- ~~(7) Management, leasing, timesharing~~
- ~~(8) Property development, partial interests~~
- ~~(9) Real estate law, easements, and legal interests~~
- ~~(10) Real estate litigation, damages, condemnation~~
- ~~(11) Real estate financing and investment~~
- ~~(12) Real estate appraisal related computer applications~~
- ~~(13) Real estate securities and syndication~~
- ~~(14) Developing opinions of real property value in appraisals  
—that also include personal property and/or business value~~
- ~~(15) Seller concessions and impact on value~~
- ~~(16) Energy efficient items and "green building" appraisals]~~

**KEY:** real estate appraisals, school certification, instructor certification, education options

**Date of Enactment or Last Substantive Amendment:** June 30, 2020

**Notice of Continuation:** August 18, 2016

**Authorizing, and Implemented or Interpreted Law:** 61-2g-201(2)(h); 61-2g-202(1); 61-2g-205(5)(c); 61-2g-307(3); 61-2g-401(5)

New Jersey

## **PLEASE READ**

Rules and regulations of the New Jersey Division of Consumer Affairs (Division), the boards and committees in, and other units of, the Division are codified in Title 13 of the New Jersey Administrative Code, published by LexisNexis. Notices of proposal and notices of adoption are printed in the New Jersey Register, also published by LexisNexis. The official text of the rules and regulations and their regulatory history and notices of rule proposals and adoptions can be found through LexisNexis.

- **LexisNexis:** <https://www.lexisnexis.com/en-us/gateway.page>

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NEW JERSEY ADMINISTRATIVE CODE  
TITLE 13  
LAW AND PUBLIC SAFETY  
CHAPTER 40A  
STATE BOARD OF REAL ESTATE APPRAISERS

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## SUBCHAPTER 1. PURPOSE AND SCOPE; DEFINITIONS

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### 13:40A-1.1 PURPOSE AND SCOPE

- a) The rules in this chapter implement the provisions of the Real Estate Appraisers Act, P.L. 1991, c.68, as amended by P.L. 1997, c. 401, and P.L. 2017, c. 72 (N.J.S.A. 45:14F-1 et seq.).
- b) This chapter shall apply to all persons applying for licensure as a licensed real estate appraiser or certification as a certified residential real estate appraiser or as a certified general real estate appraiser, or for registration as an appraisal management company, and to persons licensed, certified, or registered by the Board of Real Estate Appraisers in the State of New Jersey.
- c) All persons applying for licensure or certification will be required to satisfy the education and experience requirements contained in the Real Property Appraiser Qualification Criteria, which are incorporated herein by reference, as amended and supplemented, and available at [http://www.appraisalfoundation.org/imis/TAF/Standards/Qualification\\_Criteria/Qualification\\_Criteria\\_RP\\_TAF/AQB\\_RPAQC.aspx?hkey=5ec61b8d-751b-4a97-90b1-9b3dae51beea](http://www.appraisalfoundation.org/imis/TAF/Standards/Qualification_Criteria/Qualification_Criteria_RP_TAF/AQB_RPAQC.aspx?hkey=5ec61b8d-751b-4a97-90b1-9b3dae51beea), prior to taking the AQB-approved National Uniform Licensing and Certification Examination.

### 13:40A-1.2 DEFINITIONS

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise:

"Appraisal Foundation" means the Appraisal Foundation incorporated in the State of Illinois as a nonprofit corporation on November 30, 1987, as denominated in Title XI of Publ. L. 101-73 (12 U.S.C. section 3331 et seq.).

"Appraisal Qualification Board (AQB)" means the independent board of the Appraisal Foundation, which under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state certification or license. The address and phone number of the AQB is 1155 15th Street, NW Suite 1111, Washington, DC 20005, (202) 347-7722. The website for the AQB is [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

"Board" means the State Real Estate Appraiser Board in the Division of Consumer Affairs.

"Jurisdiction" means the 50 United States, the District of Columbia, American Samoa, Guam, Mariana Islands, Puerto Rico and the United States Virgin Islands.

"State certified general real estate appraiser" ("SCGREA") means an individual who has satisfied the experience and education requirements as set forth in this chapter, has successfully completed the Board approved examination, and holds a current, valid certificate as a certified general real estate appraiser.

"State certified residential real estate appraiser" ("SCRREA") means an individual who has satisfied the experience and education requirements as set forth in this chapter, has successfully completed the Board approved examination, and holds a current, valid certificate as a certified residential real estate appraiser.

"State licensed real estate appraiser" ("SLREA") means an individual who has satisfied the experience and education requirements as set forth in this chapter, has successfully completed the Board approved examination, and holds a current, valid license for real estate appraisal.

"Trainee" means an individual in the process of acquiring the hours of appraisal experience and qualifying education required for certification or licensure under the direct supervision of a certified appraiser pursuant to this chapter.

"Uniform Standards of Professional Appraisal Practice (USPAP)" means the published standards set forth by the Appraisal Standards Board of the Appraisal Foundation (1155 15th Street, NW, Suite 1111, Washington, D.C. 20005) (July 1, 2006). The standards include the generally accepted standards of appraisal practice; a history of changes to those standards; all statements on Appraisal Standards; all Advisory Opinions issued for general distribution; a Glossary and an Index. The Uniform Standards of Professional Appraisal Practice are hereby incorporated by reference, as amended and supplemented, in the established rules for the review and interpretation of the competency and practice of appraisers licensed or certified by the Board.

**13:40A-1.3 SCOPE OF PRACTICE**

- a) The scope of practice of appraisers with the licensed real estate appraiser qualification is the appraisal of non-complex one to four residential units having a transaction value less than \$1,000,000 and complex one to four residential units having a transaction value less than \$250,000.
- b) The scope of practice of appraisers with the certified residential real estate appraiser qualification is the appraisal of one to four residential units without regard to transaction value or complexity.
- c) The scope of practice of appraisers with the certified general real estate appraiser classification is the appraisal of all types of property.
- d) The scope of practice of appraiser trainees is the appraisal of those properties which the supervising appraiser is permitted to appraise.

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**SUBCHAPTER 2.**  
**CERTIFICATION OF GENERAL REAL ESTATE APPRAISERS**

---

**13:40A-2.1 ELIGIBILITY FOR CERTIFICATION AS A GENERAL REAL ESTATE APPRAISER**

In order to be eligible for certification as a general real estate appraiser, an applicant shall be required to successfully complete the education and experience requirements set forth in N.J.A.C. 13:40A-2.2 and shall successfully complete the Board-approved examination for the certification of general real estate appraisers.

**13:40A-2.2 ELIGIBILITY FOR ADMISSION TO EXAMINATION**

- a) An applicant for certification as a general real estate appraiser shall present the following:
  - 1) Evidence that he or she is at least 18 years of age;
  - 2) Evidence of good moral character, as established by references from individuals, schools, and other records acceptable to the Board;
  - 3) A high school diploma or its equivalent;
  - 4) Completion of the educational requirements described in N.J.A.C. 13:40A-2.3;

- 5) The level of education as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule;
- 6) Real estate appraisal experience as described in N.J.A.C. 13:40A-2.4; and
- 7) The certification and authorization form for criminal history background check, as provided by the Board, and the applicant's fingerprints as processed by the vendor under contract with the State.

### **13:40A-2.3 SOURCE OF EDUCATION FOR CERTIFICATION AS A GENERAL REAL ESTATE APPRAISER**

- a) All qualifying education taken on or after December 3, 2007, to satisfy the educational requirements for certification as a general real estate appraiser, with the exception of the college level course requirement as defined by the AQB, shall be approved by the AQB's Course Approval Program.
- b) Credit towards qualifying educational requirements may be obtained via the completion of a degree program in real estate from an accredited degree-granting college or university provided the college or university has had its curriculum reviewed and approved by the AQB.

### **13:40A-2.4 EXPERIENCE REQUIREMENTS FOR CERTIFICATION AS A GENERAL REAL ESTATE APPRAISER**

Each applicant applying for certification as a general real estate appraiser shall be required to complete, by the time the application is submitted to the Board, the experience requirements for a general real estate appraiser as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule.

### **13:40A-2.5 TEMPORARY VISITING CERTIFICATE; CERTIFIED GENERAL REAL ESTATE APPRAISER**

- a) Upon application to the Board and payment of a registration fee, an appraiser certified as a general real estate appraiser in another jurisdiction may be issued a temporary visiting certificate as a general real estate appraiser for a specific appraisal assignment, provided that the individual submits satisfactory proof to the Board that the individual has a current valid certificate to practice as a general real estate appraiser in another jurisdiction.

- b) An appraiser certified by another jurisdiction may apply for no more than three temporary certificates, within one calendar year, except that the Board may waive the limitation based on a showing of good cause by the applicant.
- c) For purposes of this section, the term "Federally related transaction" shall mean any real estate-related financial transaction, which a Federal financial institutions regulatory agency engages in, contracts for, or regulates. An appraiser certified by another jurisdiction shall apply for a temporary visiting certificate without the limitations stated in (b) above if the property to be appraised is part of a Federally related transaction. The temporary visiting certificate issued under this section shall be valid for at least six months and shall be extended upon request for extension to the Board by the applicant.
- d) The temporary visiting certificate issued under (c) above shall become invalid if the appraiser certified as a general real estate appraiser in another jurisdiction no longer holds a valid license in that jurisdiction.
- e) As a condition of receiving a temporary visiting certificate, an applicant shall consent to service of process within the State.

**13:40A-2.6 CREDIT TOWARDS CERTIFICATION AS A GENERAL REAL ESTATE APPRAISER FOR EDUCATION, TRAINING, AND EXPERIENCE RECEIVED WHILE SERVING AS A MEMBER OF THE ARMED FORCES**

- a) An applicant who has served in the Armed Forces of the United States (Armed Forces) and who does not meet all of the training, education, and experience requirements for certification under N.J.A.C. 13:40A-2 may apply to the Board for recognition of the applicant's training, education, and/or experience received while serving as a member of the Armed Forces, which the Board shall consider, together with any training, education, and/or experience obtained outside of the Armed Forces, for determining substantial equivalence to the training, education, and experience required for certification.
- b) The Board shall issue a certification as a general real estate appraiser to the applicant if the applicant presents evidence to the Board that:
  - 8) The applicant has been honorably discharged from active military service;
  - 9) The relevant training, experience, and education the applicant has received in the military, together with any training, education, and experience obtained outside of the Armed Forces, is substantially equivalent in scope and character to the training, experience, and education required for certification under N.J.A.C. 13:40A-2;

- i) An applicant seeking credit for military training and experience shall submit to the Board the applicant's Verification of Military Experience and Training (VMET) Document, DD Form 2586 or a successor form, as amended and supplemented;
  - ii) An applicant seeking credit for education courses and/or training completed while in the military that are not approved by the AQB's Course Approval Program shall submit to the Board a Joint Services Transcript of his or her education/training for a determination that the education courses and/or training completed are substantially equivalent in level, scope, and intent to the courses and/or training approved by the AQB's Course Approval Program as required for certification under N.J.A.C. 13:40A-2.3. For the purpose of determining substantial equivalence of the applicant's military education and/or training, the Board shall consider only those education courses and/or training relevant to the practice of real estate appraising that have been evaluated by the American Council on Education for substantial equivalence to civilian postsecondary curricula.
  - iii) An applicant seeking credit for education courses and/or training completed while in the military that are not part of a degree program in real estate from an accredited degree-granting college or university whose curriculum was reviewed and approved by the AQB shall submit to the Board a Joint Services Transcript of his or her education/training for a determination that the education courses and/or training completed are substantially equivalent in level, scope, and intent to those in a degree program in real estate from an accredited degree-granting college or university whose curriculum was reviewed and approved by the AQB as required for certification under N.J.A.C. 13:40A-2.3. For the purpose of determining substantial equivalence of the applicant's military education or training, the Board shall consider only those education courses and/or training relevant to the practice of real estate appraising that have been evaluated by the American Council on Education for substantial equivalence to civilian postsecondary curricula.
- 3) The applicant complies with all other requirements for certification, including successful completion of the examination as set forth in N.J.A.C. 13:40A-2.1.
- c) It is the applicant's responsibility to provide timely and complete evidence of the education, training and/or experience gained in the military for review and consideration.
  - d) If the applicant's military training, education, and/or experience, or a portion thereof, is not deemed to be substantially equivalent to that required for certification, the Board shall credit whatever portion of the military training, education, and/or experience that is

substantially equivalent towards meeting the requirements under N.J.A.C. 13:40A-2.4 for the issuance of the certification as a general real estate appraiser.

- e) Satisfactory evidence of such education, training, and/or experience will be assessed on a case by case basis.

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## **SUBCHAPTER 2A.**

### **CERTIFICATION OF RESIDENTIAL REAL ESTATE APPRAISERS**

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#### **13:40A-2A.1 ELIGIBILITY FOR CERTIFICATION AS A RESIDENTIAL REAL ESTATE APPRAISER**

In order to be eligible for certification as a residential real estate appraiser, an applicant shall be required to successfully complete the education and experience requirements set forth in N.J.A.C. 13:40A-2A.2 and shall successfully complete the Board-approved examination for the certification of residential real estate appraisers.

#### **13:40A-2A.2 ELIGIBILITY FOR ADMISSION TO EXAMINATION**

- a) An applicant for certification as a residential real estate appraiser shall present the following:
  - 1) Evidence that he or she is at least 18 years of age;
  - 2) Evidence of good moral character, as established by references from individuals, schools and other records acceptable to the Board;
  - 3) A high school diploma or its equivalent;
  - 4) Completion of the educational requirements described in N.J.A.C. 13:40A-2A.3;
  - 5) The level of education as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule;
  - 6) Real estate appraisal experience as described in N.J.A.C. 13:40A-2A.4; and

- 7) The certification and authorization form for criminal history background check, as provided by the Board, and the applicant's fingerprints as processed by the vendor under contract with the State.

### **13:40A-2A.3 SOURCE OF EDUCATION FOR CERTIFICATION AS A RESIDENTIAL REAL ESTATE APPRAISER**

- a) All qualifying education taken on or after December 3, 2007, to satisfy the educational requirements for certification as a residential real estate appraiser, with the exception of the college level course requirement as defined by the AQB, shall be approved by the AQB's Course Approval Program.
- b) Credit towards qualifying education requirements may be obtained via the completion of a degree program in real estate from an accredited degree-granting college or university provided the college or university has had its curriculum reviewed and approved by the AQB.

### **13:40A-2A.4 EXPERIENCE REQUIREMENTS FOR CERTIFICATION AS A RESIDENTIAL REAL ESTATE APPRAISER**

Each applicant applying for certification as a residential real estate appraiser shall complete, by the time the application is submitted to the Board, the experience requirements for a residential real estate appraiser as established by The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, as promulgated by the AQB of the Appraisal Foundation, which are incorporated herein by reference, as amended and supplemented, as part of this section.

### **13:40A-2A.5 TEMPORARY VISITING CERTIFICATE; CERTIFIED RESIDENTIAL REAL ESTATE APPRAISER**

- a) Upon application to the Board and payment of a registration fee, an appraiser certified as a residential real estate appraiser in another jurisdiction may be issued a temporary visiting certificate as a residential real estate appraiser for a specific appraisal assignment, provided that the individual submits satisfactory proof to the Board that the individual has a current valid certificate to practice as a residential real estate appraiser in another jurisdiction.
- b) An appraiser certified by another jurisdiction may apply for no more than three temporary certificates within one calendar year, except that the Board may waive the limitation based on a showing of good cause by the applicant.
- c) For purposes of this section, the term "Federally related transaction" shall mean any real estate-related financial transaction, which a Federal financial institutions regulatory



agency engages in, contracts for, or regulates. An appraiser certified by another jurisdiction shall apply for a temporary visiting certificate without the limitations stated in (b) above if the property to be appraised is part of a Federally related transaction. The temporary visiting certificate issued under this section shall be valid for at least six months and shall be extended upon request for extension to the Board by the applicant.

- d) The temporary visiting certificate issued under (c) above shall become invalid if the appraiser certified as a residential real estate appraiser in another jurisdiction no longer holds a valid license in that jurisdiction.
- e) As a condition of receiving a temporary visiting certificate an applicant shall consent to service of process within the State.

**13:40A-2A.6 CREDIT TOWARDS CERTIFICATION AS A RESIDENTIAL REAL ESTATE APPRAISER FOR EDUCATION, TRAINING, AND EXPERIENCE RECEIVED WHILE SERVING AS A MEMBER OF THE ARMED FORCES**

a) An applicant who has served in the Armed Forces of the United States (Armed Forces) and who does not meet all of the training, education, and experience requirements for certification under N.J.A.C. 13:40A-2A may apply to the Board for recognition of the applicant's training, education, and/or experience received while serving as a member of the Armed Forces, which the Board shall consider, together with any training, education, and/or experience obtained outside of the Armed Forces, for determining substantial equivalence to the training, education, and experience required for certification.

b) The Board shall issue a certification as a residential real estate appraiser to the applicant if the applicant presents evidence to the Board that:

- 1) The applicant has been honorably discharged from active military service;
- 2) The relevant training, experience, and education the applicant received in the military, together with any training, education, and experience obtained outside of the Armed Forces, is substantially equivalent in scope and character to the training, experience, and education required for certification under N.J.A.C. 13:40A-2A.
  - i) An applicant seeking credit for military training and experience shall submit to the Board the applicant's Verification of Military Experience and Training (VMET) Document, DD Form 2586 or a successor form, as amended and supplemented;
  - ii) An applicant seeking credit for education courses and/or training completed while in the military that are not approved by the AQB's Course Approval Program shall submit to the Board a Joint Services Transcript of his or her

education/training for a determination that the education courses and/or training completed are substantially equivalent in level, scope, and intent to those approved by the AQB's Course Approval Program as required for certification under N.J.A.C. 13:40A-2A.3. For the purpose of determining substantial equivalence of the applicant's military education and/or training, the Board shall consider only those education courses and/or training relevant to the practice of real estate appraising that have been evaluated by the American Council on Education for substantial equivalence to civilian postsecondary curricula.

iii) An applicant seeking credit for education courses and/or training completed while in the military that are not part of a degree program in real estate from an accredited degree-granting college or university whose curriculum was reviewed and approved by the AQB, shall submit to the Board a Joint Services Transcript of his or her education/training for a determination that the education courses and/or training completed are substantially equivalent in level, scope, and intent to those in a degree program in real estate from an accredited degree-granting college or university whose curriculum was reviewed and approved by the AQB as required for certification under N.J.A.C. 13:40A-2A.3. For the purpose of determining substantial equivalence of the applicant's military education and/or training, the Board shall consider only those education courses and/or training relevant to the practice of real estate appraising that have been evaluated by the American Council on Education for substantial equivalence to civilian postsecondary curricula; and

- 3) The applicant complies with all other requirements for certification, including successful completion of the examination as set forth in N.J.A.C. 13:40A-2A.1.
- c) It is the applicant's responsibility to provide timely and complete evidence of the education, training, and/or experience gained in the military for review and consideration.
- d) If the applicant's military training, education and/or experience, or a portion thereof, is not deemed to be substantially equivalent to that required for certification, the Board shall credit whatever portion of the military training, education, and/or experience that is substantially equivalent towards meeting the requirements under N.J.A.C. 13:40A-2A.4 for the issuance of the certification as a residential real estate appraiser.
- e) Satisfactory evidence of such education, training, and/or experience will be assessed on a case by case basis.

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### **SUBCHAPTER 3.**

## **LICENSING OF RESIDENTIAL REAL ESTATE APPRAISERS**

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### **13:40A-3.1 ELIGIBILITY FOR LICENSURE**

In order to be eligible for licensure as a residential real estate appraiser, an applicant shall be required to successfully complete the education and experience requirements set forth in N.J.A.C. 13:40A-3.2 and shall successfully complete the Board-approved examination for the licensure of residential real estate appraisers.

### **13:40A-3.2 ELIGIBILITY FOR ADMISSION TO EXAMINATION**

- a) An applicant for licensure as a residential real estate appraiser shall present the following:
  - 1) Evidence that he or she is at least 18 years of age;
  - 2) Evidence of good moral character, as established by references from individuals, schools and other records acceptable to the Board;
  - 3) A high school diploma or its equivalent;
  - 4) Completion of the educational requirements as described in N.J.A.C. 13:40A-3.3;
  - 5) Real estate appraisal experience as described in N.J.A.C. 13:40A-3.4; and
  - 6) The certification and authorization form for criminal history background check, as provided by the Board, and the applicant's fingerprints as processed by the vendor under contract with the State.

### **13:40A-3.3 EDUCATION REQUIREMENTS FOR LICENSURE**

- a) In order to be eligible to take the examination for licensure as a licensed residential real estate appraiser, an applicant shall complete, by the time the application is submitted to the Board, the education requirements for a licensed residential real estate appraiser as established by "the Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule.

- b) All qualifying education taken on or after December 3, 2007, to satisfy the educational requirements for licensure as a licensed real estate appraiser shall be approved by the AQB's Course Approval Program.

#### **13:40A-3.4 EXPERIENCE REQUIREMENTS FOR LICENSURE**

- a) Each applicant applying for licensure as a licensed residential real estate appraiser shall complete, by the time the application is submitted to the Board, the experience requirements for a licensed real estate appraiser as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule.
- b) The experience requirement shall be completed in no fewer than 12 months.

#### **13:40A-3.5 CREDIT TOWARDS LICENSURE AS A RESIDENTIAL REAL ESTATE APPRAISER FOR EDUCATION, TRAINING, AND EXPERIENCE RECEIVED WHILE SERVING AS A MEMBER OF THE ARMED FORCES**

- a) An applicant who has served in the Armed Forces of the United States and who does not meet all of the training, education, and experience requirements for licensure under N.J.A.C. 13:40A-3 may apply to the Board for recognition of the applicant's training, education, and experience received while serving as a member of the Armed Forces, which the Board shall consider together with any training, education, and experience obtained outside of the Armed Forces, for determining substantial equivalence to the training, education, and experience required for licensure.
- b) The Board shall issue a license as a residential real estate appraiser to the applicant if the applicant presents evidence to the Board that:
  - 1) The applicant has been honorably discharged from active military service;
  - 2) The relevant training, experience, and education the applicant received in the military, together with any training, education, and experience obtained outside of the Armed Forces, is substantially equivalent in scope and character to the training, experience, and education required for certification under N.J.A.C. 13:40A-3.
  - i) An applicant seeking credit for military training and experience shall submit to the Board the applicant's Verification of Military Experience and Training (VMET) Document, DD Form 2586 or a successor form, as amended and supplemented.

ii) An applicant seeking credit for education courses and/or training completed while in the military that are not approved by the AQB's Course Approval Program shall submit to the Board a Joint Services Transcript of his or her education/training for a determination that the education courses and/or training completed are substantially equivalent in level, scope, and intent to those approved by the AQB Course Approval Program as required for certification under N.J.A.C. 13:40A-3.3. For the purpose of determining substantial equivalence of the applicant's military education and/or training, the Board shall consider only those education courses and/or training relevant to the practice of real estate appraising that have been evaluated by the American Council on Education for substantial equivalence to civilian postsecondary curricula.

iii) An applicant seeking credit for education courses and/or training completed while in the military that are not part of a degree program in real estate from an accredited degree-granting college or university whose curriculum was reviewed and approved by the AQB shall submit to the Board a Joint Services Transcript of his or her education/training for a determination that the education courses and/or training completed are substantially equivalent in level, scope, and intent to those in a degree program in real estate from an accredited degree-granting college or university whose curriculum was reviewed and approved by the AQB as required for licensure under N.J.A.C. 13:40A-3.3. For the purpose of determining substantial equivalence of the applicant's military education and/or training, the Board shall consider only those education courses and/or training relevant to the practice of real estate appraising that have been evaluated by the American Council on Education for substantial equivalence to civilian postsecondary curricula; and

3) The applicant complies with all other requirements for licensure, including successful completion of the examination as set forth in N.J.A.C. 13:40A-3.1.

- c) It is the applicant's responsibility to provide timely and complete evidence of the education, training, and/or experience gained in the military for review and consideration.
- d) If the applicant's military training, education, and/or experience, or a portion thereof, is not deemed to be substantially equivalent to that required for licensure, the Board shall credit whatever portion of the military training, education, and/or experience that is substantially equivalent towards meeting the requirements under N.J.A.C. 13:40A-3.4 for the issuance of the license as a residential real estate appraiser.
- e) Satisfactory evidence of such education, training, or/and experience shall be assessed on a case-by-case basis.

**13:40A-3.6 TEMPORARY VISITING LICENSES**

- a) Upon application to the Board and payment of a registration fee, an appraiser licensed in another jurisdiction may be issued a temporary visiting license for a specific appraisal assignment, provided that the individual submits satisfactory proof to the Board that the individual has a current valid license to practice in another jurisdiction.
- b) An appraiser licensed by another jurisdiction may apply for no more than three temporary licenses within one calendar year, except that the Board may waive the limitation based on a showing of good cause by the applicant.
- c) For purposes of this section, the term "Federally related transaction" shall mean any real estate-related financial transaction, which a Federal financial institutions regulatory agency engages in, contracts for, or regulates. An appraiser licensed by another jurisdiction shall apply for a temporary visiting license without the limitations stated in (b) above if the property to be appraised is part of a Federally related transaction. The temporary visiting license issued under this section shall be valid for at least six months and shall be extended upon request for extension to the Board by the applicant.
- d) The temporary visiting license issued under (c) above shall become invalid if the appraiser licensed by another jurisdiction no longer holds a valid license in that jurisdiction.
- e) As a condition of receiving a temporary visiting license an applicant shall consent to service of process within the State.

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**SUBCHAPTER 4.  
TRAINEE PERMITS**

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**13:40A-4.1 PURPOSE AND SCOPE; APPLICATION**

- a) The rules in this chapter establish a voluntary real estate appraiser trainee program for individuals in the process of acquiring the appraisal experience required in order to be licensed or certified pursuant to this chapter.
- b) The successful application of and compliance with the rules in this subchapter by a real estate appraiser trainee does not grant the trainee automatic certification or licensure.

**13:40A-4.2 (RESERVED)****13:40A-4.3 EDUCATION REQUIREMENTS**

- a) Each applicant applying for a trainee permit shall complete, within a five-year period prior to the time the application is submitted to the Board, the education requirements for a trainee as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule.
- b) Prior to obtaining a trainee appraiser credential, a trainee applicant shall complete a course that, at a minimum, is oriented to the expectations for trainee appraisers and complies with the specifications for the course content established by the AQB.

**13:40A-4.4 ANNUAL TRAINEE PERMIT RENEWAL**

All trainee permits shall be valid for a period of one year. A trainee may renew his or her annual permit a maximum total of three times, upon submission to the Board of a renewal application, the permit renewal fee, and a log in the form set forth in N.J.A.C. 13:40A-4.7.

**13:40A-4.5 RESPONSIBILITIES OF TRAINEE**

- a) The holder of a trainee permit issued by the Board shall work only under the "direct supervision," as that term is defined in N.J.A.C. 13:40A-4.6, of a "supervising appraiser," who shall be an individual certified in good standing by the Board, who has not been subject to any disciplinary action within the previous three years that affected the supervising appraiser's legal ability to engage in appraisal practice, and who has acknowledged in writing an agreement to perform the responsibilities of a supervising appraiser set forth in N.J.A.C. 13:40A-4.6. Prior to commencing any work as a trainee, the holder of a trainee permit shall inform the Board in writing of the identity of any individual(s) who have agreed to serve as a "supervising appraiser" for the trainee. The holder of a trainee permit shall inform the Board in writing, within seven days, in the event that any individual previously designated as a "supervising appraiser" ceases to agree to perform the responsibilities of a "supervising appraiser," or in the event that any individual not previously designated as a "supervising appraiser" agrees to supervise the work product of the trainee. A trainee may have more than one approved "supervising appraiser."
- b) The holder of a trainee permit issued by the Board shall have the following duties and responsibilities:

- 1) The trainee shall maintain and submit to the Board upon application for permit renewal a log, which meets the requirements set forth in N.J.A.C. 13:40A-4.7. The trainee and his or her "supervising appraiser" shall have the shared responsibility to make sure that the log is accurate and current and meets the requirements set forth in N.J.A.C. 13:40A-4.7;
  - 2) The trainee shall ensure that the log is available at all times for inspection by the Board;
  - 3) When performing appraisal assignments, the trainee shall carry the permit issued by the Board;
  - 4) In the event a supervising appraiser can no longer provide direct supervision to a trainee, the trainee shall return the permit within 30 days to the Board;
  - 5) The Board shall reissue the permit to the trainee when the trainee has obtained a new supervising appraiser.
  - 6) The trainee shall comply with the provisions of the Uniform Standards of Professional Appraisal Practice (USPAP).
- c) The holder of a trainee permit issued by the Board shall not solicit or maintain a direct relationship with a client, a party or parties who engage an appraiser by employment or contract in a specific assignment. The trainee shall not collect any fees from the client, except when acting as an agent of the supervising appraiser. The supervising appraiser shall ensure that any form of payment shall be directed to the supervising appraiser.
- d) The holder of a trainee permit issued by the Board shall not advertise. Any advertisement in the name of a supervising appraiser with whom the trainee is associated may include the name of the trainee by clearly indicating such person as a trainee. This shall not prohibit a trainee's use of standard business cards which clearly indicate such person as a trainee.

#### **13:40A-4.6 RESPONSIBILITIES OF SUPERVISING APPRAISER**

- a) Any individual designated as a "supervising appraiser" by the holder of a trainee permit shall acknowledge in writing to the Board that he or she agrees to perform all responsibilities set forth in (f) below.
- b) Supervising appraisers shall be in good standing with the Board and shall not have been subject to any disciplinary action that affects their legal eligibility to engage in appraisal



practice, including revocation or suspension, within any jurisdiction within the last three years.

- c) No appraiser shall serve as a supervising appraiser until he or she has held a certification from the Board for at least three years.
- d) Only those individuals who are certified by the Board as either a State-certified general real estate appraiser or a State-certified residential real estate appraiser shall be a supervising appraiser.
- e) A supervising appraiser shall have the following duties and responsibilities:
  - 1) The supervising appraiser shall at all times be responsible for and provide direct supervision of the work performed by the trainee. For purposes of this section, "direct supervision" means:
    - i) To personally review the work product of the trainee;
    - ii) To approve, sign, and accept responsibility for each appraisal report including work product prepared by the trainee or in which the trainee has made a professional contribution and to sign all such reports and certify that all such reports have been independently and impartially prepared in compliance with the Uniform Standards of Professional Appraisal Practice, these rules and applicable statutory standards; and
    - iii) To indicate, within the certification section of the appraisal report, the name of the trainee providing significant real property appraisal assistance. For purposes of this subparagraph, "significant" means the exercise of appraisal knowledge and training and does not mean clerical or fact gathering tasks.
  - 2) The supervising appraiser shall, at least once a month, sign the log required to be kept by the trainee pursuant to N.J.A.C. 13:40A-4.7 and shall set forth thereon his or her certification number. A "supervising appraiser" and any trainee that he or she is supervising shall have the shared responsibility to make sure that the log is accurate and current and meets the requirements set forth in N.J.A.C. 13:40A-4.7.
  - 3) The supervising appraiser shall provide the trainee with a copy of any final appraisal report in which the trainee's work product has been utilized or in which the trainee made a professional contribution.

- 4) The supervising appraiser shall immediately notify the Board and his or her trainee(s), in writing, in the event that he or she ceases to perform or is unable to perform the responsibilities set forth in this section.
- 5) A supervising appraiser shall not supervise more than three trainees at one time.
- 6) The supervising appraiser shall personally inspect, with the trainee, the interior and exterior of each appraised property until the supervising appraiser determines that the trainee is competent in accordance with the Competency Rule of the Uniform Standards of Professional Appraisal Practice. Upon making the determination of competency, the supervising appraiser shall request a competency certification form from the Board. The supervising appraiser shall submit, to the Board, within 30 days of receipt of the competency certification form, the certification that the trainee is competent to perform property inspections independently. Examples of competency include, but are not limited to, properly identifying the problem to be addressed, being familiar with a specific type of property, market, geographic area, or analytical method.
- 7) The supervising appraiser shall prepare and furnish a signed statement describing the nature and extent of the assistance rendered to each trainee who provided services on an appraisal assignment. This statement shall be placed in the workfile of the appraisal assignment.
- 8) Upon the termination of the supervising appraiser and the trainee relationship, the supervising appraiser shall request an evaluation certification form from the Board. The supervising appraiser shall submit, to the Board, within 30 days of receipt of the evaluation certification form, the certification evaluating the activities performed by his or her trainee.
- 9) Prior to supervising trainee appraisers, a supervising appraiser shall complete a course that, at a minimum, is oriented to the requirements and responsibilities of supervising appraisers and complies with the specifications for the course content established by the AQB.
- 10) Failure to comply with this section may be deemed professional misconduct.

#### **13:40A-4.7 REAL ESTATE APPRAISER TRAINEE LOG**

- a) A real estate appraiser trainee shall maintain a log on forms provided by the Board, which shall include the following information concerning each appraisal assignment in which the trainee participates:

- 1) The name and address of the client;
  - 2) The type of appraisal report;
  - 3) The address of the appraised property;
  - 4) A description of the work performed and the scope of review and supervision;
  - 5) The number of hours claimed for the assignment;
  - 6) The type of property;
  - 7) The date of report;
  - 8) The number of actual work hours by the trainee on the assignment; and
  - 9) The signature and certification number of the supervising appraiser. Separate logs shall be maintained for each supervising appraiser, if applicable.
- b) Appraisal logs submitted to the Board shall indicate the nature of the trainee's participation in each assignment and the trainee shall set forth within the log, for each assignment, information indicating whether the trainee was involved in obtaining, calculating, or preparing:
- 1) Land/site inspections and descriptions;
  - 2) Building inspections and descriptions;
  - 3) Neighborhood descriptions and analysis;
  - 4) Highest and best use analysis;
  - 5) Research of comparable sales and analysis;
  - 6) Cost analysis;
  - 7) Income analysis (only for trainees whose experience includes income properties);
  - 8) Meaningful sales analysis;

- 9) Correlation of data into final value; and
  - 10) Any other components of the appraisal process.
- c) The trainee shall:
- 1) Include in the appraisal log submitted to the Board only those appraisal report(s) which indicate(s) that the trainee provided significant assistance;
  - 2) Verify that the trainee's contribution to the report has been indicated in the report before entering the report into the appraisal log; and
  - 3) Notify the Board immediately, in writing, if the trainee has provided significant real property appraisal assistance to a supervising appraiser with an appraisal report, and the supervising appraiser has not indicated that the trainee provided significant real property appraisal assistance in the report, and the scope of the trainee's contribution. For purposes of this subsection, "significant" means the exercise of appraisal knowledge and training, and does not mean clerical or fact gathering tasks.
- d) Failure to comply with this section shall be grounds for:
- 1) Denial of renewal of the trainee permit;
  - 2) Revocation of the trainee permit;
  - 3) Denial of experience credit for the entire year in which the lack of compliance occurred; and/or
  - 4) Denial of licensure or certification.

#### **13:40A-4.8 CONTINUING EDUCATION REQUIREMENTS**

- a) An individual holding a trainee permit shall complete the continuing education requirements as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which, are incorporated herein by reference as part of this rule.
- b) An individual holding a trainee permit for more than two years shall retain documentation as required in N.J.A.C. 13:40A-5.8.

- c) As provided in N.J.A.C. 13:40A-5.10(b), an individual holding a trainee permit may request, due to extenuating circumstances, to be placed on inactive status to complete all continuing education requirements.

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## **SUBCHAPTER 5. CONTINUING PROFESSIONAL EDUCATION**

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### **13:40A-5.1 REQUIREMENTS FOR LICENSURE AND CERTIFICATION RENEWAL**

- a) The purpose of continuing education activities is to ensure that the appraiser participates in a program that maintains and increases the appraiser's skill, knowledge and competency in real estate appraising.
- b) A licensed or certified real estate appraiser shall confirm on the renewal application that the licensed or certified real estate appraiser has completed all continuing education requirements pursuant to this subchapter during the biennial period preceding application for renewal.

### **13:40A-5.2 (RESERVED)**

### **13:40A-5.3 CONTINUING EDUCATION CREDIT-HOUR REQUIREMENTS; CARRYOVER PROHIBITED; REPEAT OF SAME COURSE PROHIBITED**

- a) Each applicant applying for renewal as a licensed or certified real estate appraiser shall be required to complete, by the time the renewal application is submitted to the Board, the continuing education requirements for either the certified residential, certified general, or the licensed, real estate appraiser as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule.
- b) Carryover of continuing education credits is prohibited.
- c) Aside from complying with the requirement to complete the 7-Hour National USPAP Update Course (or its AQB-approved equivalent) set forth in N.J.A.C. 13:40A-5.4, a certified or licensed appraiser shall not receive credit for completion of the same continuing education course more than once during a biennial period preceding application for renewal.

**13:40A-5.4 SPECIAL COURSE REQUIREMENT(S)**

- a) All licensed and certified real estate appraisers shall be required to complete the seven-hour National Update Course on the Uniform Standards of Professional Appraisal Practice or its equivalent at least once every 24 months.
- b) All licensed and certified real estate appraisers shall be required to complete a two hour course on New Jersey law and rules governing the practice of real estate appraising. The course at a minimum shall include: the origin and history of the Real Estate Appraisers Act, the Board composition, scope of practice, mixed practice conflicts of interest, continuing education requirements and criteria, temporary visiting certificates, trainee and supervisor requirements, appraisal reporting and common deficiencies, and the complaint process.

**13:40A-5.5 PRE-APPROVAL OF COURSE OFFERINGS**

- a) The Board shall maintain a list of all approved courses, lecturers and programs at the Board's offices and shall furnish this information to the licensees or certificate holders upon request.
- b) An applicant seeking to take a course for continuing professional education credit which has not been pre-approved by the Board may apply to the Board for pre-approval of the course offering. The applicant shall submit information similar to that which is required to be supplied by course providers, as more fully detailed in N.J.A.C. 13:40A-5.9(a)2.
- c) Determinations as to whether to award credit for an offering which has not been pre-approved shall be within the Board's discretion to determine whether the offering is deemed to be consistent with the purpose of continuing education.

**13:40A-5.6 ACCEPTABLE COURSE TOPICS**

- a) The Board shall approve only those continuing education activities and course topics as are deemed by the Board to be consistent with the purpose of continuing education. Examples of such course topics may include, but are not limited to: changes in the Uniform Standards of Professional Appraisal Practice; ad valorem taxation; arbitration; business courses related to practice of real estate appraisal; construction estimating; land use planning; zoning and taxation; management, leasing, brokerage, timesharing; property development; State law and rules governing the practice of real estate appraising; real estate appraisal (valuation/evaluations), law, litigation, financing and investment; real estate appraisal related computer applications; real estate securities and syndication; real property exchange; green building; seller concessions; and developing

opinions on real estate value in appraisals that also include personal property and/or business value.

- b) The Board shall approve only such continuing education programs as are available and advertised on a reasonably nondiscriminatory basis to all real estate appraisers in the State.
- c) The Board may revoke approval of those continuing education activities and course topics deemed by the Board to no longer be consistent with the purpose of continuing education.

### **13:40A-5.7 SOURCES OF CONTINUING EDUCATION**

- a) The licensee or certificate holder may obtain continuing education credits for the following:
  - 1) Training programs offered by State or Federal agencies or commissions;
  - 2) Educational programs provided during trade organization conferences;
  - 3) Colleges or universities accredited by the New Jersey Commission on Higher Education or any state accrediting agency approved by the Board; community or junior colleges accredited by the New Jersey Commission on Higher Education; proprietary schools;
  - 4) Seminars offered by real estate appraisal or real estate related organizations;
  - 5) Seminars offered by vendors of commercial products, provided that at least one other commercial vendor from a different company participates in the seminar;
  - 6) Participation, other than as a student, in appraisal education processes and programs, as approved by the Board.
    - i) Examples of activities for which credit may be granted include teaching appraisal courses, developing appraisal programs, authoring appraisal textbooks or articles, or participating in other like activities deemed by the Board to be equivalent to obtaining continuing education.
    - ii) No more than one-half of the total hours of credit required per biennial renewal cycle may be awarded for activities qualifying under this paragraph;

- 7) Courses approved for initial certification and licensing; and
  - 8) Distance learning courses on qualifying topics where a written, proctored examination is required. The term "written" refers to an examination that might be written on paper or administered electronically on a computer workstation or other device.
- b) The award of credit is subject to Board approval of the course offering either prior to filing the renewal application or upon submission of documentation required pursuant to N.J.A.C. 13:40A-5.8 at the time of license or certification renewal.

### **13:40A-5.8 REQUIRED DOCUMENTATION**

- a) A licensee or certificate holder shall retain documentation for at least four years of the continuing education hours which the licensee or certificate holder completes in order to verify program attendance and/or activity completion. Each licensee or certificate holder shall submit such documentation to the Board upon request. The Board shall review the records of the licensees and/or certificate holders from time to time, on a random basis, to determine compliance with continuing education requirements.
- b) Documentation of continuing education requirements shall consist of the following:
- 1) For courses, seminars and training programs approved by the Board, the licensee or certificate holder shall be required to maintain a "Uniform Continuing Education Form" or other form acceptable to the board signed and dated by both the applicant and the course instructor(s), attesting that the licensee or certificate holder attended an approved continuing education offering. The licensee or certificate holder shall list the continuing education completed during the biennial licensing period on the Board-provided renewal application.
  - 2) For participation other than as a student in appraisal education processes or programs:
    - i) A written request for continuing education credit which shall include at least the following information:
      - (1) A description of the activities for which credit is sought;
      - (2) The number of credits sought;
      - (3) The time spent on such activities;



- (4) The reasons the applicant believes such activities meet the Board's continuing education requirements; and
  - (5) Any further information as may be requested by the Board;
- ii) For publication of a book or an article in a professional journal, submission of the book or article;
- iii) For teaching or research appointments, a statement of appropriate school authority verifying the appointment and a statement of the subject matter to be taught or the nature of the research to be performed.
- c) For courses, seminars or training programs which have not been pre-approved by the Board:
  - 1) A copy of the course description and/or outline; and
  - 2) A completed "Uniform Continuing Education Form" or other certified form acceptable to the Board or a signed and dated certification, from both the applicant and course instructor(s), attesting that the applicant attended the course listed and satisfactorily completed all course requirements.
- d) Falsification of any information submitted with the renewal application may result in penalties and/or the suspension or revocation of a license or certification.
- e) A licensed and certified appraiser shall be required to maintain records pertaining to his or her continuing education for at least four years from the date the course or seminar was taken.

### **13:40A-5.9 RESPONSIBILITIES OF CONTINUING EDUCATION PROVIDERS**

- a) All providers of continuing education courses shall:
  - 1) Secure Board approval prior to advertising or otherwise representing that any course is approved for continuing education credit in New Jersey;
  - 2) Submit, on forms provided by the Board, for each course for which appraisal is sought, the following for evaluation by the Board;
    - i) A detailed description of course content and estimated hours of instruction;

- ii) Any printed material describing the course;
  - iii) A description of the method used to monitor attendance and the policy for making up missed classes;
  - iv) A curriculum vitae of the instructor(s), including information concerning the specific background which qualifies the instructor to teach the particular course offering;
  - v) Any additional information as may be requested by the Board;
  - vi) The name of the instructor(s) proposed to teach the course or seminar;
- 3) Monitor the attendance at each approved course; and
- 4) Retain accurate records of attendance for a four-year period and shall submit such documentation to the Board upon request.

### **13:40A-5.10 EXTENSIONS**

- a) An applicant for biennial renewal may not obtain an extension of time within which to satisfy continuing education requirements, except where a deferral is authorized pursuant to the Real Property Appraiser Qualification Criteria and Interpretations of the Criteria, effective January 1, 2008, as promulgated by the AQB of the Appraisal Foundation as amended and supplemented and incorporated herein by reference as part of this rule and can be found at [http://www.appraisalfoundation.org/s\\_appraisal/bin.asp?CID=117&DID=287&DOC=FILE.PDF](http://www.appraisalfoundation.org/s_appraisal/bin.asp?CID=117&DID=287&DOC=FILE.PDF).
- b) If, upon application by a credential holder, the Board determines that an applicant for biennial renewal is not able to satisfy continuing education requirements for the preceding cycle due to extenuating circumstances, the credential holder shall be placed in inactive status for a period of up to 90 days pending completion of all continuing education requirements, as set forth in the Real Property Appraiser Qualification Criteria and Interpretations of the Criteria, as promulgated by the AQB of the Appraisal Foundation, as amended and supplemented and incorporated herein by reference as part of this rule.

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## **SUBCHAPTER 6. STANDARDS FOR APPRAISALS**

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### **13:40A-6.1 GENERAL REQUIREMENTS**

- a) The appraiser shall ensure that all appraisals shall, at a minimum conform to the Uniform Standards of Professional Appraisal Practice (USPAP) in effect on the date on which the appraisal was prepared, which standards are incorporated herein by reference.
- b) An appraiser's failure to comply with the provisions of USPAP may be construed to be professional misconduct in violation of N.J.S.A. 45:1-21(e).

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## **SUBCHAPTER 7. GENERAL PROVISIONS**

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### **13:40A-7.1 FEE SCHEDULE**

- a) Charges for credentialing, certification, licensure, registration, and other services are as follows:
  - 1) Application fee:
    - i) Certified General Real Estate Appraiser..... \$125.00
    - ii) Certified Residential Real Estate Appraiser..... \$100.00
    - iii) Licensed Real Estate Appraiser ..... \$75.00
    - iv) Appraisal management company.....\$250.00
  - 2) Credentialing fee:..... \$125.00
  - 3) Initial certification fee, general real estate appraiser:
    - i) During the first year of a biennial renewal period..... \$550.00
    - ii) During the second year of a biennial renewal period ..... \$275.00
  - 4) Initial certification fee, residential real estate appraiser:

- i) During the first year of a biennial renewal period..... \$550.00
- ii) During the second year of a biennial renewal period ..... \$275.00
- 5) Initial license fee:
  - i) During the first year of a biennial renewal period..... \$550.00
  - ii) During the second year of a biennial renewal period ..... \$275.00
- 6) Certification renewal fee for general real estate appraiser, biennial .... \$550.00
- 7) Certification renewal fee for residential real estate appraiser, biennial \$550.00
- 8) License renewal fee, biennial..... \$550.00
- 9) Late renewal fee: ..... \$100.00
- 10) Temporary visiting registration fee ..... \$150.00
- 11) Reciprocity Application fee:..... \$75.00
- 12) Reinstatement fee:..... \$150.00
- 13) Duplicate wall certificate fee: ..... \$40.00
- 14) Duplicate registration certificate fee: ..... \$25.00
- 15) Change of name or address fee: ..... \$25.00
- 16) Verification of certification/licensure: ..... \$40.00
- 17) Verification of continuing education credits: ..... \$40.00
- 18) Federal surcharge, biennial:..... \$80.00
- 19) Trainee permit fee; annual: ..... \$100.00
- 20) Initial registration fee, appraisal management company:

- i. During the first year of the biennial period.....\$2,500
- ii. During the second year of the biennial period.....\$1,250
- 21) Biennial registration renewal fee, appraisal management company.....\$2,500

### **13:40A-7.2 DISCLOSURE OF TITLE AND CERTIFICATE OR LICENSE NUMBER**

An appraiser shall include on all appraisal reports, at the place wherever the appraiser's signature appears, the appraiser's designation and state license or certification number. The appraiser shall use only the designations permitted pursuant to N.J.A.C. 13:40A-7.3.

### **13:40A-7.3 USE OF DESIGNATIONS AND ABBREVIATIONS**

- a) The following shall apply in connection with the use of designations and abbreviations on appraisal reports or in any advertisement or public representation:
  - 1) Individuals holding a current valid real estate appraiser certificate or license may use only the following designations and abbreviations to indicate the type of certificate or license held:

<b>Permissible Designation</b>	<b>Permissible Abbreviation</b>
State Certified General Real Estate Appraiser	SCGREA
State Certified Residential Real Estate Appraiser	SCRREA
State Licensed Real Estate Appraiser	SLREA

- 2) Abbreviations shall appear in capital letters, without a period or space after each letter, and shall not be in type or lettering larger than the individual's name.
- 3) A certified or licensed appraiser shall use his or her designation or abbreviation only in conjunction with his or her name and not in conjunction with the name of a firm, corporation or partnership. For example, a firm, corporation or partnership shall not be identified as being certified or licensed.
- 4) An individual who is not certified or licensed pursuant to the Real Estate Appraisers Act, N.J.S.A. 45:14F-1 et seq., and this chapter shall not use the designations or abbreviations set forth in (a)1 above or any other designation or abbreviation using similar combinations of words or letters to imply that the individual is state certified or licensed.

- 5) A certified or licensed appraiser shall not permit his or her name and designation to be used on an appraisal where the appraiser has not participated in the appraisal pursuant to the Uniform Standards of Professional Appraisal Practice.
- 6) Trainee real estate appraisers shall use the full designation "trainee real estate appraiser" followed by their permit number. No abbreviation shall be permitted.

#### **13:40A-7.4 CRITERIA FOR QUALIFYING EDUCATION INSTRUCTOR AND USPAP INSTRUCTORS**

- a) An individual applying to be an instructor of qualifying education courses shall, at a minimum, have one of the following requirements:
  - 1) A baccalaureate degree in any field and three years of experience directly related to the subject matter to be taught;
  - 2) A master's degree in any field and one year of experience directly related to the subject matter to be taught;
  - 3) A masters or higher degree in a field that is directly related to the subject matter to be taught;
  - 4) Five years of real estate appraisal teaching experience directly related to the subject matter to be taught; or
  - 5) Seven years of real estate appraisal experience directly related to the subject matter to be taught.
- b) Instructors for qualifying education, with an appraisal license or certification, shall be in good standing.
- c) Approvals to teach as an instructor of qualifying education courses shall be issued by the Board for two year periods and shall be renewed biennially upon submission by the instructor of an application for re-approval.
- d) Instructors for qualifying education who teach either full time or part time as part of the faculty staff at colleges, universities, community colleges, or junior colleges accredited by the Commission on Higher Education or any real estate appraisal or real estate related organizations that are sponsors of the Appraisal Foundation need not satisfy the criteria set forth in (a) above. Adjunct instructors shall not qualify for this exemption and shall satisfy the criteria in (a) above in order to qualify as an instructor of education courses.

- e) Instructors for USPAP courses shall be required to satisfy the USPAP instructor criteria as established by "The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" as promulgated by the AQB of the Appraisal Foundation as amended and supplemented, which are incorporated herein by reference as part of this rule.

### **13:40A-7.5 MIXED PRACTICE; CONFLICT OF INTEREST**

- a) For the purposes of this section, "real estate licensee" means any natural person licensed as a real estate broker, broker-salesperson or salesperson pursuant to N.J.S.A. 45:15-1et seq. and "transaction" means the buying, selling, leasing, mortgaging, auctioning or exchanging of real estate.
- b) A real estate appraiser, who is also a real estate licensee or who is employed as an appraiser by a licensed real estate broker, shall not prepare an appraisal upon a property while:
  - 1) The real estate appraiser also is acting in the capacity of a real estate licensee for any party with respect to any transaction involving the property to be appraised;
  - 2) The employing broker of the real estate appraiser is acting as a real estate licensee for any party with respect to any transaction involving the property to be appraised; or
  - 3) Any real estate licensee who is working for the employing broker of the real estate appraiser acts as a real estate licensee for any party with respect to such transaction.
- c) The prohibitions listed in (b) above shall continue until the transaction closes.
  - 1) A sale or buy transaction is considered closed at the time the closing has been completed and title has passed from the seller to the buyer;
  - 2) A lease transaction is considered closed at the time the lease is fully executed and delivered to the parties or, if there is no written lease, at the time of occupancy of the leased premises by the tenant;
  - 3) A mortgage transaction is considered closed at the time a mortgage document is executed by the mortgagor and delivered to the mortgagee; and
  - 4) An exchange is considered closed at the time the closing has been completed and title has passed between the parties.

- d) Notwithstanding (b) above, this section shall not be construed to preclude a real estate appraiser who is also a real estate licensee, acting in the capacity of a real estate licensee, from giving or offering to give, for a fee or otherwise, counsel and advice on the pricing, listing, selling, renting and use of real property, directly to a property owner or prospective purchaser if the intended use of the counsel or advice is solely for the individual knowledge of or use by the property owner or prospective purchaser or lessee and not by any third party. When providing such counsel or advice, the licensed real estate appraiser, acting in the capacity of a real estate licensee, shall disclose, in writing, to the property owner or prospective purchaser or lessee that such counsel and advice is not a "certified appraisal" or a "licensed appraisal."

### **13:40A-7.6 LICENSE OR CERTIFICATION RENEWAL**

- a) The Board shall send a notice of renewal to each licensee or certificate holder, at least 60 days prior to the expiration of the license or certification. The notice of renewal shall explain inactive renewal and advise the licensee or certificate holder of the option to renew as inactive. If the notice to renew is not sent 60 days prior to the expiration date, no monetary penalties or fines shall apply to the licensee or certificate holder for failure to renew provided that the license or certification is renewed within 60 days from the date the notice is sent or within 30 days following the date of license or certification expiration, whichever is later.
- b) A licensee or certificate holder shall renew his or her license or certification for a period of two years from the last expiration date. The licensee or certificate holder shall submit a renewal application to the Board, along with the renewal fee set forth in N.J.A.C. 13:40A-7.1, prior to the date of license or certification expiration.
- c) A licensee or certificate holder may renew his or her license or certification by choosing inactive status. A licensee or certificate holder electing to renew his or her license or certification as inactive shall not engage in the practice of real estate appraising, or hold himself or herself out as eligible to engage in the practice of real estate appraising in New Jersey, until such time as the license or certification is returned to active status.
- d) If a licensee or certificate holder does not renew the license or certification prior to its expiration date, the licensee or certificate holder may renew the license or certification within 30 days of its expiration by submitting a renewal application, a renewal fee, and a late fee as set forth in N.J.A.C. 13:40A-7.1. During this 30-day period, the license or certification shall be valid and the licensee or certificate holder shall not be deemed practicing without a license or certification, as applicable.
- e) A licensee or certificate holder who fails to submit a renewal application within 30 days of license or certification expiration shall have his or her license or certification suspended without a hearing.



- f) A licensee or certificate holder who continues to engage in the practice of real estate appraising with a suspended license or certification shall be deemed to be engaging in the unauthorized practice of real estate appraising and shall be subject to action consistent with N.J.S.A. 45:1-14 et seq., even if no notice of suspension has been provided to the individual.

### **13:40A-7.7 LICENSE OR CERTIFICATION REACTIVATION**

- a) A licensee or certificate holder who holds an inactive license or certification pursuant to N.J.A.C. 13:40A-7.6(c) may apply to the Board for reactivation of the inactive license or certification. A licensee or certificate holder seeking reactivation of an inactive license or certification shall submit:
  - 1) A renewal application;
  - 2) A certification of employment listing each job held during the period of the inactive license or certification, which includes the names, addresses, and telephone number of each employer;
  - 3) The renewal fee for the biennial period for which reactivation is sought as set forth in N.J.A.C. 13:40A-7.1; and
  - 4) Evidence of having completed all continuing education credits for the current biennial registration period which were required to be completed within two years prior to the beginning of the renewal period for which reactivation is sought, consistent with the requirements set forth in N.J.A.C. 13:40A-5.
    - i. An applicant who holds a valid, current license or certification in good standing issued by another state to engage in the practice of real estate appraising and submits proof of having satisfied that state's continuing education requirements for that license or certification during the biennial period immediately prior to the renewal period for which reactivation is sought, shall be deemed to have satisfied the requirements of subsection (a)4. If the other state does not have any continuing education requirements, the requirements of (a)4 apply.
- b) If a Board review of an application establishes a basis for concluding that there may be practice deficiencies in need of remediation prior to reactivation, the Board may require the applicant to submit to and successfully pass an examination or an assessment of skills, a refresher course, or other requirement(s) as determined by the Board prior to

reactivation of the license or certification. If the examination or assessment identifies deficiencies or educational needs, the Board may require the applicant, as a condition of reactivation of licensure or certification, to take and successfully complete any education or training or to submit to any supervision, monitoring, or limitations, as the Board determines are necessary to assure that the applicant practices with reasonable skill. The Board in its discretion may restore the license or certification subject to the applicant's completion of the training within a period of time prescribed by the Board following the restoration of the license or certification. In making its determination whether there are practice deficiencies requiring remediation, the Board shall consider the following, but not limited to:

- 1) Length of duration license or certification was inactive;
- 2) Employment history;
- 3) Professional history;
- 4) Disciplinary history and any action taken against the applicant's license or certification by any licensing board;
- 5) Actions affecting the applicant's privileges taken by any institution, organization, or employer related to the practice of real estate appraising or other professional or occupational practice in New Jersey, any other state, the District of Columbia or in any other jurisdiction;
- 6) Pending proceedings against a professional or occupational license or certification issued to the licensee or certificate holder by a professional board in New Jersey, any other state, the District of Columbia, or in any other jurisdiction; and
- 7) Civil litigation related to the practice of real estate appraising or other professional or occupational practice in New Jersey, any other state, the District of Columbia or in any other jurisdiction.

### **13:40A-7.8 LICENSE OR CERTIFICATION REINSTATEMENT**

- a) A licensee or certificate holder who has had his or her license suspended pursuant to N.J.A.C 13:40A-7.6(e) above may apply to the Board for reinstatement. A licensee or certificate holder applying for reinstatement shall submit:

- 1) A reinstatement application;
- 2) A certification of employment listing each job held during the period of suspended license or certification, which includes the names, addresses, and telephone number of each employer;
- 3) The renewal fee for the biennial period for which reinstatement is sought;
- 4) The past due renewal fee for the biennial period immediately preceding the renewal period for which reinstatement is sought;
- 5) The reinstatement fee set forth in N.J.A.C. 13:40A-7.1; and
- 6) Evidence of having completed all continuing education credits for the current biennial registration period which were required to be completed during the biennial period immediately prior to the renewal period for which reinstatement is sought, consistent with the requirements set forth in N.J.A.C. 13:40A-5.
  - i. An applicant who holds a valid, current license or certification in good standing issued by another state to engage in the practice of real estate appraising and submits proof of having satisfied that state's continuing education requirements for that license or certification, shall be deemed to have satisfied the requirements of subsection (a)6. If the other state does not have any continuing education requirements, the requirements of (a)6 above shall apply.
  - b) If a Board review of an application establishes a basis for concluding that there may be practice deficiencies in need of remediation prior to reinstatement, the Board may require the applicant to submit to and successfully pass an examination or an assessment of skills, a refresher course, or other requirements as determined by the Board prior to reinstatement of the license or certification. If that examination or assessment identifies deficiencies or educational needs, the board may require the applicant as a condition of reinstatement of licensure to take and successfully complete any education or training or to submit to any supervision, monitoring, or limitations, as the Board determines are necessary to assure that the applicant practices with reasonable skill. The Board in its discretion may restore the license or certification subject to the applicant's completion of the training within a period of time prescribed by the Board following the restoration of the license or certification. In making its determination whether there are practice deficiencies requiring remediation, the Board shall consider the following, but not limited to:
    - 1) Length of duration license or certification was suspended;

- 2) Employment history;
- 3) Professional history;
- 4) Disciplinary history and any action taken against the applicant's license or certification by any licensing board;
- 5) Actions affecting the applicant's privileges taken by any institution, organization, or employer related to the practice of real estate appraising or other professional or occupational practice in New Jersey, any other state, the District of Columbia or in any other jurisdiction;
- 6) Pending proceedings against a professional or occupational license or certification issued to a licensee or certificate holder by a professional board in New Jersey, any other state, the District of Columbia, or in any other jurisdiction; and
- 7) Civil litigation related to the practice of real estate appraising or other professional or occupational practice in New Jersey, any other state, the District of Columbia or in any other jurisdiction.

#### **13:40A-7.9 DENIAL OR REVOCATION OF LICENSE, CERTIFICATION, OR REGISTRATION; RECORD OF CONVICTION OF CERTAIN CRIMES**

- a) An applicant for licensure, certification, or registration shall not be eligible for licensure, certification, or registration, and any holder of a license, certification, or registration shall have his or her license, certification, or registration revoked if the Board determines that criminal history record information exists on file in the Federal Bureau of Investigation, Identification Division, or in the State Bureau of Identification in the Division of State Police, which would disqualify that individual from being licensed, certified, or registered.
- b) An applicant or a holder of a license, certification, or registration shall be disqualified from licensure, certification, or registration if that individual's criminal history record check reveals a record of conviction of any of the following crimes and offenses:
  - 1) In New Jersey, any crime or disorderly persons offense during the five-year period immediately prior to the date of the application or renewal, or any crime more than five years prior to the date of the application or renewal:

- i. Involving danger to the person, meaning those crimes and disorderly persons offenses set forth in N.J.S.A. 2C:11-1 et seq., 2C:12-1 et seq., 2C:13-1 et seq., 2C:14-1 et seq., or 2C:15-1 et seq.; or
  - ii. Involving theft as set forth in Chapter 20 of Title 2C of the New Jersey Statutes, forgery and fraudulent practices as set forth in Chapter 21 of Title 2C of the New Jersey Statutes, including, but not limited to, money laundering as set forth in N.J.S.A. 2C:21-25, or perjury and other falsification in official matters as set forth in Chapter 28 of Title 2C of the New Jersey Statutes; or
  - iii. Involving any controlled dangerous substances or controlled dangerous substances analog as set forth in Chapter 35 of Title 2C of the New Jersey Statutes except as set forth in paragraph (4) of subsection a of N.J.S.A. 2C:35-10.
- 2) In any other state or jurisdiction, conduct which, if committed in New Jersey, would constitute any of the crimes or disorderly persons offenses described in (b)1 above. This is deemed to include convictions for bank fraud, wire fraud, or conspiracy to commit bank fraud or wire fraud.
- 3) For purposes of this subsection, a judgment of conviction or a plea of guilty, non vult, nolo contendere, or any other such disposition of alleged criminal activity shall be deemed a conviction.
- c) Notwithstanding the provisions of (b) above, no individual shall be disqualified from licensure, certification, or registration on the basis of any conviction disclosed by a criminal history record check, other than a conviction for a crime during the five-year period immediately prior to the date of the application or renewal or a crime enumerated in (b)1ii above, if the individual has affirmatively demonstrated to the Board clear and convincing evidence of rehabilitation. In determining whether an individual has affirmatively demonstrated rehabilitation, the following factors shall be considered:
  - 1) The nature and responsibility of the position which the convicted individual would hold;
  - 2) The nature and seriousness of the offense;
  - 3) The circumstances under which the offense occurred;
  - 4) The date of the offense;

- 5) The age of the individual when the offense was committed;
  - 6) Whether the offense was an isolated or repeated incident;
  - 7) Any social conditions which may have contributed to the offense; and
  - 8) Any evidence of rehabilitation, including good conduct in prison or in the community, counseling or psychiatric treatment received, acquisition of additional academic or vocational schooling, successful participation in correctional work-release programs, or the recommendation of persons who have had the individual under their supervision.
- d) The Board may refuse to admit a person to an examination or may refuse to issue or may suspend or revoke any certificate or license issued by the Board upon proof that the applicant or holder of such certificate or license:
- 1) Has obtained a certificate, license or authorization to sit for an examination, as the case may be, through fraud, deception, or misrepresentation;
  - 2) Has engaged in the use or employment of dishonesty, fraud, deception, misrepresentation, false promise or false pretense;
  - 3) Has engaged in gross negligence, gross malpractice or gross incompetence which damaged or endangered the life, health, welfare, safety or property of any person;
  - 4) Has engaged in repeated acts of negligence, malpractice or incompetence;
  - 5) Has engaged in professional or occupational misconduct as may be determined by the Board;
  - 6) Has been convicted of, or engaged in acts constituting, any crime or offense involving moral turpitude or relating adversely to real estate appraising. For the purposes of this subsection a judgment of conviction or a plea of guilty, non vult, nolo contendere or any other such disposition of alleged criminal activity shall be deemed a conviction;
  - 7) Has had the authority to engage in real estate appraising revoked or suspended by any other state, agency, or certifying authority for reasons consistent with this section;

- 8) Has violated or failed to comply with the provisions of any statute or regulation administered by the Board;
- 9) Is incapable for medical or any other good cause, of discharging the functions of a licensee or certificate holder in a manner consistent with the public's health, safety and welfare;
- 10) Has violated any provision of P.L. 1983, c.320 (N.J.S.A. 17:33A-1 et seq.) or any insurance fraud prevention law or act of another jurisdiction or has been adjudicated, in civil or administrative proceedings, of a violation of P.L. 1983, c.320 (N.J.S.A. 17:33A-1 et seq.) or has been subject to a final order, entered in civil or administrative proceedings, that imposed civil penalties under that act against the applicant or holder;
- 11) Is presently engaged in drug or alcohol use that is likely to impair the ability to practice the profession or occupation with reasonable skill and safety. For purposes of this subsection, the term "presently" means at this time or any time within the previous 365 days;
- 12) Has permitted an unlicensed person or entity to perform an act for which a license or certification is required by the Board, or aided and abetted an unlicensed person or entity in performing such an act; or
- 13) Advertised fraudulently in any manner.

#### **13:40A-7.10 DISCIPLINED LICENSEES OR CERTIFICATE HOLDERS; PROHIBITED ACTIVITIES**

- a) When used in this section, "steps of the valuation process", means any and all work performed by or at the direction of an individual including, but not limited to, the gathering of any data from which to extract information and market trends, the analysis of data, such as sales, cost, and income data pertaining to a property being appraised, and the reconciliation of the data to form a value conclusion.
- b) No later than the effective date of a suspension, revocation or voluntary surrender, any suspended or revoked licensee or certificate holder, or any licensee or certificate holder who has agreed to a voluntary surrender of his or her license or certificate, to be deemed a revocation, shall immediately forward the original license or certification to the Board office located at Post Office Box 45032, 124 Halsey Street, Third Floor, Newark, New Jersey 07101. With respect to suspensions of a finite term, at the conclusion of the term, the licensee or certificate holder may contact the Board office for the return of the documents previously surrendered to the Board.

- c) Any licensed or certified appraiser who is under active disciplinary suspension pursuant to a Board order or consent agreement, or whose license or certification has been revoked or surrendered, shall cease and desist from engaging in the practice of real estate appraising in all respects, and shall refrain from engaging in any work or activities, including any of the steps of the valuation process, in connection with any appraisal assignment for real estate located in the State of New Jersey. No suspended or revoked licensee or certificate holder shall charge, receive or share in any fee for professional services rendered by himself or herself or others while barred from engaging in real estate appraising. The licensee may be compensated for the reasonable value of services lawfully rendered and disbursements incurred prior to the effective date of the Board action. Failure to comply with this provision shall be deemed professional misconduct.
- d) Any New Jersey licensed or certified real estate appraiser who assists a suspended or revoked real estate appraiser in the performance of steps in the valuation process or employs or provides payment for services in any capacity rendered by any suspended or revoked real estate appraiser, whether payment is made to the appraiser as an employee or as an independent contractor, shall be deemed to have aided and abetted unlicensed or uncertified practice pursuant to N.J.S.A. 45:1-21 (n), and to have engaged in professional misconduct pursuant to N.J.S.A. 45:1-21(e).
- e) Any payment made to or received by a suspended or revoked licensee or certificate holder by any New Jersey licensed or certified real estate appraiser will be presumed to be related to the practice of real estate appraising, unless the licensee or certificate holder or suspended or revoked licensee or certificate holder can affirmatively demonstrate by clear and convincing evidence that the moneys were unrelated to the practice of real estate appraising.
- f) Any Board licensee or certificate holder who has been subject to any of the following actions by the Department of Housing and Urban Development (HUD) shall be deemed to have engaged in professional misconduct pursuant to N.J.S.A. 45:1-21(e), as well as pursuant to N.J.S.A. 45:1-21(g): a debarment, a limited denial of participation, a suspension, as defined by 24 C.F.R. § 24.105; or a removal from the HUD's FHA Appraiser Roster pursuant to 24 C.F.R. 200.204, and accordingly, may be subject to sanction pursuant to N.J.S.A. 45:1-21 or N.J.S.A. 45:1-22.

### **13:40A-7.11 NOTIFICATION OF CHANGE OF ADDRESS; SERVICE OF PROCESS**

- a) Every licensee, certificate holder, and registrant shall give notice to the Board of any change of his or her address of record within 10 days of such change. For purposes of this section "address of record" means an address designated by a licensee, certificate holder, or registrant that is part of the public record and that may be disclosed upon request. "Address of record" may be a licensee, certificate holder, or registrant's home,



business, or mailing address, but shall not be a post office box, unless the licensee, certificate holder, or registrant also provides another address which includes a street, city, state, and zip code.

- b) Service of an administrative complaint or other process initiated by the Board, the Attorney General, or the Division of Consumer Affairs at the licensee's, certificate holder's, or registrant's address of record shall be deemed adequate notice.

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## **SUBCHAPTER 8. CERTIFICATION OR LICENSURE BY RECIPROCITY**

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### **13:40A-8.1 CERTIFICATION OR LICENSURE BY RECIPROCITY**

- a) Upon receipt of a completed application, application fee, consent to a criminal history record background check, and requisite fee for such a check, the Board shall issue a real estate appraiser license or certification to any person who documents that the person holds a valid, current corresponding license or certification in good standing issued by another state, if:
  - 1) The Board determines that the state that issued the license or certification at the time of issuance meets or exceeds the minimum qualification criteria established by the Appraisal Qualifications Board of the Appraisal Foundation and the standards for licensure and certification as set forth in this chapter; and
  - 2) The requirements of subsection (b) are satisfied.
- b) Prior to the issuance of the license or certification, the Board shall have received:
  - 1) Documentation reasonably satisfactory to the Board that the applicant's license or certification in the other state is in good standing;
  - 2) The results of a criminal history record background check of the files of the Criminal Justice Information Services Division in the Federal Bureau of Investigation and the State Bureau of Identification in the Division of State Police do not disclose a conviction for a disqualifying crime; and
  - 3) Designation of an agent in this State for service of process, if the applicant is not a State resident and does not have an office in this State.
- c) For purposes of this section, "good standing" means that:

- 1) No action has been taken against the applicant's license or certification by any licensing board;
  - 2) No action adversely affecting the applicant's privileges to practice real estate appraising has been taken by any out-of-State institution, organization, or employer;
  - 3) No disciplinary proceeding is pending that could affect the applicant's privileges to practice real estate appraising;
  - 4) All fines levied by any out-of-State board have been paid; and
  - 5) There is no pending or final action by any criminal authority for violation of law or regulation, or any arrest or conviction for any criminal or quasi-criminal offense under the laws of the United States, New Jersey, or any other state, including but not limited to: criminal homicide; aggravated assault; sexual assault, criminal sexual contact, or lewdness; or any offense involving any controlled dangerous substance or controlled dangerous substance analog.
- d) For purposes of this section, a "substantially equivalent" examination need not be identical to the current examination requirements of this State, but such examination shall be nationally recognized and of comparable scope and rigor.
- e) The Board, after the licensee has been given notice and an opportunity to be heard, may revoke any license or certification based on a license or certification issued by another state obtained through fraud, deception, or misrepresentation.

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## **SUBCHAPTER 9. APPRAISAL MANAGEMENT COMPANIES**

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### **13:40A-9.1 PURPOSE AND SCOPE**

- a) The rules in this subchapter implement the provisions of the Appraisal Management Company Registration and Regulation Act, P.L. 1991, c. 68, as amended and supplemented by P.L. 1997, c. 401 and P.L. 2017, c. 72 (N.J.S.A. 45:14F-27 et seq.).
- b) Except as provided in (c) below, the provisions of this subchapter shall apply to an appraisal management company in accordance with 12 U.S.C. § 3353.
- c) The provisions of this subchapter shall not apply to:
  1. An employee relocation management company in the course of employee relocation pursuant to its relocation policy; or

2. A person or entity that exclusively employs appraisers on an employer and employee basis for the performance of appraisals for a variety of clients or intended uses of the appraisal other than mortgage lending consumer credit transactions secured by a consumer's principal dwelling.

d) The Board incorporates herein by reference, as amended and supplemented, the appraiser independence standards established under section 1639e of the Federal Truth in Lending Act, Pub. L. 90-321 (15 U.S.C. § 1639e), including:

1. The requirements for payment of customary and reasonable compensation to fee appraisers when the appraisal management company is providing services for a consumer credit transaction secured by the principal dwelling of a consumer; and

2. All necessary enforcement and remedies available under the Federal Truth in Lending Act, Pub. L. 90-321 (15 U.S.C. §§ 1601 et seq.).

### **13:40A-9.2 DEFINITIONS**

The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise:

“Act” means the Appraisal Management Company Registration and Regulation Act, N.J.S.A. 45:14F-27 et seq. (P.L. 2017, c. 72).

“Administrative quality control examination” means an examination of an appraisal report for compliance and completeness, including grammatical, typographical, or other similar errors, which may be performed by a person who is not a State-certified or licensed real estate appraiser, but which shall not include unbiased analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interests in, or aspects of, real estate, or any similar function of appraisal practice, including, but not limited to, those functions in the performance of an appraisal review.

“Affiliate” means any company that controls, is controlled by, or is under common control of another company.

“AMC National Registry” means the registry of state-registered appraisal management companies and Federally regulated appraisal management companies maintained by the Appraisal Subcommittee.

“Appraisal” or “real estate appraisal” means the same as that term is defined at N.J.S.A. 45:14F-2, and shall be specifically construed to include appraisal reviews performed by, for, and on behalf of an appraisal management company.

“Appraisal management company” or “AMC” means a person that:

1. Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;
2. Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and
3. Within a 12-month calendar year, oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in New Jersey or 25 or more state-certified or state-licensed appraisers in two or more states. For purposes of this definition, the Board will determine the number of state-certified or state-licensed appraisers that are deemed part of the appraisal panel consistent with the provisions of N.J.A.C. 13:40A-9.3.

An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

“Appraisal management services” means one or more of the following:

1. Recruiting, selecting, and retaining appraisers;
2. Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;
3. Managing the process of having an appraisal performed, including providing administrative services, such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

#### 4. Reviewing and verifying the work of appraisers.

“Appraisal review” means the act or process of developing and communicating an opinion about the quality of another appraiser’s work that was performed as part of an appraisal assignment related to the appraiser’s data collection, analysis, opinions, conclusions, estimate of value, or compliance with the Uniform Standards of Professional Appraisal Practice. This term does not include:

1. A general examination for grammatical, typographical, or other similar errors; or
2. A general examination for completeness, including regulatory or client requirements as specified in the agreement process that does not communicate an opinion of value.

“Appraiser” means a State-certified general real estate appraiser, State-certified residential real estate appraiser, or State-licensed real estate appraiser.

“Appraiser panel” means a network, list, or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC’s “appraiser panel” include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions, and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor, if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

“Consumer credit” means credit offered or extended to a consumer primarily for personal, family, or household purposes.

“Controlling person” means:

1. An officer, director, or owner of greater than a 10 percent interest of a corporation, partnership, or other business entity seeking to act as an appraisal management company in this State;

2. An individual employed, appointed, or authorized by an appraisal management company who has the authority to enter into a contractual relationship with other persons for the performance of services requiring registration as an appraisal management company and has the authority to enter into agreements with appraisers for the performance of appraisals; or

3. An individual who possesses, directly or indirectly, the power to direct or cause the direction of the management or policies of an appraisal management company.

“Covered transaction” means any consumer credit transaction secured by the consumer’s principal dwelling.

“Creditor” means:

1. A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments, not including a down payment, and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract; or

2. A person who regularly extends consumer credit if the person extended credit, other than credit subject to the requirements for high cost mortgages set forth at 12 CFR 1026.32, more than five times for transactions secured by a dwelling in the preceding calendar year; if a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

“Dwelling” means a residential structure that contains one to four units, whether or not that structure is attached to real property, including an individual condominium unit, cooperative unit, mobile home, or trailer, if it is used as a residence. A consumer can have only one principal dwelling at any one time; a vacation or other second home is not considered a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer’s principal dwelling within one year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this definition.

“Employee relocation management company” means a business entity whose exclusive business services are not for mortgage purposes, but include the relocation of employees as an agent or contractor for the employer or the employer’s agent for the purposes of determining an anticipated sales price of the residence of an employee being relocated by the employer in the course of its business.

“Federal financial institution regulatory agencies” includes the Consumer Financial Protection Bureau, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, the Office of the Comptroller of the Currency, and the National Credit Union Administration.

“Federally regulated AMC” means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. § 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

“Federally related transaction” means the same as that term is defined pursuant to N.J.S.A. 45:14F-2.

“Federally related transaction regulations” means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Housing Finance Agency, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA), Title XI, 12 U.S.C. §§ 3341 through 3343.

“Person” means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

“Secondary mortgage market participant” means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

**13:40A-9.3 APPRAISER PANEL**

- a) An appraiser is deemed part of the appraisal management company's appraiser panel as of the earliest date on which the appraisal management company:
  - 1) Accepts the appraiser for the appraisal management company's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or
  - 2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for covered transactions or secondary mortgage market participant in connection with covered transactions.
- b) An appraiser who is deemed part of the appraisal management company's appraiser panel pursuant to (a) above is deemed to remain on the panel until the date on which the AMC:
  - 1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or
  - 2) Receives written notice from the appraiser asking to be removed from the appraiser panel or receives written notice of the death or incapacity of the appraiser.
- c) If an appraiser is removed from an appraisal management company's appraiser panel pursuant to (b) above, but the appraisal management company subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the 12 months after the appraiser's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

**13:40A-9.4 REGISTRATION**

- a) Each person that directly or indirectly engages, or attempts to engage, in business as an appraisal management company, or advertises or holds itself out as engaging in or conducting business as an appraisal management company, shall obtain a registration from the Board.
  - 1) The registration requirements in this section shall not apply to an appraisal management company that is owned and controlled by an insured depository institution that is regulated by a Federal financial institution regulatory agency.
- (b) An applicant for registration as an appraisal management company shall pay the application and registration fee set forth at N.J.A.C. 13:40A-7.1 and file an application on a form provided by



the Board. The registration application shall include, but not be limited to, the following information, which shall be certified by the compliance officer of the appraisal management company:

- 1) The name of the entity or individual seeking registration, and the fictitious name or names, if any, under which it does business in any state;
- 2) The business address of the entity or individual seeking registration;
- 3) The telephone number and e-mail address of the entity or individual seeking registration;
- 4) The name and contact information for the individual's or entity's agent for service of process in this State, if the entity or individual is not a corporation that is domiciled in this State;
- 5) The name, address, and contact information for any individual or any corporation, partnership, or other business entity that owns 10 percent or more of the appraisal management company;
- 6) The name, address, and contact information for each controlling person;
- 7) The name, address, e-mail address, and telephone number for one controlling person designated as the main contact for all communication between the appraisal management company and the Board;
- 8) A certification that the entity or individual has a system and process in place to verify that a person being added to the appraiser panel of the appraisal management company holds a license or certification in good standing in this State pursuant to N.J.S.A. 45:14F-1 et seq., and this chapter;
- 9) A certification that the entity or individual requires appraisers completing appraisals, including, but not limited to, appraisals and appraisal reviews, at its request to comply with the Uniform Standards of Professional Appraisal Practice promulgated by the Appraisal Standards Board of the Appraisal Foundation, including the requirements for geographic and product competence;
- 10) A certification that the entity or individual has a system in place to verify that only licensed or certified appraisers are used for Federally related transactions;
- 11) A certification that the entity or individual has a system in place to require that appraisals are conducted independently and free from inappropriate influence and

- coercion as required by the appraisal independence standards established under section 1639e of the Federal Truth in Lending Act, Pub. L. 90-321 (15 U.S.C. § 1639e), including the requirements for payment of customary and reasonable compensation to fee appraisers when the appraisal management company is providing services for a consumer credit transaction secured by the principal dwelling of a consumer;
- 12) A certification, on a form provided by the Board, that the entity maintains a detailed record of each service request that it receives and the name of the appraiser that performs the residential real estate appraisal services for the appraisal management company;
  - 13) For an entity or individual applicant that is not domiciled in this State, an irrevocable Uniform Consent to Service of Process;
  - 14) The type of business organization of the appraisal management company; and
  - 15) For each controlling person or compliance officer who has a license or certification to engage in the practice of real estate appraisal in New Jersey or any other jurisdiction, disclosure of any investigations pending against his or her professional license or certification, and disclosure of any action pending before any employer, association, society, or other professional group related to the practice of real estate appraisal in New Jersey or any other jurisdiction.
- c) Each applicant for registration shall submit a surety bond in the amount of \$25,000, as required pursuant to N.J.S.A. 45:14F-35.
- 1) The surety bond shall be executed by a surety company authorized to transact business in the State of New Jersey, approved by the Department of Banking and Insurance, and be conditioned on the faithful performance of the provisions of the Act.
  - 2) The surety bond shall be for a period of 24 months consistent with the biennial registration period.
- d) Each controlling person of an appraisal management company for registration shall submit the certification and authorization form for criminal history background check, as provided by the Board, and the controlling person's fingerprints as processed by the vendor under contract with the State.
- e) An appraisal management company applying to the Board for registration in this State shall not:

- 1) In whole or in part, directly or indirectly, be owned by any person who has had an appraiser license or certification in this State or in any other state, refused, denied, cancelled, surrendered in lieu of revocation, or revoked; or
  - 2) Be subject to the ownership, control, direction, or authority of, or employ, appoint, or otherwise retain, a controlling person who is not of good moral character, which, for purposes of this paragraph, shall require that such person has not been convicted of, or entered a plea of nolo contendere to, a crime relating to the practice of appraisal or any crime involving financial services, fraud, misrepresentation, or moral turpitude. A controlling person shall not have been convicted of the crimes and offenses as set forth at N.J.A.C. 13:40A-7.9.
- f) Each applicant shall designate one controlling person that will be the designated contact for all communication between the Board and the appraisal management company.
- 1) A controlling person shall not, at any given time, be designated as the designated contact for more than one appraisal management company.
- g) Upon registration, the Board shall issue a unique registration number to each appraisal management company registered in this State.

#### **13:40A-9.5 BIENNIAL RENEWAL**

- a) An appraisal management company registrant shall submit to the Board, on a biennial basis, a renewal application and the renewal fee set forth in N.J.A.C. 13:40A-7.1. A registrant that fails to submit the renewal application within 30 days after the registration expiration shall submit the late renewal fee set forth in N.J.A.C. 13:40A-7.1 in addition to the renewal fee. During this 30-day period, the registration shall be valid and the registrant shall not be deemed engaging in the practice of appraisal management without a registration. A registrant who fails to submit a renewal application within 30 days of registration expiration shall have the registration suspended without a hearing. A registrant that continues to engage in the practice of appraisal management with an expired registration shall be deemed to be engaging in the unauthorized practice of appraisal management and shall be subject to the penalties set forth in N.J.S.A. 45:1-25 et seq.
- b) The Board shall send a notice of renewal to each registrant, at least 60 days prior to the expiration of the registration. If the notice to renew is not sent 60 days prior to the expiration date, no monetary penalty or fines shall apply to the registrant for any unauthorized practice during the period following the permit expiration, not to exceed the number of days short of 60 before the renewal was issued.

**13:40A-9.6 ANNUAL CERTIFICATION; AMC RESPONSIBILITIES**

- a) Each State-registered appraisal management company shall certify to the Board, annually, on a form provided by the Board, that it:
  - 1) Requires appraisers completing appraisals, including appraisal reviews, at its request to comply with the Uniform Standards of Professional Appraisal Practice, including the requirements for geographic and product competence;
  - 2) Has a system in place to verify that only licensed or certified appraisers are used for appraisals covered in this subchapter, including, but not limited to, those performed for Federally related transactions, appraisals pursuant to the provisions of the N.J.S.A. 45:14F-1 et seq., and this chapter;
  - 3) Has a system in place to verify that an individual on the appraiser panel has not had a license or certification as an appraiser refused, denied, cancelled, revoked, or surrendered in lieu of a pending revocation;
  - 4) Has a system in place to require that appraisals are conducted independently and free from inappropriate influence and coercion as required by the appraisal independence standards established under section 1639e of the Federal Truth in Lending Act, Pub. L. 90-321 (15 U.S.C. § 1639e), including the requirements for payment of customary and reasonable compensation to fee appraisers when the appraisal management company is providing services for a consumer credit transaction secured by the principal dwelling of a consumer; and
  - 5) Is in compliance with State laws and rules.
- b) Each State-registered appraisal management company shall certify to the Board, annually, by submission of a statement signed by the appraisal management company, that it maintains a detailed record of each service request that it receives and the name of the appraiser that performs the appraisal for the appraisal management company.
  - 1) Detailed records include, but are not limited to, a copy of:
    - i) The assignment order or service request identifying the end-user client;
    - ii) Each assignment result, including revised reports, addenda, certifications, and any webform communications;
    - iii) Any and all correspondence between the appraisers, the registrant, and any other entity or party related to the assignment;

- iv) Any copy of any quality control review related to the assignment;
  - v) Any review not consistent with a quality control review;
  - vi) All fee schedules maintained and used by the registrant for the purpose of compliance with the provisions of the Truth in Lending Act, Pub. L. 90-321 (15 U.S.C. § 1639e) relating to customary and reasonable fees. The fee schedules shall be definitive in nature; and
  - vii) Any roster of New Jersey active and approved fee panel appraiser vendors, including the name of the appraiser, each appraiser's State credential number, the date the appraiser was placed on the panel, and the date and reason an appraiser was removed from the panel.
- 2) Records shall be retained for a period of at least five years after an appraisal is completed or two years after final disposition of a judicial proceeding related to the assignment, whichever period expires later.
- c) The annual certifications required under this section shall be submitted to the Board by December 31 of each calendar year.
- d) Prior to assigning appraisal orders, an appraisal management company shall have a system in place to verify that a person being added to the appraiser panel holds the appropriate State-issued appraiser credential in good standing.
- e) Each registered appraisal management company shall disclose its Board-issued registration number on all engagement documents presented to the appraiser.

#### **13:40A-9.7 RESPONSIBILITIES OF CERTIFIED OR LICENSED APPRAISER**

- a) Each State-certified or licensed appraiser performing an appraisal assignment, including an appraisal review, for an appraisal management company, shall be responsible to ensure that the conduct of non-appraiser assistance is compatible with the professional responsibilities of the appraiser under Federal and State laws, rules, and regulations, including, but not limited to, conformance with the Uniform Standards of Professional Appraisal Practice.
- 1) Non-appraiser assistance shall include, but not be limited to, administrative quality control reviewers who are agents of, contracted by, employees of, or whose services are otherwise utilized by an appraisal management company, appraiser, or organization.

- b) Each State-certified or licensed appraiser shall include on every appraisal performed pursuant to the Act both the appraisal management company registration number and the amount of the fee received by the appraiser for performance of that appraisal.

### **13:40A-9.8 REMOVAL OF APPRAISER FROM PANEL**

- a) An appraisal management company shall not remove an appraiser from its appraiser panel, or otherwise refuse to assign requests for real estate appraisal services to an appraiser, without:
  - 1) Notifying the appraiser in writing of the reasons why the appraiser is being removed from the appraiser panel of the appraisal management company;
  - 2) Notifying the appraiser of the nature of any alleged conduct or violation, if the appraiser is being removed from the panel for illegal conduct, violation of the Uniform Standards of Professional Appraisal Practice, or a violation of State licensing standards;
  - 3) Providing the appraiser with any evidence, upon which removal is based, including, but not limited to, any appraisal, appraisal review, or appraisal consulting report; and
  - 4) Providing an opportunity for the appraiser to respond to the notification of the appraisal management company.
- b) Any act of a State-certified or licensed real estate appraiser, which constitutes a material violation of the Uniform Standards of Professional Appraisal Practice in the process described in (a) above, shall be considered prima facie evidence of a violation of the ethics requirements under the Uniform Standards of Professional Appraisal Practice.
  - 1) For purposes of this section, "a material violation" is one that is likely to affect the value estimated in any appraisal utilized in this subsection, or any other act that reflects on the professional conduct of the appraiser.
- c) The Board shall not be involved in contractual disputes between an appraisal management company and an individual appraiser.

### **13:40A-9.9 NOTIFICATION TO THE BOARD REGARDING MATERIAL VIOLATION**

- a) An appraisal management company shall inform the Board when the appraisal management company has a reasonable basis to believe that an appraiser has committed a material violation of:
  - 1) The Uniform Standards of Professional Appraisal Practice;

- 2) Applicable laws; or
  - 3) Ethical or professional conduct.
- b) An appraisal management company shall provide the Board with all information in the possession of the appraisal management company in support of any information compiled against an appraiser under this section, including any evidence to support the determination that an appraisal management company has probable cause of a material violation of the Uniform Standards of Professional Appraisal Practice, applicable laws, or ethical or professional conduct.
- c) For purposes of this section, "a material violation" is one that is likely to affect the value assigned to a consumer's principal dwelling.

### **13:40A-9.10 PAYMENT TO APPRAISER**

Each appraisal management company shall, except in bona fide cases of breach of contract or substandard performance of services, make payment to an appraiser for the completion of an appraisal or valuation assignment within 60 days of the date on which the appraiser transmits or otherwise provides the completed appraisal or valuation study to the appraisal management company or its assignee, unless a mutually agreed upon alternate arrangement has been previously established, which agreement shall be considered to be under the appraiser independence requirements of section 1639e of the Federal Truth in Lending Act, Pub. L. 90-321 (15 U.S.C. § 1639e).

### **13:40A-9.11 PROHIBITED ACTS**

- a) No employee, director, officer, agent, independent contractor, or other third-party acting on behalf of an appraisal management company shall:
- 1) Procure or attempt to procure a registration or renewal by knowingly making a false statement, submitting false information, or refusing to provide complete information in response to a question in an application for registration or renewal;
  - 2) Willfully violate N.J.S.A. 45:14F-1 et seq., or this chapter;
  - 3) Improperly influence, or attempt to improperly influence, the development, reporting, result, or a review of an appraisal through intimidation, coercion, extortion, bribery, or any other manner, including:

- i) Withholding payment for appraisal services;
  - ii) Threatening to exclude an appraiser from future work or threatening to demote or terminate in order to improperly obtain a desired result;
  - iii) Conditioning payment of an appraisal fee upon the opinion, conclusion, or valuation to be reached; or
  - iv) Requesting that an appraiser report a predetermined opinion, conclusion, or valuation or the desired valuation of any person or entity;
- 4) Alter, amend, or change an appraisal report submitted by an appraiser without the appraiser's knowledge and written consent;
- 5) Remove an independent appraiser from an appraiser panel without prior written notice to the appraiser, with the prior written notice including evidence of the following, if applicable:
- i) The appraiser's illegal conduct;
  - ii) A violation of the Uniform Standards of Professional Appraiser Practice, the Act, or this chapter;
  - iii) Improper or unprofessional conduct; and
  - iv) Substandard performance or other substantive deficiencies;
- 6) Require an appraiser to sign any indemnification agreement that would require the appraiser to defend and hold harmless the appraisal management company or any of its agents or employees for any liability, damage, losses, or claims arising out of the services performed by the appraisal management company or its agents, employees, or independent contractors and not the services performed by the appraiser;
- 7) Prohibit lawful communications between the appraiser and any other person who the appraiser, in the appraiser's professional judgment, believes possesses information that would be relevant;
- 8) Engage in any other act or practice that impairs or attempts to impair a real estate appraiser's independence, objectivity, and impartiality;



- 9) Fail to timely respond to any subpoena or any other request for information;
  - 10) Fail to timely obey an administrative order of the Board; or
  - 11) Fail to fully cooperate in any investigation.
- b) Except for an individual conducting an administrative quality control examination to each employee of, or independent contractor to, an appraisal management company that performs a USPAP Standard 3 review of an appraisal report on property located in this State shall be an appraiser with the proper level of licensure or certification as required by this chapter.
  - c) An appraisal management company that engages in any of the prohibited acts set forth in (a) above may subject the registrant to denial, suspension, or revocation of registration, or the levying of fines or imposition of civil penalties in accordance with N.J.S.A. 45:14F-49(a).

#### **13:40A-9.12 IMPOSITION, COLLECTION OF FEDERAL FEES; REPORTING REQUIREMENTS**

- a) With respect to reporting requirements for non-Federally regulated appraisal management companies, the Board will collect from each AMC registered, or each AMC seeking to be registered, in the State, the information and fees that the Appraisal Subcommittee requires to be submitted to it by the State.
- b) With respect to reporting requirements for Federally regulated appraisal management companies, a Federally regulated AMC operating in the State shall report to the Board, the information required by the Appraisal Subcommittee to be submitted by the State to the Appraisal Subcommittee. These reporting requirements shall include:
  - 1) A report to the Board on a form prescribed by the Board of the AMC's intent to operate in this State;
  - 2) Information related to whether the AMC is owned in whole or in part, directly or indirectly, by any person who has had an appraiser license or certification refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any state for a substantive cause, as determined by the Appraisal Subcommittee; and
  - 3) If a person has had action taken on his or her appraisal license, the Board shall collect information related to whether the license was revoked for a substantive cause and if it has been reinstated by the state or states in which the appraiser was licensed or certified.

- c) The Board shall collect from a Federally regulated AMC operating in the State, for submission to the Appraisal Subcommittee, the AMC National Registry fee as established in accordance with 12 CFR Part 1102, Subpart E.

Iowa

**REAL ESTATE APPRAISER EXAMINING BOARD[193F]**

**Notice of Intended Action**

**Proposing rule making related to**

**alternative experience pathways and distance education delivery authorizations and providing an opportunity for public comment.**

The Real Estate Appraiser Examining Board hereby proposes to amend Chapter 1, “Organization and Administration,” Chapter 5, “Certified Residential Real Property Appraiser,” Chapter 6, “Certified General Real Property Appraiser,” and Chapter 11, “Continuing Education,” Iowa Administrative Code.

*Legal Authority for Rule Making*

This rule making is proposed under the authority provided in Iowa Code chapter 543D.

*State or Federal Law Implemented*

This rule making implements, in whole or in part, Iowa Code chapter 543D.

*Purpose and Summary*

The purpose of this proposed rule making is to amend Chapters 1, 5, 6, and 11 to adopt the Practical Applications of Real Estate Appraisal (PAREA) program alternative path toward experience credit and to update the rules to match the January 1, 2022, Appraiser Qualifications Board (AQB) criteria regarding distance educational offerings.

*Fiscal Impact*

The cost to attend a PAREA program is unknown at this time. A participant in a PAREA program must complete all qualifying education prior to starting the program, which will require

additional upfront costs that are typically spread out over a year or more during the current supervisory appraiser model. Operating costs are expected to slightly decrease for program providers who no longer need to obtain approval from the International Distance Education Certification Center (IDECC) for offering synchronous courses. None of these costs have been or will be collected by the State; all costs and fees are paid to private entities such as IDECC and course providers such as the Appraisal Institute, McKissock, and the Columbia Institute. PAREA program fees will be paid to the PAREA provider, most likely the Appraisal Institute, Clear Capital, or other private entities.

### *Jobs Impact*

After analysis and review of this rule making, a benefit on jobs has been found. The proposed rule making allows for an alternative experience path into the appraisal profession, thus making it easier for an applicant to become a certified appraiser.

### *Waivers*

Any person who believes that the application of the discretionary provisions of this rule making would result in hardship or injustice to that person may petition the Board for a waiver of the discretionary provisions, if any.

### *Public Comment*

Any interested person may submit written or oral comments concerning this proposed rule making. Written or oral comments in response to this rule making must be received by the Board no later than 4:30 p.m. on April 13, 2022. Comments should be directed to:

Brandy March  
Real Estate Appraiser Examining Board  
East Grand Office Park  
200 East Grand Avenue, Suite 350  
Des Moines, Iowa 50309  
Phone: 515.725.9025

Email: [brandy.march@iowa.gov](mailto:brandy.march@iowa.gov)

### *Public Hearing*

A public hearing at which persons may present their views orally or in writing will be held as follows:

April 13, 2022  
8:30 a.m. to 9:30 a.m.

Small Conference Room, Third Floor  
200 East Grand Avenue  
Des Moines, Iowa

Persons who wish to make oral comments at the public hearing may be asked to state their names for the record and to confine their remarks to the subject of this proposed rulemaking.

Any persons who intend to attend the public hearing and have special requirements, such as those related to hearing or mobility impairments, should contact the and advise of specific needs.

### *Review by Administrative Rules Review Committee*

The Administrative Rules Review Committee, a bipartisan legislative committee which oversees rule making by executive branch agencies, may, on its own motion or on written request by any individual or group, review this rule making at its [regular monthly meeting](#) or at a special meeting. The Committee's meetings are open to the public and interested persons may be heard as provided in Iowa Code section 17A.8(6).

The following rule-making actions are proposed:

ITEM 1. Amend rule 193F—1.19(543D) as follows:

#### **193F—1.19(543D) AQB criteria.**

**1.19(1).** No person may be certified as a certified appraiser unless the person is eligible under the most recent AQB criteria.

**1.19(2)** The AQB criteria outline the conditions under which applicants for certification are eligible to take the required examinations.

ITEM 2. Amend subrule 5.6(2) as follows:

**5.6(2)** The board shall treat all appraisals received as public records unless the applicant notifies the board at the time of submission that a submitted appraisal is subject to the confidentiality provisions of appraisal standards or is otherwise confidential under state or federal law. While applicants are encouraged to submit appraisals actually performed for clients, applicants may submit one or more demonstration appraisals if the appraisals are prepared based on factual information in the same manner as applicable to actual appraisal assignments and are clearly marked as demonstration appraisals.

ITEM 3. Adopt the following **new** rule 193F—5.8(543D):

**193F—5.8(543D) Practical Applications of Real Estate Appraisal (PAREA).**

PAREA utilizes simulated experience training and serves as an alternative to the traditional supervisor/trainee experience model. PAREA programs must be AQB approved and meet all the required elements found in the PAREA section of the most recent AQB criteria. Applicants who met the prerequisites of a PAREA program prior to commencement of training, and who receive a valid certificate of completion from an approved AQB PAREA program, have met the allotted experience requirements as outlined in the AQB criteria for that specific PAREA program. PAREA program experience allotment will be awarded per the AQB criteria at the time of program completion.

Example: An applicant who has completed an AQB-approved licensed residential real property PAREA program may receive 67 percent of the required experience hours toward the certified residential real property credential. Applicants claiming PAREA experience credit may not receive partial credit for PAREA training. An applicant who did not fulfill the prerequisites of the PAREA training program prior to commencement but received a certificate of completion

of that program has not fulfilled the experience requirements of the AQB criteria. Applicants may not receive a certificate of completion until all required components of a PAREA program have been successfully completed and approved by a program mentor. A certificate of completion must be signed by an individual from the training entity qualified to verify the applicant's successful completion. An applicant wishing to utilize PAREA experience must still comply with rules 193F—5.1(543D) through 193F—5.3(543D), subrules 5.5(4) and 5.5(5), rules 193F—5.6(543D) and 193F—5.7(543D).

ITEM 4. Amend subrule 6.6(2) as follows:

**6.6(2)** The board shall treat all appraisals received as public records unless the applicant notifies the board at the time of submission that a submitted appraisal is subject to the confidentiality provisions of appraisal standards or is otherwise confidential under state or federal law. While applicants are encouraged to submit appraisals actually performed for clients, applicants may submit one or more demonstration appraisals if the appraisals are prepared based on factual information in the same manner as applicable to actual appraisal assignments and are clearly marked as demonstration appraisals.

ITEM 5. Renumber rule **193F—6.8(543D)** as **193F—6.9(543D)**.

ITEM 6. Adopt the following new rule 193F—6.8(543D):

**193F—6.8(543D) Practical Applications of Real Estate Appraisal (PAREA).** PAREA utilizes simulated experience training and serves as an alternative to the traditional supervisor/trainee experience model. PAREA programs must be AQB approved and meet all the required elements found in the PAREA section of the most recent AQB criteria. An applicant who meets the prerequisites of a PAREA program prior to commencement of training, and who receives a valid certificate of completion from an approved AQB PAREA program, has met the



allotted experience requirements as outlined in the AQB criteria for that specific PAREA program. PAREA program experience allotment will be awarded per the AQB criteria at the time of program completion.

Example: An applicant who has completed an AQB-approved certified residential real property PAREA program may receive 50 percent of the required experience hours toward the certified general credential. However, these hours are not eligible toward the nonresidential hours. Applicants claiming PAREA experience credit may not receive partial credit for PAREA training. An applicant who did not fulfill the prerequisites of the PAREA training program prior to commencement but received a certificate of completion of that program has not fulfilled the experience requirements of the AQB criteria. An applicant may not receive a certificate of completion until all required components of a PAREA program have been successfully completed and approved by a program mentor. Certificates of completion must be signed by an individual from the training entity qualified to verify an applicant's successful completion. An applicant wishing to utilize PAREA experience must still comply with rules 193F—6.1(543D) through 193F—6.7(543D).

ITEM 7. Renumber subrule **6.9(5)** as **6.9(6)**.

ITEM 8. Adopt the following **new** subrule 6.9(5):

**6.9(5) *Practical Applications of Real Estate Appraisal.*** An applicant seeking to upgrade from a certified residential credential to a certified general credential may gain partial experience credit through an AQB-approved PAREA program pursuant to rule 193F—6.8(543D).

ITEM 9. Adopt the following **new** definition of “asynchronous” in rule **193F—11.1(272C,543D)**:

“Asynchronous” means that the instructor and student interaction in an educational offering is nonsimultaneous. Students progress at their own pace through structured course content and scheduled quizzes and examinations.

ITEM 10. Amend rule **193F—11.1(272C,543D)**, definition of “Distance education,” as follows:

“Distance education” means any education process based on the geographical separation of student and instructor. “Distance education” includes webinars asynchronous, synchronous, and hybrid educational offerings.

ITEM 11. Adopt the following **new** definition of “hybrid” in rule **193F—11.1(272C,543D)**:

“Hybrid,” also known as a blended course, means that a learning environment allows for both in-person and online (synchronous or asynchronous) interaction.

ITEM 12. Adopt the following **new** definition of “synchronous” in rule **193F—11.1(272C,543D)**:

“Synchronous” means that in an educational offering the instructor and student interact online simultaneously, as in a phone call, video chat or live webinar, or web-based meeting.

ITEM 13. Adopt the following **new** subrule 11.5(2):

**11.5(2)** Programs must be taught by instructors who have successfully completed an instructor development workshop within 24 months preceding board approval of the program. Certified USPAP instructors and instructors approved via a course delivery mechanism approval per the AQB criteria shall be considered to have met this requirement.

ITEM 14. Amend rule 193F—11.6(272C,543D) as follows:

**193F—11.6 (272C,543D) Acceptable distance education courses.** Distance education is an

education process based on the geographical separation of student and instructor. A distance education course is acceptable to meet class hour requirements if: it complies with the generic education criteria in the current AQB criteria.

ITEM 15. Amend subrule 11.7(1) as follows:

**11.7(1)** Approval must be obtained for each program separately. With the exception of hybrid courses, courses that are offered via more than one delivery method will require separate program approvals.

# Colorado

## DEPARTMENT OF REGULATORY AGENCIES

### Division of Real Estate

## RULES GOVERNING THE PRACTICE OF REAL ESTATE APPRAISERS OF THE BOARD OF REAL ESTATE APPRAISERS

### 4 CCR 725-2

*[Editor's Notes follow the text of the rules at the end of this CCR Document.]*

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## CHAPTER 1: DEFINITIONS

- 1.1 The Appraisal Foundation (TAF): An organization that is the source of appraisal standards, qualifications, and ethical conduct in all valuation disciplines to assure public trust in the valuation profession.
- 1.2 Appraiser Qualifications Board (AQB) of TAF: The AQB establishes the minimum education, experience, and examination requirements for real property appraisers to obtain state certifications. In addition, the AQB performs a number of ancillary duties related to real property and personal property appraiser qualifications.
- 1.3 Appraisal Standards Board (ASB) of TAF: The ASB develops, interprets, and amends the USPAP.
- 1.4 Examination: The examination(s) developed by or contracted for the Board and issued or approved by the AQB, if applicable.
- 1.5 FIRREA: The Financial Institutions Reform, Recovery and Enforcement Act of 1989 as amended.
- 1.6 Board: The Colorado Board of Real Estate Appraisers created and further defined pursuant to section 12-10-603, C.R.S.
- 1.7 Applicant: Any person applying for a license, Credential Upgrade, or Temporary Practice Permit.
- 1.8 Initial License: The first license granted by the Board to an applicant pursuant to section 12-10-606, C.R.S. An applicant may apply for an initial license at any credential level as long as all requirements for such credential level have been met pursuant to these Rules. An initial license is valid through December 31 of the year of issuance.
- 1.9 Colorado Real Estate Appraiser Licensing Act: That portion of Colorado statutes known as sections 12-10-601 through 623, et seq., C.R.S. as amended.

- 1.10 Uniform Standards of Professional Appraisal Practice (USPAP): Those standards of professional practice promulgated by the ASB of TAF. Pursuant to section 12-10-613(1)(g), C.R.S., as amended, the Board adopts, and incorporates by reference in compliance with section 24-4-103(12.5), C.R.S., as the generally accepted standards of professional appraisal practice the Definitions, Preamble, Rules, Standards, and Standards Rules of the USPAP as promulgated by the ASB of TAF on January 30, 1989 and amended through April 5, 2019 and known as the 2020-2021 edition. Amendments to the USPAP subsequent to April 5, 2019 are not included in this Board Rule 1.10. A certified copy of the USPAP is on file and available for public inspection at the Office of the Board at 1560 Broadway, Suite 925, Denver, Colorado 80202. Copies of the USPAP adopted under this Rule may be examined at any state publications depository library. The 2020-2021 edition of the USPAP may be examined at the Internet website of TAF at [www.appraisalfoundation.org](http://www.appraisalfoundation.org), and copies may be ordered through that mechanism. TAF may also be contacted at 1155 15th Street, NW, Suite 1111, Washington, DC 20005, or by telephone at (202) 347-7722 or by telefax at (202) 347-7727.
- 1.11 Board Rules or Rules: Those rules adopted by the Board pursuant to the Colorado Real Estate Appraiser Licensing Act.
- 1.12 Repealed.
- 1.13 Licensed Appraiser: A person who has been granted a license pursuant to section 12-10-606(1)(b)(IV), C.R.S. as a Licensed Appraiser by the Board as a result of meeting the real estate appraisal education, experience, and examination requirements established by Board Rule 2.2, the AQB, or as a result of licensure through endorsement from another jurisdiction as provided by Chapter 9 of these Rules. The scope of practice for the Licensed Appraiser is limited to, if competent for the assignment, appraisal of non-complex one to four unit residential properties having a transaction value of less than \$1,000,000 and complex one to four unit residential properties having a transaction value of less than \$400,000, or as allowed by section 12-10-606(4), C.R.S. For non-federally related transactions, the scope of practice may include vacant or unimproved land that is to be used for development for a one to four unit residential property, or vacant or unimproved land for which the highest and best use is a one to four unit residential property. In compliance with Board Rule 1.16, the scope of practice does not include vacant or unimproved land that has the potential for subdivision development for which the subdivision development analysis method of land valuation is necessary and applicable.
- 1.14 Certified Residential Appraiser: A person who has been granted a license pursuant to section 12-10-606(1)(b)(II), C.R.S., as a Certified Residential Appraiser by the Board as a result of meeting the real estate appraisal education, experience, and examination requirements established by Board Rule 2.3, the AQB, or as a result of licensure through endorsement from another jurisdiction as provided by Chapter 9 of these Rules. The scope of practice for the Certified Residential Appraiser is limited to, if competent for the assignment, appraisal of one to four unit residential properties without regard to transaction value or complexity, or as allowed by section 12-10-606(4), C.R.S. Such scope of practice includes vacant or unimproved land that is to be used for development for a one to four unit residential property, or vacant or unimproved land for which the highest and best use is a one to four unit residential property. In compliance with Board Rule 1.16, the scope of practice for a Certified Residential Appraiser does not include vacant or unimproved land that has the potential for subdivision development for which the subdivision development analysis method of land valuation is necessary and applicable.
- 1.15 Certified General Appraiser: A person who has been granted a license pursuant to section 12-10-606(1)(b)(I), C.R.S. as a Certified General Appraiser by the Board as a result of meeting the real estate appraisal education, experience, and examination requirements established by Board Rule 2.4, the AQB, or as a result of licensure through endorsement from another jurisdiction as provided by Chapter 9 of these Rules. The scope of practice for the Certified General Appraiser will be, if competent for the assignment, appraisal of all types of real property.

- 1.16 Residential Property: Properties comprising one to four residential units; also includes building sites suitable for development to one to four residential units. Residential property does not include land for which a subdivision analysis or appraisal is necessary.
- 1.17 Non Residential Property: Properties other than those comprised of one to four residential units and building sites suitable for development to one to four residential units. Non-residential property includes, without limitation, properties comprised of five or more dwelling units, farm and ranch, retail, manufacturing, warehousing, office properties, large vacant land parcels, and other properties not within the definition of residential property.
- 1.18 Temporary Practice Permit: A permit issued pursuant to section 12-10-611(3), C.R.S. as amended and Chapter 10 of these Rules allowing an appraiser licensed or certified in another jurisdiction to appraise property in Colorado under certain conditions without obtaining Colorado licensure.
- 1.19 Title XI, FIRREA: That part of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 known as the Appraisal Reform Amendments, and also known as 12 U.S.C. sections 3331 through 3355, as amended.
- 1.20 Contingent Fee: Compensation paid to a person who is licensed as a licensed or certified appraiser, as a result of reporting a predetermined value or direction of value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the appraiser's opinion and specific to the assignment's purpose. A person licensed as a licensed or certified appraiser employed by a business entity which is compensated by a contingent fee is considered to be compensated by a contingent fee.
- 1.21 Licensee: A collective term used to refer to a person who has been licensed by the Board as a Licensed Ad Valorem Appraiser, Licensed Appraiser, Certified Residential Appraiser, or Certified General Appraiser.
- 1.22 Distance Education: Any education process based on the geographical separation of student and instructor. Components of distance education include synchronous, asynchronous, and hybrid.
- 1.23 Complex Residential Property: Properties comprising one to four residential dwelling units, or land suitable for development to one to four residential units exhibiting complex appraisal factors such as atypical form of ownership, atypical size, atypical design characteristics, atypical locational characteristics, atypical physical condition characteristics, landmark designation, non-conforming zoning, lack of appraisal data, and other similar factors. Complex residential property does not include land for which a subdivision analysis or appraisal is necessary.
- 1.24 Signature: As defined in the USPAP incorporated by reference in Board Rule 1.10, and including all methods of indicating a signature, such as, without limitation, a handwritten mark, digitized image, coded authentication number, stamped impression, embossed or applied seal, or other means.
- 1.25 Repealed.
- 1.26 Qualifying Education: Real estate appraisal education courses completed for credit toward the licensing requirements set forth in Chapter 2 of these Rules and meeting the requirements of Chapter 3 of these Rules. Qualifying education courses must be at least fifteen (15) classroom hours in length and must include an examination.

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- 1.27 Continuing Education: Real estate and real estate appraisal related courses completed for credit toward meeting the continuing education requirements set forth in Chapter 7 of these Rules.
- 1.28 Transaction value: For purposes of these Rules transaction value means:
- A. For appraisal assignments carried out as part of a loan transaction, the amount of the loan; or
  - B. For appraisal assignments carried out for other than a loan transaction, the market value of the real property interest.
- 1.29 Appraisal (Valuation) Process: The analysis of factors that create value to develop an opinion of value. Steps in the analytical process are: defining the problem; determining an appropriate scope of work; gathering and analyzing general and specific data; applying the appropriate analyses, procedures and methodology; the application of reconciliation criteria to reach a final defined value opinion; and correctly reporting that opinion in compliance with the USPAP.
- 1.30 Accredited college, junior college, community college or university: a higher education institution accredited by the Commission on Colleges, a regional or national accreditation association, or an accrediting agency that is recognized by the U. S. Secretary of Education.
- 1.31 Repealed.
- 1.32 Real Property Appraiser Qualification Criteria (Criteria): Pursuant to section 12-10-606(1) and (2), C.R.S. as amended, the Board incorporates by reference in compliance with section 24-4-103(12.5), C.R.S., the Real Property Appraiser Qualification Criteria adopted by the AQB of TAF on August 24, 2021, including the Required Core Curricula, Guide Notes, and Interpretations relating to the real property appraiser classifications described in Board Rules 1.13, 1.14, and 1.15. This Board Rule 1.32 excludes and does not incorporate by reference the following: the trainee real property appraiser classification and qualification requirements; the supervisory appraiser requirements; supervisory appraiser/trainee appraiser course objectives and outline; or any later amendments or additions of the Criteria. A certified copy of the Real Property Appraiser Qualification Criteria is on file and available for public inspection at the Office of the Board at 1560 Broadway, Suite 925, Denver, Colorado 80202. Copies of the Real Property Appraiser Qualification Criteria may be examined at the Internet website of TAF at [www.appraisalfoundation.org](http://www.appraisalfoundation.org), and copies may be ordered through that mechanism. TAF may also be contacted at 1155 15th Street, NW, Suite 1111, Washington, DC 20005, or by telephone at (202) 347-7722 or telefax at (202) 347-7727. The Real Property Appraiser Qualification Criteria is effective as of January 1, 2022.
- 1.33 Credential Upgrade: A licensee, who has been granted a license pursuant to section 12-10-606, C.R.S., may submit an application to the Board requesting an upgrade of the licensee's credential if the licensee has completed the real estate appraisal education, experience, and examination requirements as defined in Chapter 2 of these Rules for the credential for which the licensee is applying. If the Board grants the requested credential, the upgraded license will expire on the same date of the licensee's current license cycle prior to the upgrade.
- 1.34 Draft Appraisal: A draft appraisal must be identified and labeled as a "draft". The purpose of issuing a draft appraisal cannot be to allow the client and/or the intended user(s) to improperly influence the appraiser.
- 1.35 Amendment: A written modification of any appraisal, which is dated and signed by the appraiser, and delivered to the client. An amendment is a true and integral component of an appraisal. Amendments may also be referred to as correction pages
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- 1.36 Good Standing: A licensee, appraisal management company, or controlling appraiser must:
- A. Not have been subject to a stipulation and a final agency order or final agency order, the terms of which were completed not less than three years prior, or had a license revoked or permanently surrendered for any of the violations enumerated under sections 12-10-613, 12-10-614, 12-10-616 or 12-10-617, C.R.S. A license will be considered to be in good standing three years following the completion of all terms of an executed stipulation or final agency order.
  - B. Not have been subject to a stipulation for diversion, the terms of which have not been fully completed. A licensee will be considered to be in good standing once all terms of the stipulation of diversion have been successfully completed.
- 1.37 Licensed Ad Valorem Appraiser: A person who has been granted a license pursuant to section 12-10-606(1)(b)(III), C.R.S., as a Licensed Ad Valorem Appraiser by the Board as a result of meeting the real estate appraisal education and examination requirements established by Board Rule 2.9. A Licensed Ad Valorem Appraiser cannot conduct appraisal assignments outside the scope of the appraiser's official duties as a County Assessor, an employee of a County Assessor's Office, or as an employee with the Division of Property Taxation within the Department of Local Affairs.
- 1.38 Review Appraiser: An appraiser, who is actively credentialed in a jurisdiction that is in compliance with Title XI, FIRREA, as determined by the ASC as defined in Board Rule 1.42, who performs a review of another appraiser's work subject to USPAP Standard 3. A review appraiser is not required to obtain a Colorado appraiser's license unless the review appraiser arrives at his or her own opinion of value for real property located in Colorado.
- 1.39 The Course Approval Program (CAP) of TAF: A voluntary program established by the AQB to provide a minimum level of acceptance for real property appraisal education courses satisfying the Real Property Appraiser Qualification Criteria as defined in Board Rule 1.32.
- 1.40 Division of Real Estate (Division): Has the same meaning as set forth in section 12-10-101(2), C.R.S.
- 1.41 Director of the Division (Director): Has the same meaning as set forth in section 12-10-101(1), C.R.S.
- 1.42 Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council: A subcommittee created within the Federal Financial Institutions Examination Council as a result of Title XI, FIRREA, or its successor entity, to provide oversight of the appraiser regulatory system.
- 1.43 College Level Examination Program (CLEP): A group of standardized tests created and administered by the College Board to assess college-level knowledge in certain subject areas and provide a mechanism for earning college credits without taking college courses.
- 1.44 Repealed.
- 1.45 Panel Size Threshold: Has the same meaning as pursuant to section 12-10-604(1)(a)(IV), C.R.S.
- 1.46 Panel: Has the same meaning as pursuant to section 12-10-602(8), C.R.S.
- 1.47 Federally Regulated AMC: Has the same meaning as pursuant to section 12-10-607(9), C.R.S.

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- 1.48 AMC Registry Fee: The annual fee collected from appraisal management companies that meet the Panel Size Threshold, including state-licensed appraisal management companies and Federally Regulated AMCs, for transmitting to the Appraisal Subcommittee. The fee is calculated by multiplying the number of licensed or certified appraisers who provided an appraisal in connection with a Covered Transaction on the appraisal management company's Panel in Colorado during the Reporting Period by the registry fee as prescribed by the Appraisal Subcommittee.
- 1.49 AMC National Registry: The registry of state-licensed AMCs and Federally Regulated AMCs maintained by the Appraisal Subcommittee.
- 1.50 Reporting Period:
- A. For State-licensed AMCs:
1. Applying for initial licensure, the previous twelve (12) month period or the period the appraisal management company has been in business, whichever period is less.
  2. Applying for renewal, the twelve (12) month period beginning November 1 of the prior year through October 31 of the year of renewal.
  3. Applying for reinstatement of an expired license, the twelve (12) month period beginning November 1 of the year prior to expiration through October 31 of the year of expiration.
- B. For Federally Regulated AMCs reporting to the state, the twelve (12) month period beginning November 1 of the prior year through October 31 of the current year.
- 1.51 Consumer Credit: Credit offered or extended to a consumer primarily for personal, family, or household purposes.
- 1.52 Covered Transaction: Any consumer credit transaction secured by the consumer's principal dwelling.
- 1.53 Creditor: A person who regularly extends consumer credit:
- A. That is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract; or
- B. If the person extended the credit (other than credit subject to the requirements of high cost mortgages) more than five (5) times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards will be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one (1) credit extension that is subject to the requirements of high cost mortgages or one (1) or more such credit extensions through a mortgage broker.
- 1.54 Dwelling: A residential structure that contains one (1) to four (4) units, whether or not that structure is attached to real property. This includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.
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- 1.55 Person: A natural person or an organization, partnership, proprietorship, association, cooperative, estate, trust, or government unit.
- 1.56 Secondary Mortgage Market Participant: A guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.
- 1.57 Practical Applications of Real Estate Appraisal (PAREA): Training programs designed to offer practical experience in a simulated and controlled environment, incorporating the concepts learned in a participant's qualifying education. Multiple types of training techniques may be utilized, including, but not limited to computer-based learning; video gaming; video tutorial; virtual assistant; and virtual reality training.
- 1.58 Synchronous Distance Education: The instructor and students interact simultaneously online, similar to a phone call, video chat, live webinar, or web-based meeting.
- 1.59 Asynchronous Distance Education: The instructor and student interaction is non-simultaneous; the students progress at their own pace and follow a structured course content and quiz/exam schedule.
- 1.60 Hybrid Course Education: Learning environments that allow for both in-person (synchronous) and online (asynchronous) interaction.
- 1.61 Bio-Metric Proctoring: A student's identity is continually verified through processes, such as facial recognition, consistency in keystroke cadence, and the observation of activity in the testing location. Aberrant behavior or activity can be readily observed.

## **CHAPTER 2: REQUIREMENTS FOR LICENSURE AS A REAL ESTATE APPRAISER**

- 2.2 An Applicant for licensure as a Colorado Licensed Appraiser must successfully complete the following requirements or the substantial equivalent thereof, as set forth in the Real Property Appraiser Qualification Criteria as defined and incorporated by reference in Board Rule 1.32:
  - A. Real estate appraisal education:
    - 1. Basic Appraisal Principles: 30 hours;
    - 2. Basic Appraisal Procedures: 30 hours;
    - 3. 15-Hour National USPAP Course: 15 hours;
    - 4. Residential Market Analysis and Highest and Best Use: 15 hours;
    - 5. Residential Appraiser Site Valuation and Cost Approach: 15 hours;
    - 6. Residential Sales Comparison and Income Approaches: 30 hours; and
    - 7. Residential Report Writing and Case Studies: 15 hours.
  - B. Real estate appraisal experience: An Applicant must demonstrate to the satisfaction of the Board that the Applicant completed at least one thousand (1,000) hours of appraisal experience in no fewer than six (6) months, in conformance with the provisions of Chapter 5 of these Rules and all of the Applicant's experience was obtained after January 30, 1989 and in compliance with the USPAP.

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- C. Real estate appraisal examination:
1. The prerequisites to taking the Licensed Appraiser examination are:
    - a. One hundred fifty (150) creditable class hours as specified in Board Rule 2.2(A); and
    - b. One thousand (1,000) hours of qualifying experience completed in no fewer than six (6) months.
  2. After receiving approval from the Board, an Applicant, who is not currently licensed or certified and in good standing in another jurisdiction, has up to twenty-four (24) months to take and pass the Licensed Appraiser examination.
  3. An Applicant must successfully complete the Licensed Appraiser examination as provided in Chapter 4 of these Rules. The only alternative to successful completion of the Licensed Appraiser examination is the successful completion of the Certified Residential Appraiser or Certified General Appraiser examination.
- 2.3 An Applicant for licensure as a Colorado Certified Residential Appraiser must successfully complete the following requirements or the substantial equivalent thereof, as set forth in the Real Property Appraiser Qualification Criteria as defined and incorporated by reference in Board Rule 1.32:
- A. Real estate appraisal education:
1. Basic Appraisal Principles: 30 hours;
  2. Basic Appraisal Procedures: 30 hours;
  3. 15-hour National USPAP Course: 15 hours;
  4. Residential Market Analysis and Highest and Best Use: 15 hours;
  5. Residential Appraiser Site Valuation and Cost Approach: 15 hours;
  6. Residential Sales Comparison and Income Approaches: 30 hours;
  7. Residential Report Writing and Case Studies: 15 hours;
  8. Statistics, Modeling and Finance: 15 hours;
  9. Advanced Residential Applications and Case Studies: 15 hours; and
  10. Appraisal Subject Matter Elective: 20 hours.
- B. College-level or in lieu of education options:
1. An Applicant for the Certified Residential Appraiser credential must satisfy at least one (1) of the following six (6) options:
    - a. Hold a Bachelor's Degree in any field of study from an accredited college or university as defined by Board Rule 1.30;

- b. Hold an Associate's Degree from an accredited college or university as defined by Board Rule 1.30, in a field of study related to:
  - i. Business Administration;
  - ii. Accounting;
  - iii. Finance;
  - iv. Economics; or
  - v. Real Estate.
- c. Successful completion of thirty (30) semester hours of college-level courses that cover each of the following specific topic areas and hours:
  - i. English Composition (3 semester hours);
  - ii. Macroeconomics (3 semester hours);
  - iii. Microeconomics (3 semester hours);
  - iv. Finance (3 semester hours);
  - v. Algebra, Geometry, or higher mathematics (3 semester hours);
  - vi. Statistics (3 semester hours);
  - vii. Computer Science (3 semester hours);
  - viii. Business Law or Real Estate Law (3 semester hours); and
  - ix. Two (2) elective courses in any of the topics listed above or in Accounting, Geography, Agricultural Economics, Business Management, or Real Estate (3 semester hours each).
- d. Successful completion of at least thirty (30) semester hours of examinations created and administered by the CLEP, as defined in Board Rule 1.43, from each of the following specific subject matter areas and hours:
  - i. College Algebra (3 semester hours);
  - ii. College Composition (6 semester hours);
  - iii. College Composition Modular (3 semester hours);
  - iv. College Mathematics (6 semester hours);
  - v. Principles of Macroeconomics (3 semester hours);
  - vi. Principles of Microeconomics (3 semester hours);
  - vii. Introductory Business Law (3 semester hours); and

- viii. Information Systems (3 semester hours).
    - e. Any combination of Board Rule 2.3(B)(1)(c) and Board Rule (B)(1)(d) above that ensures coverage of all topics and hours identified in Board Rule (B)(1)(c).
    - f. As an alternative to the college-level education requirements in Board Rule (B)(1)(a through e) above, an Applicant that has held a Licensed Appraiser credential for a minimum of five (5) years may qualify for a Certified Residential Appraiser credential if the Applicant has had no record of any adverse, final, and non-appealable disciplinary action affecting the Licensed Appraiser's legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential Appraiser credential.
  - 2. All college-level education must be obtained from a degree-granting institution by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education.
  - 3. An Applicant with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:
    - a. An accredited, degree-granting domestic college or university;
    - b. A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
    - c. A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.
- C. Real estate appraisal experience: An Applicant for licensure as a Certified Residential Appraiser must demonstrate to the satisfaction of the Board that the Applicant completed at least one thousand five hundred (1,500) hours of appraisal experience in conformance with the provisions of Chapter 5 of these Rules and all of the Applicant's experience was obtained after January 30, 1989 and in compliance with the USPAP. Real estate appraisal experience must have been gained across a period of not less than twelve (12) months.
- D. Real estate appraisal examination:
  - 1. The prerequisites to taking the Certified Residential Appraiser examination are:
    - a. Two hundred (200) creditable class hours as specified in Board Rule 2.3(A);
    - b. Completion of the college-level education option requirements as specified in Board Rule 2.3(B); and
    - c. One thousand five hundred (1,500) hours of qualifying experience completed in no fewer than twelve (12) months.

2. After receiving approval from the Board, an Applicant, who is not currently licensed or certified and in good standing in another jurisdiction, has up to twenty-four (24) months to take and pass the Certified Residential Appraiser examination.
  3. An Applicant must successfully complete the Certified Residential Appraiser examination as provided in Chapter 4 of these Rules. The only alternative to successful completion of the Certified Residential Appraiser examination is the successful completion of the Certified General Appraiser examination.
- 2.4 An Applicant for licensure as a Colorado Certified General Appraiser must successfully complete the following requirements or the substantial equivalent thereof, as set forth in the Real Property Appraiser Qualification Criteria as defined and incorporated by reference in Board Rule 1.32:
- A. Real estate appraisal education:
    1. Basic Appraisal Principles: 30 hours;
    2. Basic Appraisal Procedures: 30 hours;
    3. 15-Hour National USPAP Course: 15 hours;
    4. General Appraiser Market Analysis and Highest and Best Use: 30 hours;
    5. Statistics, Modeling and Finance: 15 hours;
    6. General Appraiser Sales Comparison Approach: 30 hours;
    7. General Appraiser Site Valuation and Cost Approach: 30 hours;
    8. General Appraiser Income Approach: 60 hours;
    9. General Appraiser Report Writing and Case Studies: 30 hours; and
    10. Appraisal Subject Matter Electives: 30 hours.
  - B. College-level education:
    1. An Applicant for the Certified General Appraiser credential must hold a Bachelor's degree, or higher, from an accredited college or university as defined by Board Rule 1.30.
    2. An Applicant with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:
      - a. An accredited, degree-granting domestic college or university;
      - b. A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES);  
or
      - c. A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.

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- C. Real estate appraisal experience: An Applicant for licensure as a Certified General Appraiser must demonstrate to the satisfaction of the Board that the Applicant completed at least three thousand (3,000) hours of appraisal experience, of which one thousand five hundred (1,500) hours must be in non-residential appraisal work, in conformance with the provisions of Chapter 5 of these Rules and all of the Applicant's experience was obtained after January 30, 1989 and in compliance with the USPAP. Real estate appraisal experience must have been gained across a period of not less than eighteen (18) months.
- D. Real estate appraisal examination:
1. The prerequisites to taking the Certified General Appraiser examination are:
    - a. Three hundred (300) creditable class hours as specified in Board Rule 2.4(A);
    - b. Completion of the college-level education requirements as specified in Board Rule 2.4(B); and
    - c. Three thousand (3,000) hours of qualifying experience, of which no less than one thousand five hundred (1,500) hours must be in non-residential appraisal work, completed in no fewer than eighteen (18) months.
  2. After receiving approval from the Board, an Applicant, who is not currently licensed or certified and in good standing in another jurisdiction, has up to twenty-four (24) months to take and pass the Certified General Appraiser examination.
  3. An Applicant must successfully complete the Certified General Appraiser examination as provided in Chapter 4 of these Rules.
- 2.5 Repealed.
- 2.6 Repealed.
- 2.7 Repealed.
- 2.8 An applicant for licensure as a Colorado Licensed Ad Valorem Appraiser must be a County Assessor, an employee of a County Assessor's Office, or an employee of the Division of Property Taxation in the Department of Local Affairs.
- 2.9 An applicant for licensure as a Colorado Licensed Ad Valorem Appraiser must successfully complete the following requirements, or the substantial equivalent thereof:
- A. Real estate appraiser education:
1. Introduction to Ad Valorem Mass Appraisal: no less than 35 hours;
  2. Basic Appraisal Principles: no less than 30 hours;
  3. Basic Appraisal Procedures: no less than 30 hours; and
  4. 15-Hour National USPAP Course: 15 hours.
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- B. Real Estate Appraisal examination: successful completion of the Ad Valorem Appraiser examination as provided in Chapter 4 of these Rules; and
- C. Ad Valorem employment: signed certification by the applicant that the applicant is currently a County Assessor, an employee of a County Assessor's Office, or an employee of the Division of Property Taxation in the Department of Local Affairs.

2.10 Repealed.

**CHAPTER 3: STANDARDS FOR REAL ESTATE APPRAISAL QUALIFYING EDUCATION PROGRAMS**

3.1 Repealed.

3.2 Qualifying appraisal education must be taken from providers approved by the Board. In order to be approved, qualifying education courses and the providers must meet the following standards at the time it is offered:

- A. Course content was developed by persons qualified in the subject matter and instructional design;
- B. Course content is current and corresponds with the common body of knowledge;
- C. The instructor is qualified with respect to content and teaching methods, and the body of knowledge;
- D. The number of participants and the physical facilities are consistent with the teaching method;
- E. An examination is included for measuring the information learned; and
- F. The educational offering will be developed and communicated in a manner as to promote and maintain a high level of public trust in appraisal practice.

3.3 The following may be approved as providers of qualifying appraisal education provided that the standards set forth in Board Rule 3.2 are maintained and the education providers have complied with all other requirements of the state of Colorado:

- A. Accredited colleges, junior colleges, community colleges or universities as defined in Board Rule 1.30;
- B. Professional appraisal and real estate related organizations;
- C. State or federal government agencies;
- D. Proprietary schools holding valid certificates of approval from the Colorado Division of Private Occupational Schools, Department of Higher Education;
- E. Providers approved by other jurisdictions, provided the jurisdiction's appraiser regulation program is in compliance with Title XI, FIRREA, as determined by the ASC as defined in Board Rule 1.42;
- F. Providers approved under the CAP as defined in Board Rule 1.39; and

- G. Such other providers as the Board may approve upon petition of the provider or the applicant in a form acceptable to the Board.
- 3.4 On or after January 1, 1991, in order to be approved by the Board, each education provider must maintain for a period of five (5) years from the last course offering, and provide to the Board upon request, information regarding the qualifying education course offerings including, but not limited to the following:
- A. Outline or syllabus;
  - B. All texts, workbooks, handouts or other course materials;
  - C. Instructors and their qualifications, including selection, training and evaluation criteria;
  - D. Course examinations;
  - E. Dates and locations of course offerings; and
  - F. Student attendance records.
- 3.5 The number of hours credited must be equivalent to the actual number of contact hours of in-class or synchronous distance education instruction and testing. An hour of education is defined as at least fifty (50) minutes of instruction out of each 60-minute segment. For asynchronous distance education, the number of hours credited must be that number of hours allowed by the CAP as defined in Board Rule 1.39. For hybrid course education, the number of hours credited will be equivalent for each specific course delivery method. Parts of the course that are delivered in-class or synchronously and delivered asynchronously must meet their respective requirements as set forth in this Board Rule 3.5.
- 3.6 Each qualifying education course offering must be at least fifteen (15) hours in duration, include an examination pertinent to the material covered, and be comprised of segments of not less than one (1) classroom hour.
- 3.7 Qualifying education courses and corresponding examinations must be successfully completed by the applicant. Successful completion means the applicant has attended the offering, participated in course activities, and achieved a passing score on the course examination.
- 3.8 Repealed.
- 3.9 It is the applicant's responsibility to verify that a qualifying educational course offering has been approved by the Board, if the applicant wishes to claim credit for the course.
- 3.10 Repealed.
- 3.11 Hours of qualifying education accepted in satisfaction of the education requirement of one level of licensure may be applied toward the requirement for another level and need not be repeated. Applicants are responsible for demonstrating coverage of the required topics.
- 3.12 The following factors must be used to convert accredited college, junior college, community college or university course credits into qualifying education hours:
- A. Semester Credits x 15.00 = Hours
  - B. Quarter Credits x 10.00 = Hours

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- 3.13 Applicants must successfully complete qualifying appraisal education which builds upon and augments previous courses. Qualifying education courses which substantially repeat or duplicate other course work in terms of content and level of instruction will not be accepted. The Board will give appropriate consideration to courses where substantive changes in content have occurred.
- 3.14 To be acceptable for qualifying appraisal education, asynchronous distance education offerings must incorporate methods and activities that promote active student engagement and participation in the learning process. Among those methods and activities acceptable are written exercises which are graded and returned to the student, required responses to computer based presentations, provision for students to submit questions during teleconferences, and examinations proctored by an independent third party, who is an official approved by the college or university, or by the sponsoring organization. Bio-metric proctoring is acceptable. Simple reading, viewing or listening to materials without active student engagement and participation in the learning process is not sufficient to satisfy the requirements of this Board Rule 3.14.
- 3.15 As to qualifying education courses completed in other jurisdictions with appraiser regulatory programs that are in compliance with Title XI, FIRREA, as determined by the ASC as defined in Board Rule 1.42, the Board will accept the number of hours of education accepted by that jurisdiction.
- 3.16 To be acceptable for qualifying real estate appraisal education, synchronous distance education and asynchronous distance education courses must meet the other requirements of Chapter 3 of these Rules, and must include a written, closed book final examination proctored by an independent third party, or other final examination testing procedure acceptable to the Board. Bio-metric proctoring is acceptable. Examples of acceptable examination proctors include public officials who do not supervise the student, secondary and higher education school officials, and public librarians. Failure to observe this requirement may result in rejection of the course and/or course provider by the Board for that applicant, and may result in the Board refusing or withdrawing approval of any courses offered by the provider.
- 3.17 All qualifying education courses in the USPAP begun on and after January 1, 2003 must be in the form of a course approved under the CAP as defined in Board Rule 1.39, and taught by an instructor certified by the AQB who is also a state certified appraiser.
- 3.18 Course providers must provide each student who successfully completes a qualifying real estate appraisal education course in the manner prescribed in Board Rule 3.7 a course completion certificate. The Board will not mandate the exact form of course completion certificates; however, the following information must be included:
- A. Name of course provider;
  - B. Course title, which must describe topical content, or the Real Property Appraiser Qualification Criteria Core Curriculum module title;
  - C. Course number, if any;
  - D. Course dates;
  - E. Number of approved education hours;
  - F. Statement that the required examination was successfully completed;
  - G. Course location, which for synchronous distance education and asynchronous distance education modalities must be the principal place of business of the course provider;
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- H. Name of student; and
- I. For all USPAP courses begun on and after January 1, 2003, the name(s) and AQB USPAP instructor certification number(s) of the instructor(s).
- 3.19 The provisions of Board Rule 3.3 notwithstanding, qualifying education courses begun on and after January 1, 2004 and offered through asynchronous distance education modalities must be approved through the CAP as defined in Board Rule 1.39. The Board will not accept asynchronous distance education courses begun on and after January 1, 2004 that have not been approved through the CAP.
- 3.20 All qualifying education courses in the USPAP must be presented using the most recent edition and the most recent version of the National USPAP Course (real property) or equivalent as approved by the CAP, with the exception that courses begun in the three (3) months preceding the effective date of a new edition may be presented using the next succeeding USPAP edition and course version, if available from TAF.
- 3.21 All qualifying education courses begun on or after January 1, 2008 must be approved through the Course Approval Program of the Appraisal Foundation, except as otherwise may be approved in advance and in writing by the Director of the Colorado Division of Real Estate (the "Director") on a limited case by case basis where the Director determines that the public would not be served if course approval were required through the Course Approval Program of the Appraiser Qualifications Board of the Appraisal Foundation for a particular course. Course providers seeking approval of qualifying education courses that have not been approved through the Course Approval Program of the Appraiser Qualifications Board of the Appraisal Foundation shall provide the Director with all requested information the Director deems necessary.
- 3.22 By offering real estate appraiser qualifying education approved by the Board, each provider agrees to comply with the relevant statutes and Board Rules and to permit the Board to audit said courses at any time and at no cost.
- 3.23 Introduction to Ad Valorem Mass Appraisal courses that have been approved by the Board as qualifying education can be used for credit as appraisal subject matter electives for applicants seeking licensure as a Certified Residential Appraiser or Certified General Appraiser.
- 3.24 Applicants are required to provide copies of course completion certificates to the Board in accordance with Board Rule 6.1.

#### **CHAPTER 4: STANDARDS FOR REAL ESTATE APPRAISAL LICENSING EXAMINATIONS**

- 4.1 Any person wishing to apply for any appraiser's license must register for and achieve a passing score on the appropriate level of examination with the testing service designated by the Board. No other examination results will be accepted. The appropriate levels of examination for the respective levels of licensure are as follows:

License Level	Examination
Licensed Ad Valorem Appraiser	Licensed Ad Valorem Appraiser
Appraiser	Licensed Real Property Appraiser
Residential Appraiser	Certified Residential Appraiser
General Appraiser	Certified General Appraiser

- 4.2 Examinees must comply with the standards of test administration established by the Board and the testing service.

- 4.3 A passing score on an examination will be valid for two (2) years from the examination date. Failure to file a complete application within the two (2) year period will result in the examination grade being void.
- 4.4 Examinations will be given only to duly qualified applicants for an appraiser's license; however, one instructor from each appraisal qualifying education course provider approved pursuant to Board Rule 3.3 may take the examination one time during any twelve (12) month period in order to conduct research for course content.
- 4.5 Each examination for a license may, as determined by the Board, be a separate examination.
- 4.6 Examinations developed by or contracted for the Board for licensed and certified appraisers must comply with the Real Property Appraiser Qualification Criteria as defined in Board Rule 1.32, if applicable.
- 4.7 Repealed.
- 4.8 Examinees may use financial calculators during the examination process. The memory functions of any such calculator must be cleared by the testing service staff prior to the beginning and after the conclusion of the examination.

#### **CHAPTER 5: STANDARDS FOR REAL ESTATE APPRAISAL EXPERIENCE**

- 5.1 The quantitative experience requirements must be satisfied by time spent on the appraisal process. Acceptable experience includes appraisal, appraisal review, appraisal consulting, and mass appraisal experience where the appraiser demonstrates proficiency in the development and reporting of the assignment results utilizing recognized appraisal principles and methodology during the appraisal process as defined by Board Rule 1.29. The Board may consider other experience upon petition by the applicant. All experience must be obtained after January 30, 1989 and comply with the USPAP.
- 5.2 Repealed.
- 5.3 Reports or file memoranda claimed as evidence of meeting experience requirements must have been prepared in conformance with the edition of the USPAP in effect as of the date of the appraisal report.
- 5.4 Repealed.
- 5.5 The Board reserves the right to verify an applicant's or licensee's evidence of appraisal experience by such means as it deems necessary, including, but not limited to requiring the following:
  - A. Submission of a detailed log of appraisal activity on the form or in the manner specified by the Board;
  - B. Submission of appraisal reports, workfiles or file memoranda;
  - C. Employer affidavits or interviews;
  - D. Client affidavits or interviews; and
  - E. Submission of appropriate business records.
- 5.6 Repealed.

5.7 Repealed.

5.8 There need not be a client in a traditional sense (e.g., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.

Practicum courses that are approved by the CAP or the Board can satisfy the nontraditional client experience requirement. A practicum course must include the generally applicable methods of appraisal practice for the credential level. Content includes, but is not limited to: requiring the student to produce credible appraisals that utilize an actual subject property; performing market research, containing sales analysis; and applying and reporting the applicable appraisal approaches in conformity with the USPAP. Assignments must require problem solving skills for a variety of property types for the credential level. Experience credit will be granted for the actual classroom hours of instruction, and hours of documented research and analysis as awarded from the practicum course approval process.

5.9 Each application for licensure pursuant to Board Rules 2.2, 2.3, or 2.4 must be accompanied by a log of real estate appraisal experience on a form or in the manner specified by the Board or a certificate of completion as prescribed in Board Rule 5.14. The experience log must include the following:

- A. Type of property;
- B. Date of report;
- C. Address of appraised property;
- D. Description of work performed by the applicant, and scope of review and supervision of the supervising appraiser, if applicable;
- E. Number of actual work hours by the applicant on the assignment;
- F. The signature and state license number of the supervisor, if applicable. Separate experience logs must be maintained for each supervising appraiser, if applicable;
- G. An attestation certifying the accuracy and truthfulness of the information contained within the experience log; and
- H. The applicant's signature.

5.10 Repealed.

5.11 An applicant for licensure as a Colorado Licensed Appraiser, a Colorado Certified Residential Appraiser or a Colorado Certified General Appraiser must demonstrate that the applicant is capable of performing appraisals that are compliant with USPAP. In accordance with Board Rule 5.5, the Board may verify an applicant's appraisal experience by such means as it deems necessary, including but not limited to requiring the applicant to submit a detailed log of appraisal experience, appraisal reports, and/or work files. Staff within the Division or appraisers selected by the Division may review an applicant's appraisal reports and work files to determine whether the applicant is capable of performing appraisals that are compliant with USPAP and in accordance with Board Rule 13.8.

5.12 PAREA programs approved by the AQB may serve as an alternative to the traditional experience requirements as prescribed in Board Rules 2.2.B, 2.3.C, 2.4.C and these Chapter 5 Rules.

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- 5.13 In order to qualify as creditable experience, PAREA programs must be AQB approved and meet all the required elements found in the PAREA section of the Real Property Appraiser Qualification Criteria as defined and incorporated by reference in Board Rule 1.32.
- 5.14 Applicants using PAREA training as alternative experience must submit a certificate of completion, subject to the following:
- A. Applicants may not receive partial credit for PAREA training;
  - B. Applicants may not receive a certificate of completion until all required components of PAREA training have been successfully completed and approved by a program mentor;
  - C. Certificates of completion must be signed by an individual from the training entity qualified to verify an applicant's successful completion; and
  - D. Certificates of completion must not contain an expiration date or other constraints that either limit or restrict the applicant's ability to receive appropriate credit.
- 5.15 Applicants successfully completing approved PAREA programs may receive the following experience credit:
- A. Applicants completing an approved licensed residential program:
    - 1. Licensed Appraiser Credential: Up to 100 percent of the required experience hours as prescribed in Board Rule 2.2.B.
    - 2. Certified Residential Credential: up to 67 percent of the required experience hours as prescribed in Board Rule 2.3.C.
    - 3. Certified General Credential: up to 33 percent of the total required experience as prescribed in Board Rule 2.4.C, none of which is eligible towards the required non-residential hours.
  - B. Applicants completing an approved certified residential program:
    - 1. Licensed Appraiser Credential: up to 100 percent of the required experience hours as prescribed in Board Rule 2.2.B.
    - 2. Certified Residential Credential: up to 100 percent of the required experience hours as prescribed in Board Rule 2.3.C.
    - 3. Certified General Credential: up to 50 percent of the total required experience as prescribed in Board Rule 2.4.C, none of which is eligible towards the required non-residential hours.

## **CHAPTER 6: APPLICATION FOR LICENSURE**

- 6.1 Except as provided under Chapter 9 of these Rules, an applicant must complete and submit an application as follows:
- A. Licensure for a Licensed Appraiser, Certified Residential Appraiser or Certified General Appraiser credential:

1. An applicant for an initial license must submit a set of fingerprints to the Colorado Bureau of Investigation for the purpose of conducting a state and national criminal history record check prior to submitting an application.
  2. Complete the Board created application and submit the application with the supporting documentation to include: qualifying education course completion certificates, college transcripts, and experience log.
  3. Upon the Board approving the education and experience requirements, a "Letter of Exam Eligibility" will be issued.
  4. After the issuance of the "Letter of Exam Eligibility", schedule the appropriate examination with the examination provider approved by the Board.
  5. After successfully passing the appropriate examination as defined in Board Rule 4.1, submit a copy of the examination results with proof of the required errors and omissions insurance policy as defined in Board Rule 6.10.
  6. An application is deemed complete at the time that all required supporting documentation and fees are received by the Board.
- B. Licensure for a Licensed Ad Valorem Appraiser credential:
1. Complete the Board created application and submit the application with the supporting documentation to include: qualifying education course completion certificates, a copy of the examination results as defined in Board Rule 4.1 and proof of employment with a qualified employer as defined in Board Rule 1.37.
  2. Applicants for a Licensed Ad Valorem Appraiser credential are not required to submit a set of fingerprints for the purpose of conducting a state and national criminal history record check and are also exempt from the errors and omissions insurance requirements.
  3. An application is deemed complete at the time that all required supporting documentation and fees are received by the Board.
- 6.2 Repealed.
- 6.3 Repealed.
- 6.4 Repealed.
- 6.5 Once the application is deemed complete, the Board will timely process the application. The Board reserves the right to require additional information and documentation from an applicant to determine compliance with applicable laws and regulations, and to verify any information and documentation submitted.
- 6.6 Submission of an application does not guarantee issuance of a license, or issuance of a license within a specific period of time. Applicants must observe the provisions of section 12-10-619, C.R.S., and Chapter 12 of these Rules. Applicants will not represent themselves as being licensees of the Board until the license has been issued by the Board.



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- 6.7 Pursuant to section 12-10-612(1), C.R.S., an applicant who has been convicted of, entered a plea of guilty to, entered a plea of nolo contendere, or received a deferred judgment and sentence to a crime, must file with his or her application an addendum to the application in a form prescribed by the Board. Such addendum must be supported and documented by, without limitation, the following:
- A. Court documents, including original charges, disposition, pre-sentencing report and certification of completion of terms of sentence;
  - B. Police officer's report(s);
  - C. Probation or parole officer's report(s);
  - D. A written personal statement explaining the circumstances surrounding each violation, and including the statement attesting that "I have no other violations either past or pending";
  - E. Letters of recommendation; and
  - F. Employment history for the preceding five (5) years.
- 6.8 Prior to application for licensure, an individual may request that the Board issue a preliminary advisory opinion regarding the possible effect of convictions, pleas of guilt or nolo contendere or deferred judgments and sentences for criminal offenses. A person requesting such an opinion is not an applicant for licensure. The Board may, at its sole discretion, issue such an opinion, which will not be binding on the Board; is not appealable; and will not limit the authority of the Board to investigate a later application for licensure. The issuance of such an opinion will not prohibit a person from submitting an application for licensure. A person requesting such an opinion must do so in a form prescribed by the Board. Such form must be supported and documented by, without limitation, the following:
- A. Court documents, including original charges, disposition, pre-sentencing report and certification of completion of terms of sentence;
  - B. Police officer's report(s);
  - C. Probation or parole officer's report(s);
  - D. A written personal statement explaining the circumstances surrounding each violation, and including the statement attesting that "I have no other violations either past or pending";
  - E. Letters of recommendation; and
  - F. Employment history for the preceding five (5) years.
- 6.9 Repealed.
- 6.10 Every active appraiser, or applicant for an active appraiser's credential, must have in effect a policy of errors and omissions insurance to cover all acts requiring a license.
- A. The Division will enter into a contract with a qualified insurance carrier to make available to all licensees and license applicants a group policy of insurance under the following terms and conditions:
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1. The insurance carrier is licensed or authorized by the Colorado Division of Insurance to write policies of errors and omissions insurance in this state.
  2. The insurance carrier maintains an A.M. best rating of "A-" or better.
  3. The insurance carrier will collect premiums, maintain records and report names of those insured and a record of claims to the Board on a timely basis and at no expense to the Board.
  4. The insurance carrier has been selected through a competitive bidding process.
  5. The contract and policy are in conformance with this Board Rule 6.10 and all relevant Colorado statutory requirements.
- B. The group policy must provide, at a minimum, the following terms of coverage:
1. Coverage for all acts for which a real estate appraiser's license is required to the extent of the professional appraisal work the appraiser is permitted by his or her credential level to perform, except those illegal, fraudulent, or other acts which are normally excluded from such coverage.
  2. That the coverage cannot be canceled by the insurance carrier except for nonpayment of the premium or in the event a licensee becomes inactive, is revoked or an applicant is denied a license.
  3. The coverage afforded by the policy must not contain exclusions for coverage of claims for damages reasonably expected in connection with professional appraisal services, including, but not limited to, claims for damages made by or on behalf of the Federal Deposit Insurance Corporation (FDIC), the Federal Housing Finance Agency (FHFA), or any other state or federal agency having regulatory authority over a lender or financial institution, and claims arising from failure of a financial institution.
  4. Pro-ration of premiums for coverage which is purchased during the course of a calendar year but with no provision for refunds of unused premiums.
  5. Coverage is for not less than \$100,000 coverage per claim, with an aggregate limit of not less than \$300,000 per individual, not including costs of investigation and defense.
  6. A deductible amount for each occurrence of not more than \$1,000 for claims and no deductible for legal expenses and defense.
  7. The obligation of the carrier to defend all covered claims and the ability of the insured licensee to select counsel of choice subject to the written permission of the carrier, which must not be unreasonably withheld.
  8. The ability of a licensee, upon payment of an additional premium, to obtain higher or excess coverage or to purchase additional coverage from the group carrier as may be determined by the carrier.
  9. The ability of a licensee, upon payment of an additional premium to obtain an extended reporting period of not less than three hundred sixty-five (365) days.

10. A conformity endorsement allowing a Colorado resident licensee to meet the errors and omissions insurance requirement for an active license in another group mandated state without the need to purchase separate coverage in that state.
  11. Policy must not be issued or underwritten using a "self-rated" application form. A "self-rated" application is defined as being an application where a policy is issued based on the answers listed on the application with no subsequent underwriter review.
  12. Prior acts coverage must be offered to licensees with continuous past coverage.
- C. Licensees or applicants may obtain errors and omissions coverage independent of the group plan from any insurance carrier subject to the following terms and conditions:
1. Individual policies must, at a minimum, comply with the following conditions and the insurance carrier must certify compliance in an affidavit issued to the insured licensee or applicant in a form specified by the Board. The insurance carrier agrees to immediately notify the Board of any cancellation or lapse in coverage. Independent individual coverage must provide, at a minimum, the following:
    - a. The insurance carrier is in compliance with all applicable rules and statutes set forth by the Colorado Division of Insurance, and, if required, are licensed or authorized to write policies of Errors and Omissions Insurance in this state.
    - b. The insurance carrier maintains an A.M. best rating of "A-" or better.
    - c. The contract and policy are in conformance with all relevant Colorado statutory requirements.
    - d. Coverage includes all acts for which an appraiser's credential is required, except those illegal, fraudulent or other acts which are normally excluded from such coverage.
    - e. Coverage cannot be canceled by the insurance provider, except for nonpayment of the premium or in the event the licensee becomes inactive, is revoked or an applicant is denied a license. Cancellation notice must be provided in manner that complies with section 10-4-109.7, C.R.S.
    - f. Coverage is for not less than \$100,000 per claim, with an annual aggregate limit of not less than \$300,000 per individual, not including costs of investigation and defense.
    - g. A deductible amount for each occurrence of not more than \$1,000 for claims, and no deductible for legal expenses and defense.
    - h. The ability of a licensee, upon payment of an additional premium to obtain an extended reporting period of not less than three hundred sixty-five (365) days.

- i. The coverage afforded by the policy must not contain exclusions for coverage of claims for damages reasonably expected in connection with professional appraisal services, including, but not limited to, claims for damages made by or on behalf of the Federal Deposit Insurance Corporation, the Federal Housing Finance Authority, or any other state or federal agency having regulatory authority over a lender or financial institution, and claims arising from the failure of a financial institution.
    - j. The policy may not be issued or underwritten using a “self-rated” application. A “self-rated” application is defined as being an application where a policy is issued based on the answers listed on the application with no subsequent underwriter review.
    - k. Prior acts coverage must be offered to licensees with continuous past coverage.
  - 2. For firms that carry policies that cover one (1) or more licensees associated with that firm, all requirements listed in Board Rule 6.10(c)(1) will apply, except Board Rule 6.10(c)(1)(F) and (G) will be replaced with the following:
    - a. The per claim limit must be not less than \$1,000,000, not including the costs of investigation and defense.
    - b. The aggregate limit must be not less than \$1,000,000, not including the costs of investigation and defense.
    - c. The maximum deductible amount for each occurrence must not exceed \$10,000 and the provider must look to the insured for payment of any deductible. There must not be a deductible for legal expenses and defense.
  - D. Applicants for licensure, activation, renewal, and reinstatement must certify compliance with this Board Rule 6.10 and section 12-10-608, C.R.S. on forms or in a manner prescribed by the Board. Any active licensee who so certifies and fails to obtain errors and omissions coverage or to provide proof of continuous coverage, either through the group carrier or directly to the Board, will be placed on inactive status:
    - 1. Immediately, if certification of current insurance coverage is not provided to the Board; or
    - 2. Immediately upon the expiration of any current insurance when certification of continued coverage is not provided.
  - E. Appraisers employed by a local, state, or federal government entity are exempt from the errors and omissions insurance requirements.
- 6.11 Pursuant to section 12-10-606(6)(a), C.R.S., the Board must establish the fitness standards that an applicant for a license must demonstrate. Therefore, an applicant must demonstrate that he or she does not possess a background that could call into question the public trust. Some of the criteria that the Board may evaluate in determining whether the public trust may be called into question are:
- A. Whether the applicant has previously had an appraiser credential revoked;

- B. Whether the applicant has previously had a professional license disciplined in any jurisdiction;
  - C. Whether the applicant has been convicted of, or pled guilty to, entered a plea of nolo contendere to, or received a deferred judgment and sentence to a crime. An applicant will not be eligible for a license if, during at least the five (5) year period immediately preceding the date of application for a license, the applicant has been convicted of, pled guilty to, or entered a plea of nolo contendere to a crime that would call into question the applicant's fitness for licensure; and
  - D. Whether the applicant has failed to demonstrate that he or she possesses the character necessary to command the confidence of the community and to warrant a determination that the applicant will operate honestly, fairly and efficiently within the scope and purpose of real property appraisal practice.
- 6.12 If the fees accompanying any application to the Board (including fees for renewals, transfers, etc.) are paid for by check and the check is not immediately paid upon presentment to the bank upon which the check was drawn, or if payment is submitted in any other manner, and payment is denied, rescinded or returned as invalid, the application will be deemed incomplete. The application will only be deemed complete if the Board has received payment of all application fees together with any fees incurred by the Division including the fee required by state fiscal rules for the clerical services necessary for reinstatement within sixty (60) days of the Division mailing notification of an incomplete application.

## **CHAPTER 7: CONTINUING EDUCATION REQUIREMENTS**

- 7.1 For initial licenses issued on or after July 1 of any year, there will be no continuing education requirement as a condition of renewal of such initial license that expires December 31 of the year of issuance as defined in Board Rule 1.8. For initial licenses issued before July 1 of any year, there will be an obligation to complete fourteen (14) hours of continuing education as a condition of renewal before the initial license expires on December 31 of the year of issuance as defined in Board Rule 1.8. Continuing education requirements established by Chapter 7 of these Rules will apply to all other license renewals.
- 7.2 Except as provided under Board Rule 7.1, each licensee applying for renewal of a license must complete twenty-eight (28) hours of real estate appraisal continuing education during the two-year period preceding expiration of the license. All licensees renewing a license at the end of a two-year licensing period must complete the National USPAP Update Courses set forth in Board Rule 7.19. Continuing education requirements must be completed after the effective date of the license to be renewed and prior to the expiration of such license. Upon written request and receipt of the supporting documentation established by the Board, the Board may grant a deferral for continuing education compliance for licensees returning from active military duty. Licensees returning from active military duty may be placed on active status for up to ninety (90) days pending completion of all continuing education requirements established pursuant to Chapter 7 of these Rules.
- 7.3 Continuing real estate appraisal education must be taken from providers approved by the Board. In order to be approved by the Board, continuing education must meet the following standards:
- A. It must have been developed by persons qualified in the subject matter and instructional design;
  - B. It must be current;
  - C. The instructor must be qualified with respect to content and teaching methods; and

- D. The number of participants and the physical facilities are consistent with the teaching method(s).

The Board, at its discretion, may require an evaluation in a manner determined by the Board of an educational offering to ensure compliance with the above standards. By offering real estate appraisal continuing education approved by the Board, each provider agrees to comply with relevant statutes and Board Rules and to permit Board audit of said courses at any time and at no cost. If the Board determines that the offering fails to comply with the standards set forth above, the Board will notify the provider of such deficiency and work with the provider to correct such deficiency prior to the next class offering. If such deficiency is not corrected, then the Board may withdraw approval of the provider, instructor and/or the class.

- 7.4 The following may be approved as providers of continuing appraisal education, provided the standards set forth in Board Rule 7.3 are maintained, and provided they have complied with all other requirements of the state of Colorado:
  - A. Accredited colleges, junior colleges, community colleges or universities as defined in Board Rule 1.30;
  - B. Professional appraisal and real estate related organizations;
  - C. State or federal government agencies;
  - D. Proprietary schools holding valid certificates of approval from the Colorado Division of Private Occupational Schools, Department of Higher Education;
  - E. Continuing education completed in other jurisdictions, providers approved by such other jurisdiction, provided that the jurisdiction's appraiser regulation program is in compliance with Title XI, FIRREA, as determined by the ASC as defined in Board Rule 1.42;
  - F. The providers of continuing education approved under the CAP as defined in Board Rule 1.39; and
  - G. Other providers as the Board may approve upon petition of the education provider or licensee in a form acceptable to the Board.
- 7.5 Continuing education providers must, at their own expense, maintain for a period of five (5) years from the last course offering, and provide to the Board on request, information regarding the educational offerings including, but not limited to the following:
  - A. Outline or syllabus;
  - B. All texts, workbooks, handouts or other materials;
  - C. Instructors and their qualifications, including selection, training and evaluation criteria;
  - D. Examinations (if any);
  - E. Dates and locations of offerings; and
  - F. Student attendance records;

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- 7.6 Continuing appraisal education must be at least two (2) class hours in duration including examination time (if any). Continuing appraisal education programs and courses are intended to maintain and improve the appraiser's skill, knowledge, and competency. Continuing appraisal education courses and programs may include, without limitation, these real estate and real estate appraisal topics:
- A. Ad valorem taxation;
  - B. Arbitration, dispute resolution;
  - C. Courses related to the practice of real estate appraisal or consulting;
  - D. Development cost estimating;
  - E. Ethics and standards of professional practice, USPAP;
  - F. Valuation bias, fair housing, and/or equal opportunity;
  - G. Land use planning, zoning;
  - H. Management, leasing, timesharing;
  - I. Property development, partial interests;
  - J. Real estate law, easements, and legal interests;
  - K. Real estate litigation, damages, condemnation;
  - L. Real estate financing and investment;
  - M. Real estate appraisal related computer applications;
  - N. Real estate securities and syndication;
  - O. Developing opinions of real property value in appraisals that also include personal property and/or business value;
  - P. Seller concessions and impact on value;
  - Q. Energy efficient items and "green building" appraisals; and/or
  - R. Other topics as the Board may approve, upon its own motion or upon petition by the course provider or the licensee in a form acceptable to the Board.
- 7.7 The Board will award continuing education credit to credentialed appraisers who attend a Board's public meeting in person, under the following conditions:
- A. Credit will be awarded for a single Board meeting per license cycle; and
  - B. The meeting must be open to the public and must be a minimum of two (2) hours in length. The total credit cannot exceed seven (7) hours.
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- 7.8 The Board may consider alternatives to continuing real estate appraisal education such as teaching, authorship of textbooks or articles, educational program developments or similar activities for up to one-half of the required continuing education. Licensees desiring continuing education credit for alternative activities must petition the Board for approval in writing and prior to commencement of the alternative activity.
- 7.9 The act of applying for renewal constitutes a statement that the licensee has complied with the continuing education requirements of the Colorado Real Estate Appraiser Licensing Act and Board Rules. The Board reserves the right to require a licensee to provide satisfactory documentary evidence of completion of continuing appraisal education requirements. The Board may at its option require such submission as part of the renewal process or subsequent to renewal.
- 7.10 With the exception of the 7-hour National USPAP Update Course(s), or its equivalent, required pursuant to Board Rule 7.19, licensees may complete the required hours of continuing real estate appraisal education at any time during the licensing period preceding expiration.
- 7.11 An appraiser may repeat courses or programs previously completed, subject to the limitation that no course or program may be repeated more frequently than once every continuing education cycle, which is the same as the appraiser's license cycle. Education in the USPAP, or its AQB-approved equivalent, is not subject to this limitation.
- 7.12 Continuing real estate appraisal education must be successfully completed by the licensee. Successful completion means either in-class or synchronous distance education attendance at the offering and participation in class activities. Successful completion of courses undertaken through asynchronous distance education requires compliance with the provisions of Board Rule 7.14. The teaching of continuing real estate appraisal education will constitute successful completion, if also in compliance with Board Rule 7.8; however, credit will be given for only one (1) presentation of a particular offering during each licensing period.
- 7.13 The number of hours credited will be equivalent to the actual number of contact hours of in-class or synchronous distance education instruction and testing. An hour of appraisal education and training is defined as at least fifty (50) minutes of instruction out of each 60-minute segment. For asynchronous distance education offerings, the number of hours credited must be that number of hours allowed by the CAP as defined in Board Rule 1.39. For hybrid course education, the number of hours credited will be equivalent for each specific course delivery method. Parts of the course that are delivered in-class or synchronously and delivered asynchronously must meet their respective requirements as set forth in this Board Rule 7.13.
- 7.14 Asynchronous distance education offerings must include methods and activities which promote active student engagement and participation in the learning process. Among those methods and activities acceptable are written exercises which are graded and returned to the student, required responses in computer based presentations, provision for students to submit questions during teleconferences, and examinations proctored by an independent third party. Bio-metric proctoring is acceptable. Simple reading, viewing, or listening to materials is not sufficient engagement in the learning process to satisfy the requirements of this Board Rule 7.14.
- 7.15 As to continuing education completed in other jurisdictions with appraiser regulatory programs that are in compliance with Title XI, FIRREA, as determined by the ASC as defined in Board Rule 1.42, the Board will accept the number of hours of continuing education accepted by that jurisdiction.
- 7.16 Repealed.
- 7.17 Repealed.



- 7.18 Continuing education content must have a clear application to real estate appraisal practice. Motivational courses, personal growth, or self-improvement courses, general business courses and general computing courses are unacceptable to satisfy the continuing education requirements established by these Rules.
- 7.19 All licensees must successfully complete a 7-hour National USPAP Update Course, or its equivalent, every two (2) calendar years. Such 7-hour National USPAP Update Course must be in the form of a course approved by the AQB, and taught by an instructor certified by the AQB and who is also a state certified appraiser. Equivalency will be determined through the CAP or by an alternate method established by the AQB.
- 7.20 A licensee who is a resident of a jurisdiction other than the state of Colorado that imposes continuing education requirements consistent with the criteria promulgated by the AQB may comply with the continuing education requirements of Chapter 7 of these Rules by documenting, in a manner prescribed by the Board, compliance with the continuing education requirements of their jurisdiction of residence. In the event the jurisdiction of residence does not impose continuing education requirements consistent with the criteria promulgated by the AQB, the licensee must comply with the continuing education requirements established by Chapter 7 of these Rules.
- 7.21 A licensee who renews a license subject to a continuing education requirement must retain documentary evidence of compliance with these continuing education requirements for a period of not less than five (5) years after the expiration of the license being renewed.
- 7.22 Course providers must provide each student who successfully completes a continuing education course in the manner prescribed in Board Rule 7.12 a course completion certificate. The Board will not mandate the exact form of course certificates; however, the following information must be included:
- A. Name of course provider;
  - B. Course title, which must describe topical content;
  - C. Course number, if any;
  - D. Course dates;
  - E. Number of continuing education hours;
  - F. Statement that the required examination was successfully completed, if an examination is a regular part of the course;
  - G. Course location, which for synchronous distance education and asynchronous distance education modalities must be the principal place of business of the course provider;
  - H. Name of student; and
  - I. For USPAP courses begun on and after January 1, 2003, the name and AQB USPAP instructor certification number of the instructor.
- 7.23 The provisions of Board Rule 7.4 notwithstanding, real estate appraisal continuing education offered through asynchronous distance education must be approved through the CAP, unless the provider is a government agency that has sought an exemption from the Board.
- 7.24 Repealed.

7.25 Repealed.

7.26 Upon written notification from the Board, licensees must provide copies of course certificates to the Board. Failure to provide copies of course certificates within the time set by the Board in its notification will be grounds for disciplinary action unless the Board has granted an extension of time for providing the certificates.

**CHAPTER 8: RENEWAL, REINSTATEMENT, INACTIVATION, SURRENDER OR REVOCATION OF LICENSURE**

8.1 Repealed.

8.2 Repealed.

8.3 Repealed.

8.4 Repealed.

8.5 No holder of an expired license which may be reinstated may apply for a new license of the same type. Such person must reinstate the expired license as provided in section 12-10-610(1), C.R.S., and these Rules. Nothing in this Board Rule 8.5 will act to prevent a person from applying for and receiving a license with higher qualification requirements than those of the expired license.

8.6 All licensees in active or inactive license status must provide the Board with the following information: (1) a current mailing address and phone number for the licensee; (2) a current email address for the licensee if applicable; and (3) such other contact information as may be required by the Board from time to time. Each licensee must inform the Board within ten (10) calendar days of any change in such contact information on a form or in the manner prescribed by the Board. A mailing address for the licensee will be posted on the Division's public website, and it is the licensee's responsibility to inform the Division of any required changes to the mailing address shown for the licensee on the Division's public website. The address shown for the licensee on the Division's public website will be considered the licensee's address of record. A change of mailing address without notification to the Board will result in the inactivation of the appraiser's license.

8.7 Repealed.

8.8 The holder of a license or Temporary Practice Permit may surrender such to the Board. The Board may deem a surrendered license or Temporary Practice Permit as permanently relinquished. Such relinquishment will not remove the holder from the jurisdiction of the Board for acts committed while holding a license or Temporary Practice Permit. A license or Temporary Practice Permit that is relinquished during the pendency of an investigation or a disciplinary action will be reported to the National Registry as having been surrendered in lieu of discipline. A person who relinquishes a license or Temporary Practice Permit may not reinstate the same, but must reapply and meet the current requirements for initial licensure.

8.9 Upon inactivation, revocation, suspension, surrender, relinquishment, or expiration of a license or Temporary Practice Permit, the holder must:

- A. Immediately cease all activities requiring licensure or a Temporary Practice Permit;
- B. In the instance of revocation, suspension, relinquishment, or surrender, immediately return the license document or Temporary Practice Permit to the Board;

- C. Immediately cease all actions which represent the holder to the public as actively being licensed or being the holder of a Temporary Practice Permit, including, without limitation, the use of advertising materials, forms, letterheads, business cards, correspondence, internet website content, statements of qualifications, and the like.
- 8.10 A licensee who has not completed continuing education requirements established pursuant to Chapter 7 of these rules may not renew or reinstate licensure on inactive status unless the Board determines that extenuating circumstances existed which caused the deficiency in the continuing education requirements. The Board may require a written request and supporting documentation to determine that an extenuating circumstance exists or existed. A licensee desiring to renew or reinstate licensure on inactive status must submit their renewal or reinstatement on an inactive status application to the Board.
- 8.11 A licensee may, without limitation, renew or reinstate licensure on inactive status for subsequent renewal periods by complying with the requirements of Rule 8.10.
- 8.12 Repealed.
- 8.13 Repealed.
- 8.14 Repealed.
- 8.15 Repealed.
- 8.16 Repealed.
- 8.17 A Licensed Ad Valorem Appraiser must be a County Assessor, an employee of a County Assessor's Office, or an employee of the Division of Property Taxation in the Department of Local Affairs. If a Licensed Ad Valorem Appraiser is no longer a County Assessor, leaves the employ of a County Assessor's Office, or leaves the employ of the Division of Property Taxation within the Department of Local Affairs, the Licensed Ad Valorem Appraiser must notify the Board within three (3) business days in a manner acceptable to the Board. Upon such notification or discovery by the Board, the Licensed Ad Valorem Appraiser will be placed on inactive status. The Licensed Ad Valorem Appraiser will not be returned to active status unless the licensee signs a certification that he or she is currently a County Assessor, an employee of a County Assessor's Office or an employee of the Division of Property Taxation in the Department of Local Affairs and the Board verifies the licensee's employment.
- 8.18 A licensee desiring to activate an inactive license must complete all required continuing education hours that would have been required if the licensee had been on active status for the entire period of inactivation, including the most recent version of the National USPAP Course or its equivalent as approved by the CAP as defined in Board Rule 1.39.

## **CHAPTER 9: LICENSURE BY ENDORSEMENT**

- 9.1 Pursuant to section 12-10-611(1) and (2), C.R.S., as amended, licensure by endorsement will be subject to the following restrictions and requirements:
- A. The Board may issue licenses by endorsement only to those persons holding an active license or certificate from another jurisdiction which is substantially equivalent to those described in Board Rules 1.13, 1.14 or 1.15, with qualification requirements substantially equivalent to those in Board Rules 2.2, 2.3 or 2.4, respectively;
  - B. The applicant must be the holder of an active license or certificate in good standing under the laws of another jurisdiction;

- C. The appraiser regulatory program of the jurisdiction where the applicant holds an active license or certificate in good standing must be compliance with Title XI, FIRREA, as determined by the ASC as defined in Board Rule 1.42;
- D. The applicant must apply for licensure by endorsement on a form provided by the Board, pay the specified fees and meet all other Board requirements, including the submission of a set of fingerprints to the Colorado Bureau of Investigation for the purpose of conducting a state and national fingerprint-based criminal history record check as required by section 12-10-606(6)(a), C.R.S. as amended;
- E. The applicant must apply for and be issued by the Board a license by endorsement prior to undertaking appraisal activities in Colorado that would require licensure in Colorado; and
- F. A license issued by endorsement will be subject to the same renewal requirements as a license issued pursuant to section 12-10-606, C.R.S. as amended, and Chapters 7 and 8 of these Rules.

#### **CHAPTER 10: TEMPORARY PRACTICE IN COLORADO**

- 10.1 Pursuant to section 12-10-611(2) and (3), C.R.S., as amended, a Temporary Practice permit may be issued to the holder of an active appraiser's license or certificate from another jurisdiction. Such Temporary Practice Permit must be subject to the following restrictions and requirements:
- A. The applicant must apply for and be issued a Temporary Practice Permit prior to his or her commencement of a real property appraisal in Colorado that is part of a federally related transaction;
  - B. The applicant's business is temporary in nature and the applicant must identify in writing the appraisal assignment(s) to be completed under the Temporary Practice Permit prior to being issued a Temporary Practice Permit;
  - C. The Temporary Practice Permit will be valid only for the appraisal assignment(s) listed thereon;
  - D. The applicant must be the holder of an active license or certificate in good standing under the laws of another jurisdiction;
  - E. The applicant must apply for a Temporary Practice Permit on a form provided by the Board, pay the specified fees, and meet all other Board requirements; and
  - F. Pursuant to section 12-10-611(2) and (3), C.R.S., Temporary Practice Permits are available only to persons holding active licensure in another jurisdiction at levels substantially equivalent to those defined in Board Rules 1.13, 1.14, or 1.15. Temporary Practice Permits are not available to persons holding licensure in another jurisdiction at a trainee, apprentice, associate, intern, or other entry level.
- 10.2 No person may be issued more than two (2) Temporary Practice Permits in any rolling twelve-month period.

- 10.3 A Temporary Practice Permit issued pursuant to Chapter 10 of these Rules will be valid for the period of time necessary to complete the original assignment(s) listed thereon, including time for client conferences and expert witness testimony. A Temporary Practice Permit issued pursuant to Chapter 10 of these Rules will not be valid for completion of additional or update assignments involving the same property or properties. Additional or update assignments involving the same property or properties are new assignments, thereby requiring a new Temporary Practice Permit or licensure by endorsement as provided in Chapter 9 of these Rules.

## **CHAPTER 11: STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE**

- 11.1 The USPAP was adopted and incorporated by reference in Board Rule 1.10. The 2018-2019 edition of the USPAP, incorporating the amendments made through February 3, 2017 will remain in effect through December 31, 2019. Beginning January 1, 2020, the 2020-2021 edition of the USPAP will be in effect.
- 11.2 A licensee using the services of an unlicensed assistant under the provisions of section 12-10-621, C.R.S. as amended, or the services of another licensee in the preparation of appraisals or other work products will, consistent with the USPAP, supervise each such assistant or licensee in an active, diligent and personal manner. When any portion of the work involves significant real property appraisal assistance, the licensee must describe and summarize the research, analysis and reporting contributions of each such assistant or other licensee within each such report or other work product in a manner specified in USPAP Standard 2.
- 11.3 A licensee performing any consulting services pursuant to section 12-10-602(5) C.R.S., must not represent any analysis, opinion, or conclusions as an independent appraisal assignment. In compliance with sections 12-10-613(1)(g) and 12-10-616(1)(b), (c) and (d), C.R.S, a licensee compensated by a Contingent Fee as defined in Board Rule 1.20, must disclose in a clear and conspicuous manner in any oral report, or the letter of transmittal, summary of salient facts and conclusions, statement of limiting conditions, and certifications of any written report the following:
- A. A contingent fee is being paid;
  - B. The licensee is performing a consulting service and not an independent appraisal; and
  - C. Any oral or written reports were not required to be compliant with the Ethics Rule of the USPAP.

## **CHAPTER 12: LICENSE TITLES, LICENSE DOCUMENTS, AND SIGNATURES**

- 12.1 The descriptive license titles defined in Board Rules 1.13, 1.14, 1.15, 1.18, and 1.37 must only be used by persons who hold such Board issued license or Temporary Practice Permit in good standing. The descriptive license titles may only be used by an individual license holder and may not be used by any other person or group of persons, including a corporation, partnership, or other business entity.
- 12.2 Repealed.
- 12.3 Repealed.
- 12.4 In each appraisal report or other appraisal related work product, the license held by the appraiser(s) must be clearly identified by using the license titles defined in Board Rules 1.13, 1.14, 1.15, and 1.37 and including the license number. Such license titles and numbers must be identified wherever the licensee signs, by any means or method, the report or other work product, including, but not limited to the:

- A. Letter of transmittal;
  - B. Certification of the appraiser(s); and
  - C. Appraisal or other work product report form or document, including addenda thereto.
- 12.5 Repealed.
- 12.6 An appraiser practicing in Colorado under authority of a Temporary Practice Permit must identify the state where they hold licensure, the type of license and the license number, and must further state they hold a Temporary Practice Permit and state the permit number in all instances where license type and number are required under Chapter 12 of these Rules.
- 12.7 The real estate appraiser's license or Temporary Practice Permit document and identification card issued to an initial applicant or licensee will remain the property of the Board. Such document and card must be surrendered to the Board immediately upon demand. The reasons for such demand may include, but are not limited to, suspension, revocation, surrender, or relinquishment.
- 12.8 When complying with either Board Rule 12.4 or Board Rule 12.6, an appraiser must use the full license or Temporary Practice Permit title in Board Rules 1.13, 1.14, 1.15, 1.18, and 1.37, or must use the appropriate abbreviation as listed below, followed by the license or Temporary Practice Permit number. Use of initials only, such as the alphabetical prefix included with each Board issued number to identify the type of license or Temporary Practice Permit is prohibited except when necessary to comply with federally implanted data collection or reporting requirements (for example FNMA ("Fannie Mae") or FHLMC ("Freddie Mac") implemented policies or guidelines).
- |                                  |                                    |
|----------------------------------|------------------------------------|
| Licensed Ad Valorem Appraiser:   | Lic. Ad Val App. or Lic. Ad Val    |
| Licensed Appraiser:              | Lic. App. or Lic. Appr.            |
| Certified Residential Appraiser: | Crt. Res. App. or Cert. Res. Appr. |
| Certified General Appraiser:     | Crt. Gen. App. or Cert. Genl.      |
| Temporary Practice Permit:       | Temp. Prac. Pmt.                   |
- 12.9 Repealed.
- 12.10 When stating the type of license or Temporary Practice Permit held, and the number thereof, an appraiser may make use of an impression, provided such impression is legible on each copy of the appraisal report or other work product.
- 12.11 Where appraisal report forms or other work product forms do not allow space for placing the information required by Board Rule 12.4 or Board Rule 12.6 immediately following the name and signature of the appraiser the required information will be placed in the closest reasonable available space on the same page.
- 12.12 The holder of a license or Temporary Practice Permit in good standing may copy the license or Temporary Practice Permit document for inclusion in an appraisal report or other appraisal work product. Such copy must have the word "COPY" prominently displayed so as to substantially overlay the printed portions of the license or Temporary Practice Permit document.
- 12.13 The requirements of Chapter 12 of these Rules must be complied with in any electronic copy or transmittal of an appraisal report or other appraisal related work product.
- 12.14 No holder of a license or Temporary Practice Permit, or any other person, will make or cause to be made or allow to be made, any alteration to a Board-issued license or Temporary Practice Permit document or copy thereof, other than as provided in Board Rule 12.12.

- 12.15 No licensee may affix or allow to be affixed the name or signature of a licensee to an appraisal report or other appraisal related work product without the express permission of the licensee for that specific assignment, report, or other work product. Licensees must not give blanket permission for affixing their signature to appraisal reports or other work products and may only authorize the use of his or her signature on an assignment-by-assignment basis.
- 12.16 No licensee will permit, through action or inaction, their name or signature to be affixed to an appraisal report or other appraisal related work product without their first personally examining and approving the final version of such report or other work product.

### **CHAPTER 13: DISCIPLINARY PROCEDURES**

- 13.1 Complaints alleging violation of the Colorado Real Estate Appraiser Licensing Act or the Board Rules must be in writing on a form or in the manner prescribed by the Board. Nothing in this Board Rule 13.1 will act to prevent the Board from acting upon its own motion to open a complaint.
- 13.2 Pursuant to section 12-10-604(1)(c), C.R.S., and section 24-4-105(3), C.R.S., any disciplinary hearing conducted on behalf of the Board may, at the discretion of the Board, be conducted by an Administrative Law Judge from the Office of Administrative Courts of the Department of Personnel & Administration.
- 13.3 Repealed.
- 13.4 When a holder of a Board-issued license or Temporary Practice Permit has received written notification from the Board that a complaint has been filed against the holder, a written response to the Board is required to be submitted by the holder. Failure to submit a written response within the time set by the Board in its notification will be grounds for disciplinary action, unless the Board has granted an extension of time for the response in writing and regardless of the question of whether the underlying complaint warrants further investigation or subsequent action by the Board. The holder's written response must contain the following:
- A. A complete and specific answer to the factual recitations, allegations or averments;
  - B. A complete and specific response to any additional questions, allegations or averments presented in the notification letter;
  - C. Any documents or records requested in the notification letter; and
  - D. Any further information relative to the complaint that the holder believes to be relevant or material to the matters addressed in the notification letter.
- 13.5 The holder of a Board-issued license or Temporary Practice Permit, including an owner of more than ten (10) percent of a licensed appraisal management company, must inform the Board in writing within ten (10) days of any disciplinary action taken by any other state, district, territorial, or provincial real estate appraiser or appraisal management company licensing authority. For purposes of this Board Rule 13.5, disciplinary action may include, without limitation, actions such as fines, required education, probation, suspension, revocation, letters of censure, debarment, required supervision, and the like.
- 13.6 Pursuant to section 24-34-106, C.R.S., when a licensee is required to complete real estate appraisal education as part of stipulation, final agency order, or stipulation for diversion, no portion of any such courses or programs will be creditable toward continuing education or qualifying education requirements.

- 13.7 Pursuant to sections 12-10-613(1)(a) and (k), C.R.S., a licensee must inform the Board in writing within ten (10) days of conviction of, entering a plea of guilty to, entering a plea of nolo contendere to, or receiving a deferred judgment and sentence to any felony or misdemeanor offense, excluding misdemeanor traffic offenses, municipal code violations or petty offenses. A licensee must inform the Board in writing within ten (10) days of any disciplinary action taken against any professional licenses held by the licensee, excluding the licensee's Colorado appraisal credential. For purposes of this Board Rule 13.7, disciplinary action include, without limitation, actions such as imposition of fines, required or remedial education, probation, suspension, revocation, letters of censure, debarment, mandatory supervision, and the like.
- 13.8 Board members, Division staff and contractors hired by the Division are not required to comply with USPAP in performance of the official duties that include, but are not limited to:
- A. Investigations;
  - B. Work experience reviews conducted during license application processing;
  - C. The review or analysis of investigative findings, experience reviews, and/or work product reviews resulting from Board case resolutions; or
  - D. The review of the appraisal as part of an application.
- An investigation or review conducted by staff, a member of the Board or a contractor hired by the Division is not considered an "appraisal review" or an "appraisal" as defined by the USPAP.
- 13.9 A holder of a Board-issued license or Temporary Practice Permit must respond in writing to any correspondence from the Board requiring a response. The written response must be submitted within the time period provided by the Board. The Board will send such correspondence to the holder's address of record filed with the Board. Failure to submit a timely written response will be grounds for disciplinary action.
- 13.10 Exceptions and Board Review of Initial Decisions:
- A. Written form, service, and filing requirements
    - 1. All designations of record, requests, exceptions, and responsive pleadings ("pleadings") must be in written form, mailed with a certificate of mailing to the Board and the opposing party.
    - 2. All pleadings must be filed with the Board by 5:00 p.m. on the date the filing is due. These Rules do not provide for any additional time for service by mail. Filing is the receipt of a pleading by the Board.
    - 3. Any pleadings must be served on the opposing party by mail or by hand delivery on the date on which the pleading is filed with the Board.
    - 4. All pleadings must be filed with the Board and not the Office of Administrative Courts. Any designations of record, requests, exceptions, or responsive pleadings filed in error with the Office of Administrative Courts will not be considered. The Board's address is:

Colorado Board of Real Estate Appraisers  
1560 Broadway, Suite 925  
Denver, CO 80202



**B. Authority to Review**

1. The Board hereby preserves the Board's option to initiate a review of an initial decision on its own motion pursuant to section 24-4-105(14)(a)(ii) and (b)(iii), C.R.S. outside of the thirty (30) day period after service of the initial decision upon the parties without requiring a vote for each case.
2. This option to review will apply regardless of whether a party files exceptions to the initial decision.

**C. Designation of Record and Transcripts**

1. Any party seeking to reverse or modify the initial decision of the Administrative Law Judge must file with the Board a designation of the relevant parts of the record for review ("designation of record"). Designations of record must be filed with the board within twenty (20) days of the date on which the Board mails the initial decision to the parties' address of record with the Board.
2. Even if no party files a designation of record, the record must include the following:
  - a. All pleadings;
  - b. All applications presented or considered during the hearing;
  - c. All documentary or other exhibits admitted into evidence;
  - d. All documentary or other exhibits presented during the hearing;
  - e. All matters officially noticed;
  - f. Any findings of fact and conclusions of law proposed by any party; and
  - g. Any written brief filed.
3. Transcripts: transcripts will not be deemed part of a designation of record unless specifically identified and ordered. Should a party wish to designate a transcript or portion thereof, the following procedures apply:
  - a. The designation of record must identify with specificity the transcript or portion thereof to be transcribed. For example, a party may designate the entire transcript, or may identify witness(es) whose testimony is to be transcribed, the legal ruling or argument to be transcribed, or other information necessary to identify a portion of the transcript.
  - b. Any party who includes a transcript or a portion thereof as part of the designation of record must order the transcript or relevant portions by the date on which the designation of record must be filed (within twenty (20) days of the date on which the Board mails the initial decision to the parties).
  - c. When ordering the transcript, the party must request a court reporter or transcribing service to prepare the transcript within thirty (30) days. The party must timely pay the necessary fees to obtain and file with the Board an original transcription and one (1) copy within thirty (30) days.

- d. The party ordering the transcript must direct the court reporter or transcribing service to complete and file with the Board the transcript and one (1) copy of the transcript within thirty (30) days.
  - e. If a party designates a portion of the transcript, the opposing party may also file a supplemental designation of record, in which the opposing party may designate additional portions of the transcript. This supplemental designation of record must be filed with the Board and served on the other party within ten (10) days after the date on which the original designation of record was due.
  - f. An opposing party filing a supplemental designation of record must order and pay for such transcripts and portions thereof within the deadlines set forth above. An opposing party must also cause the court reporter to complete and file with the Board the transcript and one (1) copy of the transcript within thirty (30) days.
  - g. Transcripts that are ordered and not filed with the Board in a timely manner by the reporter or transcription service due to non-payment, insufficient payment, or failure to direct as set forth above will not be considered by the Board.
- D. Filing of Exceptions and Responsive Pleadings
  - 1. Any party wishing to file exceptions must adhere to the following timelines:
    - a. If no transcripts are ordered, exceptions are due within thirty (30) days from the date on which the Board mails the initial decision to the parties. Both parties' exceptions are due on the same date.
    - b. If transcripts are ordered by either party, the following procedure will apply. Upon receipt of transcripts identified in all designations of record, the Board will mail notification to the parties stating that the transcripts have been received by the Board. Exceptions are due within thirty (30) days from the date on which such notification is mailed. Both parties' exceptions are due on the same date.
  - 2. Either party may file a responsive pleading to the other party's exceptions. All responsive pleadings must be filed within ten (10) days of the date on which the exceptions were filed with the Board. No other pleadings will be considered except for good cause shown.
  - 3. The Board may in its sole discretion grant an extension of time to file exceptions or responsive pleadings, or may delegate the discretion to grant such an extension of time to the Board's designee.
- E. Request for Oral Argument
  - 1. All requests for oral argument must be in writing and filed by the deadline for responsive pleadings. Requests filed after this time will not be considered.
  - 2. It is within the sole discretion of the Board to grant or deny a request for oral argument. If oral argument is granted, both parties will have the opportunity to participate.

3. Each side will be permitted ten (10) minutes for oral argument unless such time is extended by the Board or its designee.
- 13.11 A controlling appraiser must inform the Board in writing within ten (10) days of conviction of, entering a plea of guilty to, entering a plea of nolo contendere, entering an alford plea, or receiving a deferred judgment and sentence to any misdemeanor or felony relating to the conduct of an appraisal, theft, embezzlement, bribery, fraud, misrepresentation, or deceit, or any other like crime under Colorado law, federal law, or the laws of other jurisdictions.
- 13.12 A controlling appraiser, or an approved designee of a licensed appraisal management company, must inform the Board in writing within ten (10) days regarding the following:
  - A. An owner of an appraisal management company, possessing more than ten percent ownership of the licensed entity, has been convicted of, entered a plea of guilty to, entered a plea of nolo contendere, entered an alford plea, or receiving a deferred judgment and sentence to any misdemeanor or felony relating to the conduct of an appraisal, theft, embezzlement, bribery, fraud, misrepresentation, or deceit, or any other like crime under Colorado law, federal law, or the laws of other jurisdictions; and
  - B. An owner of an appraisal management company, possessing any percentage ownership of the licensed entity, has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any jurisdiction.

**CHAPTER 14: DECLARATORY ORDERS PURSUANT TO SECTION 24-4-105(11), C.R.S.**

- 14.1 Any person may petition the Board for a declaratory order to terminate controversies or to remove uncertainties as to the applicability to the petitioner of any statutory provisions or of any rule or order of the Board.
- 14.2 The Board will determine, in its discretion and without prior notice to petitioner, whether to rule upon any such petition. If the Board determines that it will not rule upon such a petition, the Board will issue its written order disposing of the same stating the reason for its action. A copy of the order will be provided to the petitioner.
- 14.3 In determining whether to rule upon a petition filed pursuant to this Rule, the Board will consider the following matters, among others:
  - A. Whether a ruling on the petition will terminate a controversy or remove uncertainties as to the applicability to petitioner of any statutory provision or rule or order of the Board.
  - B. Whether the petition involves any subject, question, or issue which is the subject of a formal or informal matter or investigation currently pending before the Board or a court involving one or more of the petitioners.
  - C. Whether the petition involves any subject, question, or issue which is the subject of a formal or informal matter or investigation currently pending before the Board or a court but not involving any petitioner.
  - D. Whether the petition seeks a ruling on a moot or hypothetical question or will result in an advisory ruling or opinion.
  - E. Whether the petitioner has some other adequate legal remedy, other than an action for declaratory relief pursuant to Rule 57, C.R.C.P., which will terminate the controversy or remove any uncertainty as to the applicability to the petitioner of the statute, rule, or order in question.

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- 14.4 Any petition filed pursuant to this Rule must set forth the following:
- A. The name and address of the petitioner and whether the petitioner holds a license issued pursuant to the Colorado Real Estate Appraiser Licensing Act.
  - B. The statute, rule, or order to which the petition relates.
  - C. A concise statement of all of the facts necessary to show the nature of the controversy or uncertainty and the manner in which the statute, rule, or order in question applies or potentially applies to the petitioner.
- 14.5 If the Board determines that it will rule on the petition, the following procedures will apply:
- A. The Board may rule upon the petition based solely upon the facts presented in the petition. In such a case:
    - 1. Any ruling of the Board will apply only to the extent of the facts presented in the petition and any amendment to the petition.
    - 2. The Board may order the petitioner to file a written brief, memorandum, or statement of position.
    - 3. The Board may set the petition, upon due notice to the petitioner, for a non-evidentiary hearing.
    - 4. The Board may dispose of the petition on the sole basis of the matters set forth in the petition.
    - 5. The Board may request the petitioner to submit additional facts, in writing. In such event, such additional facts will be considered as an amendment to the petition.
    - 6. The Board may take administrative notice of facts pursuant to the Administrative Procedures Act, section 24-4-105(8), C.R.S., as amended, and may utilize its experience, technical competence, and specialized knowledge in the disposition of the petition.
    - 7. If the Board rules upon the petition without a hearing, it will promptly notify the petitioner of its decision.
  - B. The Board may, in its discretion, set the petition for hearing, upon due notice to petitioner, for the purpose of obtaining additional facts or information or to determine the truth of any facts set forth in the petition or to hear oral argument on the petition. The notice to the petitioner setting such hearing will set forth, to the extent known, the factual or other matters into which the Board intends to inquire. For the purpose of such a hearing, to the extent necessary, the petitioner will have the burden of proving all of the facts stated in the petition, all of the facts necessary to show the nature of the controversy or uncertainty and the manner in which the statute, rule, or order in question applies or potentially applies to the petitioner and any other facts the petitioner desires the Board to consider.
- 14.6 The parties to any proceeding pursuant to this Rule will be the Board and the petitioner. Any other person may seek leave of the Board to intervene in such a proceeding, and leave to intervene will be granted at the sole discretion of the Board. A petition to intervene will set forth the same matters as required by Board Rule 14.4. Any reference to a "petitioner" in this Rule also refers to any person who has been granted leave to intervene by the Board.

- 14.7 Any declaratory order or other order disposing of a petition pursuant to this Rule will constitute agency action subject to judicial review pursuant to section 24-4-106, C.R.S., as amended.

**CHAPTER 15: REPEALED**

**CHAPTER 16: REPEALED**

**CHAPTER 17: LICENSING REQUIREMENTS FOR APPRAISAL MANAGEMENT COMPANIES**

- 17.1 Prior to application for licensure for an appraisal management company or as a controlling appraiser, a person who has been convicted of, entered a plea of guilty to, entered a plea of nolo contendere to, or received a deferred judgment and sentence to a misdemeanor or felony, or any like municipal code violation, may request the Board to issue a preliminary advisory opinion regarding the possible effect of such conduct on an application for licensure. A person requesting such an opinion is not an applicant for licensure. The Board may, at its sole discretion, issue such an opinion, which will not be binding upon the Board; is not appealable; and will not limit the authority of the Board to investigate a later application for licensure. The issuance of such an opinion by the Board will not act to prohibit a person from submitting an application for licensure. A person requesting such an opinion must do so in a form prescribed by the Board. Such form must be supported and documented by, without limitation, the following:

- A. Court documents, including original charges, disposition, pre-sentencing report and certification of completion of terms of sentence;
- B. Police officer's report(s);
- C. Probation or parole officer's report(s);
- D. A written personal statement explaining the circumstances surrounding each violation, and including the statement attesting that "I have no other violations either past or pending";
- E. Letters of recommendation; and
- F. Employment history for the preceding five (5) years.

- 17.2 Pursuant to section 12-10-607, C.R.S. an applicant for an appraisal management company's or a controlling appraiser's license who has been convicted of, entered a plea of guilty to, entered a plea of nolo contendere to, or received a deferred judgment and sentence to a misdemeanor or a felony, or any other like municipal code violation, must, with his or her application, include an addendum to the application in a form prescribed by the Board. Such addendum must be supported and documented by, without limitation, the following:

- A. Court documents, including original charges, disposition, pre-sentencing report and certification of completion of terms of sentence;
- B. Police officer's report(s);
- C. Probation or parole officer's report(s);
- D. A written personal statement explaining the circumstances surrounding each violation, and including the statement attesting that "I have no other violations either past or pending";
- E. Letters of recommendation; and

- F. Employment history for the preceding five (5) years.
- 17.3 Initial licenses will expire on December 31 of the year of issuance. All appraisal management company and controlling appraiser licenses expire annually on December 31.
  - 17.4 An appraisal management company must have a controlling appraiser, with an active controlling appraiser's license, to perform services requiring a license. If the controlling appraiser leaves the employment of the appraisal management company, the controlling appraiser or an authorized representative of the appraisal management company must notify the Board within three (3) business days in a manner acceptable to the Board. Upon such notification or discovery by the Board, the license of the appraisal management company will be placed on inactive status unless or until a replacement controlling appraiser has been identified by the appraisal management company and approved by the Board or a temporary controlling appraiser license is timely processed by the Division.
  - 17.5 The controlling appraiser license will be placed on inactive status upon notification to the Board that the controlling appraiser has left the employ of the appraisal management company. The controlling appraiser license will remain on inactive status until the license expires or the controlling appraiser is designated to be the responsible party for an appraisal management company.
  - 17.6 An individual or company license cannot be transferred for use of the licensed name or license for the benefit of another person, partnership, limited liability company, or corporation.
  - 17.7 The controlling appraiser, or an authorized representative, must notify the Board within ten (10) business days of any change in ownership of the appraisal management company including a change in ownership that increases an existing individual's total ownership to more than ten (10) percent.
  - 17.8 The Board may refuse to issue a license to a partnership, limited liability company, or corporation if the name of said corporation, partnership, or limited liability company is the same as that of any person or entity whose license has been suspended or revoked in any jurisdiction or is so similar as to be easily confused with that of the suspended or revoked person or entity by members of the general public.
  - 17.9 No license will be issued to an appraisal management company under a trade name, corporate name, partnership name, or limited liability company name which is identical to another licensed appraisal management company. A license will not be issued to an individual proprietorship that adopts a trade name which includes the following words: corporation, partnership, limited liability company, limited, incorporated, or the abbreviations thereof.
  - 17.10 All applications will contain a certification that the controlling appraiser is responsible for the appraisal management company. All applications will require the appraisal management company to identify at least one authorized representative responsible for contacting the Board when there has been a change in the employment of the controlling appraiser or there is a change in the ownership of the entity.
  - 17.11 When an application for licensure as an appraisal management company is submitted, the controlling appraiser must certify the following:
    - A. If the appraisal management company is a corporation, that the corporation complies with section 12-10-607(8)(c), C.R.S. and that the controlling appraiser has been authorized by the corporation as the controlling appraiser for the corporation.

- B. If the appraisal management company is a partnership, that the partnership complies with section 12-10-607(8)(a), C.R.S. and that the controlling appraiser has been authorized by the partnership as the controlling appraiser for the partnership.
  - C. If the appraisal management company is a limited liability company, that the company complies with section 12-10-607(8)(b), C.R.S. and that the controlling appraiser has been authorized by the company as the controlling appraiser for the limited liability company.
- 17.12 An appraisal management company is not required to be domiciled in Colorado in order to obtain a license, if the company maintains a definite place of business in another jurisdiction and is registered as a foreign entity with the Colorado Secretary of State.
- 17.13 If the appraisal management company has no registered agent registered in Colorado, such registered agent is not located under its registered agent name at its registered agent address, or the registered agent cannot with reasonable diligence be served, the controlling appraiser, on behalf of the appraisal management company, may be served by registered mail or by certified mail, return receipt requested, addressed to the entity at its principal address and to the controlling appraiser's address of record. Service is perfected at the earliest of:
- A. The date the controlling appraiser receives the process, notice, or demand;
  - B. The date shown on the return receipt, if signed by or on behalf of the controlling appraiser; or
  - C. Five (5) days after mailing.
- 17.14 Applicants for licensure, activation, renewal, or reinstatement as an appraisal management company must certify compliance with section 12-10-609, C.R.S. in a manner prescribed by the Board. The surety bond must:
- A. Be for a minimum of \$ 25,000.00;
  - B. Be in conformance with all relevant Colorado statutory requirements; and
  - C. Cover acts contemplated for appraisal management companies under part 6 of article 10 of title 12 during the period of licensure by the appraisal management company.
- Any licensed appraisal management company that certifies compliance and fails to maintain a surety bond, or to provide proof of continuous coverage, will be placed on inactive status:
- A. Immediately if a current surety bond is not provided to the Board; or
  - B. Immediately upon the expiration of any current surety bond when certification of continued coverage is not provided.
- 17.15 An appraisal management company or controlling appraiser whose license has been placed on inactive status must:
- A. Cease any activities requiring a license.
  - B. Cease all advertising of licensed services.
  - C. If an appraisal management company, inform all clients of the company's license status and inability to provide any services requiring a license.

- D. If an appraisal management company, ensure that all appraisal fees collected from the client(s) have been accounted for and disbursed pursuant to section 12-10-614(1)(h), C.R.S.
  - E. If an appraisal management company, fees for services requiring a license can be collected for licensed services performed prior to inactivation of the license.
- 17.16 Licenses will be issued by the Board in a timely manner after the receipt of a complete application, including required fees and all supporting documentation. The Board reserves the right to require additional information and documentation from an applicant in order to determine compliance with applicable laws and regulations, and to verify any information or documentation submitted.
- 17.17 If the fees accompanying any application to the Board (including fees for renewals, transfers, etc.) are paid for by check and the check is not immediately paid upon presentment to the bank upon which the check was drawn, or if payment is submitted in any other manner, and payment is denied, rescinded, or returned as invalid, the application will be deemed incomplete. The application will only be deemed complete if the Board has received payment of all application fees together with any fees incurred by the Division including the fee required by state fiscal rules for the clerical services necessary for reinstatement within sixty (60) days of the Division mailing notification of an incomplete application.
- 17.18 A temporary controlling appraiser's license may be issued to a corporation, partnership, or limited liability company to prevent hardship. No application for a temporary controlling appraiser's license will be approved unless the designated individual is a certified appraiser, in good standing. The temporary license is valid for ninety (90) days. Upon application and showing of good cause, the Board may extend a temporary license for one additional ninety (90) day period.
- 17.19 Applicants for licensure, renewal, or reinstatement as an appraisal management company must complete the following:
- A. The controlling appraiser must report and certify:
    - 1. The number of licensed or certified appraisers that provided an appraisal in connection with a Covered Transaction on the appraisal management company's Panel in Colorado during the Reporting Period;
    - 2. The total number of licensed or certified appraisers on the Panel in Colorado, whether or not the appraisers provided an appraisal in connection with a Covered Transaction, during the Reporting Period; and
    - 3. The total number of licensed or certified appraisers on the Panel in all states that the appraisal management company is licensed during the Reporting Period.
  - B. Submit to the Division the AMC Registry Fee for appraisal management companies that meet the Panel Size Threshold and the appraisal management company minimum requirements as set forth in section 12-10-607(9), C.R.S., along with the application for initial licensure, renewal, or reinstatement.
- 17.20 Federally Regulated AMCs must annually pay the AMC Registry Fee and must report the following information to the Division prior to December 31 of each calendar year:
- A. Identifying company information to include the legal name, Employer Identification Number (EIN), address, and contact information of the controlling appraiser or company's designee.



- B. Information related to ownership limitations.
- C. The controlling appraiser or company's designee must report and certify:
  - 1. The number of licensed or certified appraisers that provided an appraisal in connection with a Covered Transaction on the appraisal management company's Panel in Colorado during the Reporting period;
  - 2. The total number of licensed or certified appraisers on the Panel in Colorado, whether or not the appraisers provided an appraisal in connection with a Covered Transaction, during the Reporting Period; and
  - 3. The total number of licensed or certified appraisers on the Panel in all states during the Reporting Period.
- D. Submit to the Division the AMC Registry Fee for appraisal management companies that meet the Panel Size Threshold along with the information as set forth in this rule.

## **CHAPTER 18: PROFESSIONAL STANDARDS – APPRAISAL MANAGEMENT COMPANIES**

- 18.1 An appraisal management company must have and follow a written policy in place regarding the annual audit of appraisals completed for Colorado assignments during the previous Reporting Period. The policy must have an effective date and memorialize the dates any modifications are made. The policy must outline, at a minimum, the following:
- A. **Appraisal Selection.** The audit sample must be randomly selected and a USPAP Standard 3 Review must be performed on not less than two percent (2%) of all appraisal reports performed by appraisers for the appraisal management company during the previous Reporting Period. A minimum of at least one (1) USPAP Standard 3 Review must be performed for each appraiser who completed a Colorado appraisal assignment during that Reporting Period.
  - B. **Risk-Based Reviews.** If an appraisal management company maintains a risk-based review process, the appraisal management company is required to comply with Board Rule 18.1(A) of these Rules only for those appraisers for whom a USPAP Standard 3 Review was not performed under the risk-based appraisal review process.
  - C. **Review Criterion.** The appraisals must be evaluated for compliance with state and federal regulations, including the USPAP.
  - D. **Reviewer Qualifications.** The individual(s) performing the audit of the appraisals must possess a certified credential in this state or any jurisdiction and be competent to appraise residential real estate.
  - E. **Appraisal Deficiencies.** The appraisal management company must have procedures in place to address material deficiencies that affect the value conclusion or the credibility of the report with the appraiser. Material violations of the USPAP or the Colorado Real Estate Appraiser Licensing Act must be reported to the Board.

The Board may evaluate an appraisal management company's compliance with its own audit policies during an investigation.

- 18.2 For each Colorado appraisal assignment, an appraisal management company must maintain the following documents or records for a period of at least five (5) years, or at least two (2) years after the final disposition of any judicial proceeding in which a representative of the appraisal management company provided testimony related to the assignment, whichever period expires last:
- A. Contractual agreements with clients.
  - B. Any documents associated with the engagement of an appraiser used to appraise Colorado real estate.
  - C. All correspondence with a client or an appraiser regarding a specific assignment, including an accounting of payments received from the client and paid to the appraiser.
  - D. Appraisals, appraisal reviews, appraisal updates, recertifications of value, certificates of completion, broker price opinions or competitive market analyses, comparable property checks, rent schedules or income analyses, measurements, building sketches, and any client approved forms (Colorado Real Estate only).
  - E. A list of all licensed or certified appraisers on the appraisal management company's Panel.
  - F. Copies of final appraisal reports reviewed in accordance with Board Rule 18.1, findings and any subsequent correspondence with the appraiser, client, or Board.
  - G. Copies of all processes and controls pursuant to section 12-10-614(1)(a)(II), C.R.S. Records may be maintained in electronic format, but must be produced upon request by the Board and must be in a format that has the continued capability to be retrieved and legibly printed. Upon request by the Board, printed records must be produced.
- 18.3 For all Colorado appraisal assignments, an appraisal management company must disclose its Colorado license number in writing in the engagement letter with an appraiser.

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### **Editor's Notes**

#### **History**

Chapters 1, 2, 3, 7, 8, 15 eff. 09/30/2007.  
Chapters 5, 7, 8, 11, 13 emer. rules eff. 12/07/2007.  
Chapters 5, 7, 8, 11, 13 eff. 03/01/2008.  
Chapter 16 emer. rule eff. 08/08/2008.  
Chapter 16 emer. rule eff. 11/07/2008.  
Chapter 16 eff. 01/30/2009.  
Rules 1.8, 1.25, 1.33, 7.2, 7.19, 8.10, 13.6 eff. 08/31/2009.  
Rule 11.1; Chapter 16 emer. rules eff. 12/07/2009.  
Rules 1.34-1.35, 13.10, 16.2-16.3 eff. 02/03/2010.  
Rule 16.1 eff. 03/02/2010.  
Rule 11.1 emer. rule eff. 03/15/2010.  
Rule 11.1 eff. 04/14/2010.  
Rule 12.8 emer. rule eff. 08/19/2010.  
Rule 16.4 eff. 08/30/2010.

Rule 7.6 emer. rule eff. 10/14/2010.

Rule 12.8 eff. 12/15/2010.

Rule 7.6 eff. 12/30/2010.

Chapters 1, 2 eff. 10/30/2011.

Chapter 3 eff. 11/30/2011.

Chapters 5, 6, 7, 8, 9, 10.1, 11, 12, 13.8, 14.2, 16.3-16.4. Chapter 15 repealed eff. 12/30/2011.

Rule 7.24 eff. 09/14/2012.

Rules 3.7, 6.7-6.8 eff. 12/30/2012.

Rules 1.25, 1.36, 6.10, 13.3-13.5, 13.7, 13.11, 13.12; Chapters 17, 18 eff. 06/30/2013.

Rules 1.12, 1.20, 1.21, 2.1, 2.8, 3.11, 4.1, 5.8, 6.1, 6.7, 6.8, 8.8, 9.1, 12.4, 12.8 emer. rules eff. 07/01/2013.

Rules 1.12, 1.20, 1.21, 2.1, 2.8, 3.11, 4.1, 5.8, 6.1, 6.7, 6.8, 8.8, 9.1, 12.4, 12.8 eff. 08/30/2013.

Rule 11.1 eff. 01/01/2014.

Rules 1.11, 1.13-1.14, 1.18, 1.36, 6.6-6.8, 6.10, 9.1, 10.1, 11.1-11.3, 13.2, 17.2, 17.11, 17.14-17.15 emer. rules eff. 07/01/2014.

Rules 1.11, 1.13-1.14, 1.18, 1.36-1.37, 2.9-2.10, 3.23, 4.1, 5.1, 5.8-5.9, 6.6-6.8, 6.10, 7.7, 8.17, 9.1, 10.1, 11.1-11.3, 13.2, 17.2, 17.11, 17.14-17.15 eff. 08/30/2014. Rules 16.1-16.3 repealed eff. 08/30/2014.

Rules 1.32, 1.38, 2.2-2.4, 7.6, 7.11, 13.6-13.7 eff. 01/01/2015. Rules 1.25, 16.4 repealed eff. 01/01/2015.

Rules 3.4, 6.10.C.1.K, 6.11, 7.2, 7.5, 8.6, 12.8 eff. 10/30/2015.

Rule 11.1 emer. rule eff. 01/07/2016.

Rule 11.1 eff. 05/06/2016.

Rule 7.25 eff. 06/30/2016.

Chapters 1-14, 17, 18 eff. 01/01/2017.

Rules 1.7, 1.14, 1.19, 1.32, 1.34, 1.36, 1.37, 1.38, 1.41, 1.42, 2.8, 2.9, 3.3, 3.7, 3.10, 3.11, 3.15, 3.17, 3.22, 3.24, 4.6, 6.1, 6.5, 6.9, 7.3, 7.4, 7.7, 7.12, 7.15, 8.5, 8.17, 9.1, 10.1, 12.4, 13.4, 13.9 eff. 08/30/2017.

Rules 1.10, 11.1 eff. 01/01/2018.

Rules 3.24, 7.2 eff. 04/30/2018. Rule 3.10 repealed eff. 04/30/2018.

Rules 1.32, 1.43, 2.2-2.4 emer. rules eff. 05/01/2018.

Rules 1.32, 1.43, 2.2-2.4 eff. 08/30/2018.

Rules 1.44, 10.1 eff. 12/31/2018. Rule 7.25 repealed eff. 12/31/2018.

Rules 1.45-1.56, 17.19, 17.20, 18.2 E, 18.2 G eff. 06/30/2019. Rule 1.44 repealed eff. 06/30/2019.

Rules 1.10, 11.1, 18.1 eff. 01/01/2020.

Rules 1.13, 1.32 eff. 01/01/2021.

Rules 1.2, 1.3, 1.57, 5.9, 5.12-5.15 eff. 04/30/2021.

Rules 1.22, 1.32, 1.58-1.61, 3.5, 3.14, 3.16-3.19, 5.8, 7.6, 7.12-7.14, 7.22, 7.23, 13.12, 17.7, 17.19 eff. 01/01/2022.



**From:** [Aida Dedajic](#)  
**To:** [Board of Real Estate Appraisers \(CED sponsored\)](#)  
**Subject:** RE: Alaska & PAREA - Status?  
**Date:** Tuesday, August 23, 2022 3:23:07 AM  
**Attachments:** [image004.png](#)  
[image005.png](#)  
[image006.png](#)

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Hi Sara,

Great to hear from you!

We now have 32 states that have, one way or another, indicated that completion of PAREA will be acceptable.

Note that this is an informal tracking and one should always confirm with the state on their status.

- **Fully Adopted:** Colorado, District of Columbia, Louisiana, Maine, Montana, Ohio, and Oklahoma (7)
- **Partially Adopted:** California and Kansas (2)
  - *California adopted up to 50% for LR, 50% for CR, 25% for CG experience hours, but hopes to fully adopt PAREA in the near future.*
  - *Kansas – 50% Based upon the practicum allowance in a previous version of the Criteria*
- **Rulemaking/Legislation in Progress for full adoption:** Florida, Idaho, Iowa, Kentucky, Louisiana, Nebraska, New Hampshire, New Mexico, North Carolina, Pennsylvania, South Dakota, Utah, and Washington (13)
- **Adoption by Reference of the *Criteria* (may also be captured in another category):** Arizona, District of Columbia, Louisiana, Michigan, Minnesota, Mississippi, Montana, New Jersey, North Carolina, North Dakota, Oklahoma, Rhode Island, South Carolina, Tennessee, Texas, and Vermont. (11 – 5 other states have *Criteria* plus have made other indications of PAREA acceptance)
- **Discussing PAREA:** Alabama, Alaska, Arkansas, Connecticut, Delaware, Georgia, Hawaii, Illinois, Indiana, Maryland, Massachusetts, Missouri, Nevada, New York, Oregon, Virginia, West Virginia, Wisconsin, and Wyoming. (19)

Thanks,  
Aida

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**The Appraisal Foundation**  
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**From:** Board of Real Estate Appraisers (CED sponsored) <realestateappraisers@alaska.gov>  
**Sent:** Monday, August 22, 2022 6:24 PM  
**To:** Aida Dedajic <aida@appraisalfoundation.org>  
**Subject:** RE: Alaska & PAREA - Status?

Good Afternoon Aida Dedajic,

As the Board of Real Estate Appraisers for Alaska is continuing to look at regulation for adoption of PAREA we wanted to respectfully reach out to see if any other examples have been made available for review.

You have previously shared Colorado, Iowa, New Jersey, and Utah.

Thank You,

*Sara Sather*

# Alaska Regulations to Consider for PAREA

- **If Decided to Proceed with Regulation Edits for PAREA –**

**Need Review**

12 AAC 70.100 Application for General Real Estate Appraiser Certification by Examination  
12 AAC 70.105 Application for Residential Real Estate Appraiser Certification by Examination  
12 AAC 70.107 Application for Institutional Real Estate Appraiser Certification by Examination  
  
12 AAC 70.108 Work Experience Requirements for Real Estate Appraiser Certification  
12 AAC 70.110 Verification of Work Experience  
  
12 AAC 70.111 Application for Trainee Appraiser to Residential Real Estate Appraiser Certification  
12 AAC 70.112 Application for Trainee Appraiser to General Real Estate Appraiser Certification  
  
12 AAC 70.113 Application for Residential Real Estate Appraiser to General Real Estate Appraiser Certification

**Possible Review**

12 AAC 70.125 Application for Approval as a Trainee Appraiser  
  
12 AAC 70.130 Real Estate Appraiser Examinations  
  
12 AAC 70.990 Definitions

**Probably Does Not Need Review**

12 AAC 70.106 Application for General Real Estate Appraiser or Residential Real Estate Appraiser Certification by Reciprocity  
  
12 AAC 70.115 Education Requirements for Real Estate Appraiser Certification  
  
12 AAC 70.120 Application for Certification by Endorsement  
  
12 AAC 70.126 Application for Approval as a Supervisory Appraiser  
  
12 AAC 70.140 Standards for Acceptable Education  
12 AAC 70.145 Approval of Course or Seminar for Initial Certification or Trainee Registration  
  
12 AAC 70.160 Real Estate Appraisal Management Company Registration  
12 AAC 70.165 Real Estate Appraisal Management Company and Panel Standards  
12 AAC 70.170 Renewal of an Appraisal Management Company Registration  
12 AAC 70.175 Annual Reporting and Federal Registry Requirements for Appraisal Management Companies  
12 AAC 70.180 Retention of Records and Inspection by the Board

12 AAC 70.200 Application for Continuing Education Course or Seminar Approval  
12 AAC 70.210 Approved Continuing Education Courses and Seminars  
12 AAC 70.215 Approved Online Courses  
12 AAC 70.220 Hours of Continuing Education Required  
  
12 AAC 70.900 Standards of Practice  
  
12 AAC 70.910 Definitions of Classroom Hour  
  
12 AAC 70.920 Courtesy License  
  
12 AAC 70.930 Federal Registry  
  
12 AAC 70.935 Supervision of Trainee Appraisers  
  
12 AAC 70.940 Retention of Records



**12 AAC 70.100. APPLICATION FOR GENERAL REAL ESTATE APPRAISER CERTIFICATION BY**

**EXAMINATION.** (a) The board will issue a certification by examination to practice as a general real estate appraiser to an applicant who meets the requirements of AS 08.87.110(a), 12 AAC 70.130(a)(1), and this section.

(b) An applicant for certification under this section must

(1) submit a completed application, on a form provided by the department; the completed application must include

(A) the personal identification information requested on the form;

(B) official transcripts, notarized copies of certificates of completion, or other evidence of course completion acceptable to the board, that verify the classroom hours of instruction required in 12 AAC 70.115(a) or (b), as applicable;

(C) work experience verification forms and a log of completed appraisals, on a form provided by the department, that meet the requirements of 12 AAC 70.110 and that verify the real estate appraisal experience required in 12 AAC 70.108(a); and

(D) subject to the penalties of unsworn falsification as defined in AS 11.56.210, a list of crimes described in AS 08.87.110 and AS 08.87.210 for which the applicant has been convicted; and

(2) pay any fees required in 12 AAC 02.370.

Authority: AS 08.87.020 AS 08.87.110

**12 AAC 70.105. APPLICATION FOR RESIDENTIAL REAL ESTATE APPRAISER CERTIFICATION BY EXAMINATION.**

(a) The board will issue a certification by examination to practice as a residential real estate appraiser to an applicant who meets the requirements of AS 08.87.110(b) and this section.

(b) An applicant for certification under this section must

(1) submit a completed application, on a form provided by the department; the completed application must include

(A) the personal identification information requested on the form;

(B) official transcripts, notarized copies of certificates of completion, or other evidence of course completion acceptable to the board, that verify the classroom hours of instruction required in 12 AAC 70.115(c) or (d), as applicable;

(C) work experience verification forms and a log of completed appraisals that meet the requirements of 12 AAC 70.110 and that verify the real estate appraisal experience required in 12 AAC 70.108(b);

(D) subject to the penalties of unsworn falsification as defined in AS 11.56.210, a list of crimes described in AS 08.87.110 and AS 08.87.210 for which the applicant has been convicted; and

(E) a copy of the work product from a minimum of two appraisals performed by the applicant, selected by the board, and included in the log of appraisals submitted under 12

AAC 70.110(a); and

(2) pay any fees required in 12 AAC 02.370.

(c) A certificate to practice under this section will not be issued until

(1) the board has approved the applicant's work product submitted under (b)(1)(E) of this section; and

(2) the applicant has passed the examination required under AS 08.87.110(b)(3) and 12 AAC 70.130.

Authority: AS 08.87.020 AS 08.87.110

## **12 AAC 70.107. APPLICATION FOR INSTITUTIONAL REAL ESTATE APPRAISER**

**CERTIFICATION BY EXAMINATION.** (a) The board will issue a certification by examination to practice as an institutional real estate appraiser to an applicant who meets the requirements of AS 08.87.110(e) and this section.

(b) An applicant for certification under this section must

(1) submit a completed application, on a form provided by the department; the completed application must include

(A) the personal identification information requested on the form;

(B) official transcripts, notarized copies of certificates of completion, or other evidence of course completion acceptable to the board, that verify the classroom hours of instruction required of general real estate appraisers in 12

AAC 70.115(a) or (b), as applicable; and

(C) proof of full-time employment with a financial institution with offices in this state; and

(2) pay any fees required in 12 AAC 02.370.

Authority: AS 08.87.020 AS 08.87.110

## **12 AAC 70.108. WORK EXPERIENCE REQUIREMENTS FOR REAL ESTATE**

**APPRAISER CERTIFICATION.** (a) An applicant for certification as a general real estate appraiser shall submit verification of 3,000 hours of appraisal work obtained continuously over a period of not less than 18 months. At least 1,500 hours of the appraisal work must be in nonresidential appraisal work. The board will only accept work experience that was obtained after January 30, 1989 and was performed in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) applicable as of the date of appraisal.

(b) An applicant for certification as a residential real estate appraiser shall submit verification of 1,500 hours of appraisal experience obtained continuously over a period of not less than 12 months. The board will only accept work experience that was obtained after January 30, 1989 and was performed in compliance with the USPAP applicable as of the date of appraisal.

(c) Repealed 4/8/21.

(d) In this section, a residential property is one to four residential units.

Authority: AS 08.87.020

**12 AAC 70.110. VERIFICATION OF WORK EXPERIENCE.** (a) An applicant's qualifying work experience must be verified by one or more individuals, on forms provided by the department, and, for an applicant for certification as a general real estate appraiser or a residential real estate appraiser, a log submitted by the applicant of appraisal work performed. If an applicant cannot, for good cause, provide work experience verification forms from one or more individuals, the board may consider and approve other kinds of work experience verification.

(b) The board will accept a work experience verification form only if it is notarized and has been completed by

(1) a licensed construction contractor;

(2) a federal or state regulated lender;

(3) a present or former employer of the applicant;

(4) an officer of a state or federal agency; or

(5) an officer of a company that customarily uses the services of a real estate appraiser who has recent knowledge of the applicant's experience on that company's behalf.

(c) Repealed 12/13/94.

(d) Repealed 12/13/94.

(e) At the request of the board, an applicant for certification as a general real estate appraiser or a residential real estate appraiser shall submit a copy of the work product from any appraisal performed by the applicant and included in the log of appraisals submitted under (a) of this section.

Authority: AS 08.87.020

**12 AAC 70.111. APPLICATION FOR TRAINEE APPRAISER TO RESIDENTIAL REAL ESTATE APPRAISER CERTIFICATION.** (a) A trainee appraiser who is applying to transition as a certified residential real estate appraiser must

(1) submit a completed application, on a form provided by the department; the application must include

(A) the personal identification information requested on the form;

(B) the official transcripts showing the applicant has met the degree requirements of 12 AAC 70.115(a);

(C) in addition to the core curriculum requirements in 12 AAC 70.115(f), documentation of completion of 125 additional core curriculum hours as specified in 12 AAC 70.115(d)(4) – (10);

(D) the determination of competency form described in 12 AAC 70.935(c)(3);

(E) the authorization for release of records form; and

(F) work experience verification forms and a log of completed appraisals that meet the requirements of 12

AAC 70.110 and 12 AAC 70.935(f) and that verify the real estate appraisal experience required in 12 AAC 70.108(b);

(2) submit a copy of the work product from a minimum of two appraisals performed by the applicant, selected by the board, and included in the log of appraisals submitted under 12 AAC 70.110(a); and

(3) pay any fees required in 12 AAC 02.370.

(b) A certificate to practice under this section will not be issued until

(1) the board has approved the applicant's work product submitted under (a)(2) of this section; and

(2) the applicant has passed the examination required under AS 08.87.110(h)(3) and 12 AAC 70.130.

Authority: AS 08.87.020 AS 08.87.110 AS 08.87.310

**12 AAC 70.112. APPLICATION FOR TRAINEE APPRAISER TO GENERAL REAL ESTATE APPRAISER CERTIFICATION.**

(a) A trainee appraiser who is applying to transition as a certified general real estate appraiser must

(1) submit a completed application, on a form provided by the department; the application must include

(A) the personal identification information requested on the form;

(B) the official transcripts showing the applicant has met the degree requirements of 12 AAC 70.115(a);

(C) in addition to the core curriculum requirements in 12 AAC 70.115(f), documentation of completion of 225 additional core curriculum hours as specified in 12 AAC 70.115(b)(4) – (10);

(D) the determination of competency form described in 12 AAC 70.935(c)(3);

(E) the authorization for release of records form; and

(F) work experience verification forms and a log of completed appraisals that meet the requirements of 12 AAC 70.110 and 12 AAC 70.935(f) and that verify the real estate appraisal experience required in 12 AAC 70.108(a);

(2) submit a copy of the work product from a minimum of two appraisals performed by the applicant, selected by the board, and included in the log of appraisals submitted under 12 AAC 70.110(a); and

(3) pay any fees required in 12 AAC 02.370.

(b) A certificate to practice under this section will not be issued until

(1) the board has approved the applicant's work product submitted under (a)(2) of this section; and

(2) the applicant has passed the examination required under AS 08.87.110(h)(3) and 12 AAC 70.130.

Authority: AS 08.87.020 AS 08.87.110 AS 08.87.310

**12 AAC 70.125. APPLICATION FOR APPROVAL AS A TRAINEE APPRAISER. (a)**

The board will issue a certification approving a person as a trainee appraiser to an applicant who meets the requirements of 12 AAC 70.935 and this section.

(b) An applicant for certification under this section must

(1) submit a completed application, on a form provided by the department; the completed application must include

(A) the personal identification information requested on the form; and

(B) proof that the applicant has successfully completed and passed 75 classroom hours of instruction that meet the requirements in 12 AAC 70.115(f) and 12 AAC 70.140(a), and the required courses that are specifically oriented to the requirements and responsibilities of supervisory appraisers and trainee appraisers, and that comply with the specifications for course content established by the Appraiser Qualifications Board of the Appraisal Foundation; the course must be completed by the trainee appraiser before obtaining a training appraiser credential; all qualifying education must be completed within the five-year period before the date of submission of a trainee appraiser application; and

(2) pay any fees required in 12 AAC 02.370.

(c) To renew a certification as a real estate appraiser trainee, the applicant must

(1) submit an application for renewal on a form provided by the department; and

(2) provide evidence of satisfactory completion of 14 hours of continuing education credit.

Authority: AS 08.87.020 AS 08.87.310



# THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

## AND INTERPRETATIONS OF THE CRITERIA

Real Property Appraiser Qualification Criteria  
Effective January 1, 2022

Appendix:  
AQB Guide Notes



The Appraisal  
**FOUNDATION**

Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD



# VISION AND MISSION STATEMENT OF THE APPRAISAL FOUNDATION

## **VISION STATEMENT**

To ensure public trust in the valuation profession.

## **Mission Statement**

The Appraisal Foundation is dedicated to promoting professionalism and ensuring public trust in the valuation profession. This is accomplished through the promulgation of standards, appraiser qualifications, and guidance regarding valuation methods and techniques.

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).



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# WHAT IS THE AQB?

The Appraiser Qualifications Board (AQB) is an independent board of The Appraisal Foundation (Foundation). The AQB is comprised of at least five practicing appraisers who are appointed by the Foundation's Board of Trustees for one- to three-year terms.

Under the provisions of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the AQB establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state license or certification as well as Supervisory Appraiser requirements. In addition, the AQB performs a number of ancillary duties related to real property and personal property appraiser qualifications (see "Other AQB Work" on page 5).

## REAL PROPERTY APPRAISER QUALIFICATION CRITERIA, INTERPRETATIONS OF THE CRITERIA, GUIDE NOTES, AND Q&As

States are required to implement appraiser licensing and certification requirements that are no less stringent than those issued by the AQB in the *Real Property Appraiser Qualification Criteria (Criteria)*.

The AQB has statutory authority to develop mandatory *Criteria* for Supervisory Appraisers (not an appraiser credential classification) and the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General appraiser classifications. If a state has these classifications, they are required to adopt these *Criteria*, at a minimum, for appraisals performed in federally-related transactions.

The original *Criteria*, adopted by the AQB in March 1991, included the following classifications: Licensed Residential, Certified Residential, and Certified General. Each of these classifications included requirements for education, experience, and an examination. The Trainee Appraiser classification was adopted by the AQB in 1993 and does not include experience or examination requirements.

After public exposure, the AQB adopted revisions to all classifications in early 1994 for implementation in January 1998. Major components of the revised *Criteria* included:

- An increase in the qualifying education requirements for the Licensed Residential and Certified General classifications;
- The requirement that all real property appraisers take the *15-Hour National Uniform Standards of Professional Appraisal Practice (USPAP) Course*;
- An increase in the experience requirements for the Certified Residential and Certified General Classifications from 2,000 to 2,500 hours, and from 2,000 to 3,000 hours, respectively; and
- An increase in the annual continuing education requirement from 10 to 14 classroom hours for all classifications.

After thorough public exposure, the AQB adopted significant revisions to the *Criteria* in early 2004 for implementation in January 2008. Highlights of the major revisions include:

- An increase in the qualifying education requirements for the Licensed Residential, Certified Residential, and Certified General classifications. The required education hours were raised from 90 to 150 hours for the Licensed Residential classification, 120 to 200 hours for the Certified Residential classification, and 180 to 300 hours for the Certified General classification; and
- A requirement for college-level education for the Certified Residential and Certified General classifications. The Certified Residential classification required an Associate degree or higher; or in lieu of a degree, a minimum of 21 college semester hours in specified coursework. The Certified General required a Bachelor's degree or higher, or in lieu of a degree, a minimum of 30 semester hours in specified college course work.

After five exposure drafts, in December 2011 the AQB adopted revisions to the *Criteria* for implementation in January 2015. Major revisions include:

- Education and experience must be completed prior to taking the *National Uniform Licensing and Certification Examinations*;
- Applicants for the Certified Residential and Certified General classifications must have a Bachelor's degree or higher from an accredited college or university;
- Applicants for the Licensed Residential classification must successfully complete 30 semester hours of college-level education from an accredited college, junior college, community college, or university, or have an Associate's degree or higher from an accredited college, junior college, community college, or university;
- Recognition of university degree programs as counting toward the education requirements in the *Criteria*;
- Removal of the "Segmented" Approach to implementation of the *Criteria*;
- Prohibition of repetitive continuing education within the same continuing education cycle;
- Clarification of the term "written examination";
- Revisions to the Trainee Appraiser classification that include a requirement to take a course oriented to the requirements and responsibilities of Trainee Appraisers and Supervisory Appraisers;
- New Supervisory Appraiser requirements;
- Revisions to Guide Note 1; and
- Additions to the illustrative list of educational topics acceptable for continuing education.

In July 2015, the AQB issued a Concept Paper exploring alternative requirements to the *Criteria*. In October 2015, the AQB held a Public Hearing with major stakeholders of the *Criteria*. In the following two years, the AQB issued a Discussion Draft and four Exposure Drafts of proposed changes to the 2015 *Criteria*. On February 1, 2018, the AQB adopted revisions to the *Criteria*. Major revisions include:

- Elimination of college-level education requirements for the Licensed Residential Real Property classification;
- Alternative college-level education requirements for the Certified Residential Real Property classification;
- An alternative track for Licensed Residential Real Property Appraisers to move to the Certified Residential Real Property Appraiser classification; and
- Modification of experience hours and experience time frames for the Licensed Residential and Certified Residential classifications, and modification of the experience time frame for the Certified General classification.

In April 2019, the AQB issued an Exposure Draft of a proposed Interpretation relating to qualification requirements for Supervisory Appraisers. The AQB issued a second Exposure Draft on this topic in September 2019. At its November 1, 2019 public meeting, the Board adopted the Interpretation in the second Exposure Draft. The Interpretation clarified that Supervisory Appraisers who have been imposed discipline for "administrative" reasons (as opposed to "practice-related" reasons) would still be eligible to supervise.

### Interpretations of the Criteria and Q&As

To further clarify AQB intent to users of the *Criteria*, the AQB may issue Interpretations of the *Criteria*. Interpretations are essential to properly understanding the *Criteria* and are, therefore, binding on users of the *Criteria*. Interpretations are added to the text of this document subsequent to their adoption by the AQB. These Interpretations are listed in subject matter order, which is designed to follow the applicable *Criteria*. As a result, the dates reflecting the adoption of some Interpretations may not follow a chronological sequence.

The AQB also issues Q&As which are published periodically and available on The Appraisal Foundation website. The Q&As are a form of guidance issued by the AQB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of the *Real Property Appraiser Qualification Criteria* and Interpretations of the *Criteria* in specific situations and to offer advice from the AQB for the resolution of appraisal issues and problems. The AQB Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. AQB Q&A does not establish new *Criteria*. AQB Q&A is not part of the *Real Property Appraiser Qualification Criteria*. AQB Q&A is approved by the AQB without public exposure and comment. To review the latest AQB Q&As, please visit the Q&A webpage located on the Foundation's website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org).

### Supporting the Work of the AQB

The AQB strongly encourages input from appraisers, users of appraisal services, and the public through the exposure draft process, public meetings, speaking engagements, and correspondence. Detailed information on how to support the work of the AQB is available online via the Foundation's website at [www.appraisalfoundation.org](http://www.appraisalfoundation.org), or by contacting the Board's staff at the Foundation by calling (202) 347-7722, or via e-mail at [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org).

### Exposure Draft Process

In recognition of the public authority of the AQB, all proposed revisions to the *Criteria* must be exposed for public comment prior to adoption. The AQB considers all comments in public meetings prior to taking final action. Prior to publication of an exposure draft, all proposed revisions to the *Criteria* are reviewed by a regulatory attorney.

### Public Meetings

The AQB conducts periodic public meetings. Observers are encouraged to attend and, if time permits, address the Board regarding an agenda item.

### Speaking Engagements

Members of the AQB are available for speaking engagements and presentations on the current work of the Board. Invitations to speak may be submitted via the "Request a Speaker" section on The Appraisal Foundation's website ([www.appraisalfoundation.org](http://www.appraisalfoundation.org)). These requests should be submitted as early as possible in order to facilitate scheduling.

### Other AQB Work

In addition to its work on the *Criteria*, the AQB is involved in numerous other ongoing projects, including:

- Maintenance and periodic updating of the *National Uniform Licensing and Certification Examinations* and their accompanying Examination Content Outlines (ECO's). The ECO's are used in the development of the examinations.
- Development of and enhancements to the Program to Improve USPAP Education.
- Administration of the Course Approval Program (CAP).
- Administration of the Real Estate Degree Review Program.
- Development of **voluntary** minimum *Personal Property Appraiser Qualification Criteria*.

More information on The Appraisal Foundation and the activities of the AQB is available online at [www.appraisalfoundation.org](http://www.appraisalfoundation.org) or by contacting the Board's staff at The Appraisal Foundation by phone at (202) 347-7722 or via e-mail at [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org).

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# REAL PROPERTY APPRAISER QUALIFICATION CRITERIA

EFFECTIVE JANUARY 1, 2022



## DEFINITIONS:

**Real Property Appraiser Qualification Criteria (Criteria):** Established by the Appraiser Qualifications Board (AQB) of The Appraisal Foundation, these *Criteria* set forth the minimum education, experience, and examination requirements for real property appraisers.

**Required Core Curriculum:** A set of major appraisal subject matter headings, known as “modules,” which require a specified number of educational hours at each credential level.

*For example, as part of the Required Core Curriculum, a minimum of 30 hours of coverage of the module “Basic Appraisal Principles” is required.*

**Subtopics:** Areas of appraisal education (as identified in AQB Guide Note 1) that may be included within the modules of the *Required Core Curriculum*.

*As Guide Note 1 is not a binding requirement, coverage of the subtopics is not required for educational offerings to be valid; however, individuals will be expected to demonstrate competency in the subtopics in order to pass the respective licensing or certification examinations.*

**Interpretations:** Elaborations or clarifications of the *Criteria* issued by the AQB. Interpretations are essential to a proper understanding of the requirements set forth in the *Criteria* and are, therefore, binding upon users of the *Criteria*.

**Guide Notes:** Guidance or advice provided by the AQB for assistance in understanding and implementing the *Criteria*.

*For example, AQB Guide Note 1 (GN-1) “AQB Guidance for Curriculum Content” provides state appraiser regulators, students, and educators with suggested subtopics and items of coverage for each module in the Required Core Curriculum. The subtopics identified in Guide Note 1 represent those areas of education in which appraisers should be able to demonstrate competency to pass the respective licensing or certification examinations.*

## GENERAL INTERPRETATIONS

- A. The following is an exception for implementing the *Real Property Appraiser Qualification Criteria*:  
*An applicant in the Reserve components of the U.S. Armed Forces, who was pursuing an appraiser license or certification prior to December 1, 2011, and who was called to active duty between December 1, 2011 and December 31, 2014, may satisfy the qualifications required under the 2008 Criteria for an additional time period after January 1, 2015. The extension of time shall be equal to the applicant’s time of active duty, plus 12 months.*
- B. The following is a clarification of the existing *Real Property Appraiser Qualification Criteria*:  
*With respect to the prerequisites needed before an applicant takes the National Uniform Licensing and Certification Examinations as referenced in the various sections II. B., applicants must have all experience and education completely verified by the appropriate state appraiser regulatory agency prior to taking the National Exam. Applicants cannot self-verify experience.*

## CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

### I. Standards of Practice

Appraisers in all classifications shall perform and practice in compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP).

### II. Existing Credential Holders

Existing credential holders (with the exception of Trainee Appraisers) in good standing in any jurisdiction shall be considered in compliance with current Appraiser Qualifications Board *Real Property Appraiser Qualification Criteria* (*Criteria*) if they have passed an AQB-approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential (with the exception of Trainee Appraisers) in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and state renewal procedures.

### III. Generic Education Criteria

- A. Class hour
  1. A class hour is defined as 60 minutes, of which at least 50 minutes are instruction attended by the student.
  2. The prescribed number of class hours includes time for examinations.



- B. Credit for the class hour requirements may be obtained only from the following providers:
  - 1. Colleges or universities;
  - 2. Community or junior colleges;
  - 3. Real estate appraisal or real estate-related organizations;
  - 4. State or federal agencies or commissions;
  - 5. Proprietary schools;
  - 6. Providers approved by state certification/licensing agencies; or
  - 7. The Appraisal Foundation or its Boards.
- C. Experience may not be substituted for education.
- D. Distance education is defined as any education process based on the geographical separation of student and instructor. Components of distance education include synchronous, asynchronous, and hybrid. In synchronous educational offerings, the instructor and students interact simultaneously online, similar to a phone call, video chat or live webinar, or web-based meeting. In asynchronous educational offerings, the instructor and student interaction is non-simultaneous; the students progress at their own pace and follow a structured course content and quiz/exam schedule. Hybrid courses, also known as blended courses, are learning environments that allow for both in-person and online (synchronous, or asynchronous) interaction.

Synchronous courses provide for instruction and interaction substantially the same as on-site classroom courses. Synchronous courses meet class hour requirements if they comply with requirements III.A and III.B.

An asynchronous distance education course is acceptable to meet class hour requirements if:

- 1. The course provides interaction. Interaction is a reciprocal environment where the student has verbal or written communication with the instructor; and
  - 2. Content approval is obtained from the AQB, a state appraiser regulatory jurisdiction, or an accredited college, community college, or university that offers distance education programs and is approved or accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education. Non-academic credit college courses provided by a college shall be approved by the AQB or the state appraiser regulatory jurisdiction; and
  - 3. Course delivery mechanism approval is obtained from one of the following sources:
    - a. The AQB; or
    - b. AQB approved organizations providing approval of course design and delivery (such as The Appraisal Foundation or other independent approved entity); or
    - c. a college or university that qualifies for content approval in paragraph 2 above that awards academic credit for the distance education course; or
    - d. a qualifying college or university for content approval with a distance education delivery program that approves the course design and delivery that incorporate interactivity.
  - 4. Hybrid courses meet class hour requirements if each of its sessions meet the requirement for the delivery method employed:
    - a. in-person course sessions must meet III.A. and III.B.
    - b. synchronous course sessions must meet III.A. and III.B.
    - c. asynchronous courses sessions must meet III.A., III.B., and III.D.1-3
- E. *Criteria Specific to Qualifying Education*
- 1. Class hours will be credited only for educational offerings with content that follows the *Required Core Curriculum* for each respective credential classification. Course content requirements may be general or specific to property types. The *Required Core Curriculum* is to be followed by major headings with the classroom hours for each. Guide Note (GN-1) contains guidance for curriculum content with subtopics listed under each major module. The subtopics listed in GN-1 are used for developing Examination Content Outlines for each applicable credential classification, and may also be amended from time to time to reflect changes in technology or in the Body of Knowledge. GN-1 is not mandatory for meeting the *Required Core Curriculum*.
  - 2. Credit toward qualifying education requirements may also be obtained via the completion of a degree in Real Estate from an accredited degree-granting college or university approved by the Association to Advance Collegiate Schools of Business, or a regional or national accreditation agency recognized by the

US Secretary of Education, **provided that the college or university has had its curriculum reviewed and approved by the AQB.**

The AQB may maintain a list of approved college or university degree programs, including the *Required Core Curriculum* and Appraisal Subject Matter Elective hours satisfied by the award of the degree. Candidates for the Trainee Appraiser, Licensed Residential, Certified Residential, or Certified General credential who are awarded degrees from approved institutions are required to complete all additional education required for the credential in which the approved degree is judged to be deficient by the AQB.

3. Class hours may be obtained only where:
    - a. the minimum length of the educational offering is at least 15 hours; and
    - b. the individual successfully completes a proctored, closed-book final examination pertinent to that educational offering.
  4. Where the qualifying education course includes multiple modules as listed in the *Required Core Curriculum*, there must be appropriate testing of each module included in the course.
  5. Courses taken to satisfy the qualifying education requirements must not be repetitive. Courses shall foster problem-solving skills in the education process by utilizing case studies as a major teaching method when applicable.
  6. Applicants must take the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and pass the associated *15-Hour National USPAP Course* examination. At least one of the course instructors must be an AQB Certified USPAP Instructor who is also a state certified appraiser in good standing. Course equivalency shall be determined through the AQB Course Approval Program or by an alternate method established by the AQB. USPAP education presented in a distance education format must be designed to foster appropriate student-to-student, student-to-instructor, and student-to-material interaction.
  7. In addition to the generic requirements described in III.D., distance education courses intended for use as qualifying education must include a written, closed-book final examination. The examination must be proctored in person or remotely by an official approved by the college or university, or by the sponsoring organization. Bio-metric proctoring is acceptable.<sup>1</sup> The term, "written," as used herein, refers to an exam that might be written on paper or administered electronically on a computer workstation or other device. Oral exams are not acceptable. The testing must comply with the examination requirements of this section.
- F. *Criteria Specific to Continuing Education*
1. The purpose of continuing education is to ensure that appraisers participate in a program that maintains and increases their skill, knowledge, and competency in real property appraising.
- Aside from complying with the requirements to complete the *7-Hour National USPAP Update Course*, or its equivalent, appraisers may not receive credit for completion of the same continuing education course offering within the same continuing education cycle.
2. Credit towards the continuing education hour requirements for each appraiser classification may be granted only where the length of the educational offering is at least two (2) hours.
  3. Credit may be granted for education offerings that are consistent with the purpose of continuing education and cover real property related appraisal topics, including, but not limited to:
    - a. Ad valorem taxation;
    - b. Arbitration, dispute resolution;
    - c. Courses related to the practice of real estate appraisal or consulting;
    - d. Development cost estimating;
    - e. Ethics and standards of professional practice, USPAP;
    - f. Valuation bias, fair housing, and/or equal opportunity;
    - g. Land use planning, zoning;
    - h. Management, leasing, timesharing;

<sup>1</sup> Bio-metric proctoring process provides that student identity is continually verified through processes, such as facial recognition, consistency in keystroke cadence, and the observation of activity in the testing location. Aberrant behavior or activity can be readily observed.

- i. Property development, partial interests;
  - j. Real estate law, easements, and legal interests;
  - k. Real estate litigation, damages, condemnation;
  - l. Real estate financing and investment;
  - m. Real estate appraisal-related computer applications;
  - n. Real estate securities and syndication;
  - o. Developing opinions of real property value in appraisals that also include personal property and/or business value;
  - p. Seller concessions and impact on value; and/or
  - q. Energy-efficient items and “green building” appraisals.
4. Up to one half of an individual’s continuing education requirement may also be granted for participation, other than as a student, in appraisal educational processes and programs. Examples of activities for which credit may be granted are teaching, program development, authorship of textbooks, or similar activities that are determined to be equivalent to obtaining continuing education. Credit for instructing any given course or seminar can only be awarded once during a continuing education cycle.
  5. Educational offerings taken by an individual in order to fulfill the class hour requirement for a different classification than his/her current classification may be simultaneously counted towards the continuing education requirement of his/her current classification.
  6. In addition to the generic requirements described in III.D., asynchronous distance education courses intended for use as continuing education must include at least one of the following:
    - a. A written examination proctored by an official approved by the college or university, or by the sponsoring organization. Remote proctoring, including bio-metric procedures as noted in III E. 7. above, is acceptable. The term “written” as used herein refers to an exam that might be written on paper, or administered electronically on a computer workstation or other device. Oral exams are not acceptable; or
    - b. Successful completion of prescribed course mechanisms required to demonstrate knowledge of the subject matter.
  7. Real estate appraisal-related field trips may be acceptable for credit toward the continuing education requirements. However, transit time to or from the field trip may not be included when awarding credit unless instruction occurs during said transit time.
  8. Appraisers must successfully complete the *7-Hour National USPAP Update Course*, or its AQB-approved equivalent, every two calendar years. Equivalency shall be determined through the AQB Course Approval Program or by an alternate method established by the AQB.
  9. Individuals who are credentialed in more than one jurisdiction shall not have to take more than one *7-Hour National USPAP Update Course* within a two calendar year period for the purposes of meeting AQB *Criteria*.
  10. USPAP continuing education credit shall only be awarded when the course is instructed by at least one AQB Certified USPAP Instructor who is also a state certified appraiser in good standing.
  11. The equivalent of fourteen (14) class hours of instruction in courses or seminars for each year during the period preceding the renewal is required. For example, a two-year continuing education cycle would require twenty-eight hours. The class hour requirement can be fulfilled at any time during the cycle.
  12. AQB Certified USPAP Instructors successfully completing a *7-Hour Instructor Recertification Course* and exam (if required) within their current continuing education cycle have satisfied the *7-Hour National USPAP Update Course* continuing education requirement.
  13. State appraiser regulatory agencies with the appropriate authority to do so may place a credential holder in an “inactive status” in the event the state determines a deficiency in continuing education was due to extenuating circumstances.

Prior to reactivation, credential holders in an inactive status must complete all required continuing education hours that would have been required if the credential holder was in an active status. The

required hours must also include the most recent edition of a *7-Hour National USPAP Update Course* (or its AQB-approved equivalent).

Waivers may not be granted to credential holders who have failed to meet the continuing education requirements.

Deferrals may not be granted to credential holders, except in the case of individuals returning from active military duty, or individuals impacted by a state- or federally-declared disaster. State appraiser regulatory agencies may allow credential holders returning from active military duty to be placed in active status for a period of up to 90 days pending completion of all continuing education requirements. State appraiser regulatory agencies may allow credential holders impacted by a state- or federally-declared disaster that occurs within 90 days prior to the end of the continuing education cycle to remain (or be placed in) active status for a period of up to 90 days after the end of the credential holder's continuing education cycle, pending completion of all continuing education requirements.

14. Credentialed appraisers are required to complete continuing education for a partial year in a continuing education cycle as follows:

For continuing education cycle periods of 185 days or more, 14 hours of continuing education is required.

For continuing education cycle periods of less than 185 days, no hours of continuing education are required.

**Example #1:** A credential issued on August 15 that expires on December 31 of the same year would not require any continuing education hours for that year.

**Example #2:** A credential issued on May 15 that expires on December 31 of the same year would require 14 continuing education hours for that year.

**Example #3:** A credential issued on August 15 that expires on December 31 of the following year would require 14 hours of continuing education to renew.

15. State appraiser regulatory agencies may award continuing education credit to credentialed appraisers who attend a state appraiser regulatory agency meeting, under the following conditions:
  - a. Credit may be awarded for a single state appraiser regulatory agency meeting per continuing education cycle. The meeting must be open to the public and must be a minimum of two (2) hours in length. The total credit cannot exceed seven (7) hours; and
  - b. The state appraiser regulatory agency must ensure that the credentialed appraiser attends the meeting for the required period of time.

#### IV. Generic Examination Criteria

A new applicant not currently licensed or certified and in good standing in another jurisdiction shall have up to 24 months, after approval by the state, to take and pass an AQB-approved qualifying examination for the credential. Successful completion of the examination is valid for a period of 24 months.

#### V. Generic Experience Criteria

- A. Education may not be substituted for experience, except as shown below in Section D below.
- B. The quantitative experience requirements must be satisfied by time spent in the appraisal process. The appraisal process consists of: analyzing factors that affect value; defining the problem; gathering and analyzing data; applying the appropriate analysis and methodology; and arriving at an opinion and correctly reporting the opinion in compliance with USPAP.
- C. Hours may be treated as cumulative in order to achieve the necessary number of hours of appraisal experience.
  1. Cumulative is defined as experience that may be acquired over multiple time periods.
  2. The following is an example of cumulative experience:

Year 1	200 Hours
Year 2	800 Hours
Year 3	600 Hours
Year 4	400 Hours
Year 5	500 Hours
<b>Total</b>	<b>2,500 Hours</b>

- D. There need not be a client in a traditional sense (e.g., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.
- E. Practicum courses that are approved by the AQB Course Approval Program or state appraiser regulatory agencies can satisfy the non-traditional client experience requirement. A practicum course must include the generally applicable methods of appraisal practice for the credential category. Content includes, but is not limited to: requiring the student to produce credible appraisals that utilize an actual subject property; performing market research containing sales analysis; and applying and reporting the applicable appraisal approaches in conformity with USPAP. Assignments must require problem solving skills for a variety of property types for the credential category.

Experience credit shall be granted for the actual classroom hours of instruction and hours of documented research and analysis as awarded from the practicum course approval process.

- F. An hour of experience is defined as verifiable time spent in performing tasks in accordance with acceptable appraisal practice. Acceptable real property appraisal practice for experience credit includes appraisal, appraisal review, appraisal consulting, and mass appraisal.

All experience must be obtained after January 30, 1989, and must be USPAP-compliant. An applicant's experience must be in appraisal work conforming to Standards 1, 2, 3, 4, 5, and/or 6, where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), and reporting conclusions.

- G. Documentation in the form of reports, certifications, or file memoranda, or, if such reports and memoranda are unavailable for good cause, other evidence at the credentialing authority's discretion that the work is compliant with USPAP must be provided as part of the state experience verification process to support the experience claimed.
- H. The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:
  - 1. Type of property;
  - 2. Date of report;
  - 3. Address of appraised property;
  - 4. Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;
  - 5. Number of actual work hours by the trainee/applicant on the assignment; and
  - 6. The signature and state certification number of the supervising appraiser, if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.
- I. There is no maximum time limit during which experience may be obtained.

## VI. Practical Applications of Real Estate Appraisal (PAREA)

Practical Applications of Real Estate Appraisal (PAREA) programs approved by the AQB utilize simulated experience training, and serve as an alternative to the traditional Supervisor/Trainee experience model, under Section V. To qualify as creditable experience, AQB-approved PAREA programs shall:

- 1. Contain, at a minimum, the content specified in the Practical Applications of Real Estate Appraisal section of this Criteria;
- 2. Require participants to possess the following prerequisites prior to commencement of training:
  - a. For the Licensed Residential Module: 150 hours of qualifying education as specified in the Required Core Curriculum for the Licensed Residential Real Property Appraiser classification.
  - b. For the Certified Residential Module: 200 hours of qualifying education as specified in the Required Core Curriculum for the Certified Residential Real Property Appraiser classification; and
    - i. Possession of a valid Licensed Residential Real Property Appraiser credential; or
    - ii. Successful completion of an AQB-approved PAREA program for the Licensed Residential Real Property Appraiser classification;
- 3. Provide an adequate number of Mentors to ensure timely and competent mentoring for all program participants;

4. Ensure Mentors meet or exceed the following qualifications:
  - a. Mentors shall be state-certified appraisers and in “good standing” for a period of at least three (3) years prior to being eligible to become a Mentor; and
  - b. Mentors shall not have been subject to any disciplinary action, within any jurisdiction, within the last three (3) years that affected the Mentor’s legal eligibility to engage in appraisal practice, or to act as a Supervisory Appraiser. A Mentor subject to a disciplinary action would be considered to be in “good standing” three (3) years after the successful completion/termination of the imposed sanction; and
5. Ensure program participants produce appraisal reports that comply with USPAP, and meet or exceed the following requirements:
  - a. Licensed Residential
    - i. No fewer than three (3) appraisal reports;
    - ii. Reports must represent a variety of assignment types and property types that are consistent with the Licensed Residential program content; and
    - iii. Reports must comply with the edition of USPAP that is in effect at the time.
  - b. Certified Residential
    - i. No fewer than three (3) appraisal reports;
    - ii. Reports must represent a variety of assignment types and property types that are consistent with the Certified Residential program content; and
    - iii. Reports must comply with the edition of USPAP that is in effect at the time; and
6. Provide each program participant that successfully completes PAREA training with a certificate of completion, subject to the following:
  - a. Participants may not receive partial credit for PAREA training;
  - b. Participants may not receive a certificate of completion until all required components of PAREA training have been successfully completed and approved by a program Mentor;
  - c. Certificates of completion must be signed by an individual from the training entity qualified to verify a participant’s successful completion; and
  - d. Certificates of completion must not contain an expiration date or other constraints that either limit or restrict the participant’s ability to receive appropriate credit; and
7. Allow participants successfully completing approved PAREA programs to receive the following experience credit:
  - a. For participants completing an approved Licensed Residential program:
    - i. Licensed Residential classification: up to 100 percent of the required experience hours.
    - ii. Certified Residential classification: up to 67 percent of the required experience hours.
    - iii. Certified General classification: up to 33 percent of the total required experience, none of which is eligible towards the required non-residential hours.
  - b. For participants completing an approved Certified Residential program:
    - i. Licensed Residential classification: up to 100 percent of the required experience hours.
    - ii. Certified Residential classification: up to 100 percent of the required experience hours.
    - iii. Certified General classification: up to 50 percent of the total required experience, none of which is eligible towards the required non-residential hours.

## VII. Background Checks

- A. All applicants for a real property appraiser credential shall possess a background that would not call into question public trust.
- B. Applicants shall provide state appraiser regulatory agencies with all of the information and documentation necessary for the jurisdiction to determine the applicant’s fitness for licensure or certification.
- C. An applicant shall not be eligible for a real property appraiser credential if, during at least the five (5) year period immediately preceding the date of the application for licensing or certification, the applicant has been convicted of, or pled guilty or nolo contendere to a crime that would call into question the applicant’s fitness for licensure.
- D. Additional guidance related to background checks for applicants for a real property appraiser credential may be found in Guide Note 9 (GN-9).

## VIII. Interpretations and Guide Notes (GN)

Periodically, the AQB may issue Interpretations to the *Criteria* (binding) or Guide Notes (advisory) on interpretations or application of the *Criteria*.

# SUPERVISORY APPRAISER REQUIREMENTS

APPLICABLE TO SUPERVISION OF **TRAINEE APPRAISERS** ONLY

Supervisory Appraisers provide a critical role in the mentoring, training, and development of future valuation professionals. It is inherently important to strike a proper balance between enhancing public trust by ensuring Supervisory Appraisers are competent and qualified to supervise Trainee Appraisers without making the criteria too stringent and restrictive as to discourage or prevent qualified Supervisory Appraisers from actually participating in the training and supervision of Trainee Appraisers.

## I. General

- A. Supervisory Appraisers shall be responsible for the training, guidance, and direct supervision of the Trainee Appraiser by:
  1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
  2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
  3. Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.
- B. Supervisory Appraisers shall be state-certified and in “good standing” for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers do not need to be state certified and in good standing **in the jurisdiction** in which the Trainee Appraiser practices **for any specific minimum period of time**. Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser’s legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in “good standing” three (3) years *after* the successful completion/termination of the sanction imposed against the appraiser.

### ***Supervisory Appraiser Requirements Interpretation***

With respect to disciplinary sanctions that affect an individual’s legal eligibility to practice as referenced in Section 1.B. above, sanctions imposed as a result of administrative actions not related to an individual’s obligations of ethical and competent appraisal practice do not apply. Examples may involve isolated administrative responsibilities including late payment of fees, failure to timely renew a credential, or failure to notify a regulatory office of a change in contact information. The intent of the language stated in Section 1.B. above, was to prevent Supervisory Appraisers from training due to egregious appraisal practice issues that involved ethics and competency. Administrative infractions do not preclude an individual from acting as a Supervisory Appraiser for three years after the sanction.

- C. Supervisory Appraisers must comply with the COMPETENCY RULE of USPAP for the property type and geographic location where the Trainee Appraiser is being supervised.
- D. Whereas a Trainee Appraiser is permitted to have more than one Supervisory Appraiser, Supervisory Appraisers may not supervise more than three (3) Trainee Appraisers at one time, unless a state program in the credentialing jurisdiction provides for progress monitoring, supervisory certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.



- E. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and Trainee Appraiser to ensure the experience log is accurate, current, and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:
1. Type of property;
  2. Date of report;
  3. Address of appraised property;
  4. Description of work performed by the Trainee Appraiser and the scope of the review and supervision of the Supervisory Appraiser;
  5. Number of actual work hours by the Trainee Appraiser on the assignment; and
  6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.
- F. Supervisory Appraisers shall be required to complete a course that, at a minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course is to be completed by the Supervisory Appraiser prior to supervising a Trainee Appraiser. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this booklet for more information.



# REAL PROPERTY APPRAISER CLASSIFICATIONS

## TRAINEE REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

### I. General

- A. The Trainee Appraiser classification is intended to incorporate any documented non-certified/non-licensed real property appraisers who are subject to the *Real Property Appraiser Qualification Criteria*. Recognizing that individual credentialing jurisdictions may use different terminologies, “Trainee Appraisers” include, but are not limited to: registered appraisers, apprentice appraisers, provisional appraisers, or other similar designations created by state appraiser regulatory agencies.
- B. The scope of practice for the Trainee Appraiser classification is the appraisal of those properties which the state-certified Supervisory Appraiser is permitted by his/her current credential and that the Supervisory Appraiser is competent to appraise.
- C. The Trainee Appraiser, as well as the Supervisory Appraiser, shall be entitled to obtain copies of appraisal reports and/or permitted appropriate access and retrieval arrangements for all workfiles for appraisals in which he or she participated, in accordance with the RECORD KEEPING RULE of USPAP.
- D. All Trainee Appraisers must comply with the COMPETENCY RULE of USPAP for all assignments.

### II. Examination

There is no examination requirement for the Trainee Appraiser classification, but the Trainee Appraiser shall pass the appropriate end-of-course examinations in all of the prerequisite qualifying education courses in order to earn credit for those courses.

### III. Qualifying Education

- A. As the prerequisite for application, an applicant must have completed seventy-five (75) hours of qualifying education as specified in the *Required Core Curriculum*. Additionally, applicants must pass the course examinations and pass the *15-Hour National USPAP Course* (or its AQB-approved equivalent) and examination as part of the 75 hours. All qualifying education must be completed within the five (5) year period immediately preceding the date of application for a Trainee Appraiser credential.
- B. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.

- C. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.
- D. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Trainee Appraiser credential.

#### IV. Experience

No experience is required as a prerequisite for the Trainee Appraiser classification.

#### V. Training

- A. The Trainee Appraiser shall be subject to direct control and supervision by a Supervisory Appraiser in good standing, who shall be state certified. A Trainee Appraiser is permitted to have more than one Supervisory Appraiser.
- B. The Supervisory Appraiser shall be responsible for the training, guidance, and direct control and supervision of the Trainee Appraiser by:
  - 1. Accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP;
  - 2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
  - 3. Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.
- C. The Trainee Appraiser is permitted to have more than one Supervisory Appraiser, but a Supervisory Appraiser may not supervise more than three (3) Trainee Appraisers, at one time, unless a program in the state appraiser regulatory jurisdiction provides for progress monitoring, supervising certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers.
- D. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser and the Trainee Appraiser to ensure the appraisal experience log is accurate, current, and complies with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a minimum, the appraisal log requirements shall include:
  - 1. Type of property;
  - 2. Date of report;
  - 3. Address of appraised property;
  - 4. Description of work performed by the Trainee Appraiser and scope of the review and supervision of the Supervisory Appraiser;
  - 5. Number of actual work hours by the Trainee Appraiser on the assignment; and
  - 6. The signature and state certification number of the Supervisory Appraiser. Separate appraisal logs shall be maintained for each Supervisory Appraiser, if applicable.
- E. Supervisory Appraisers shall be state certified and in good standing for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers do not need to be state certified and in good standing **in the jurisdiction** in which the Trainee Appraiser practices **for any specific minimum period of time**. Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser's legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in "good standing" three (3) years after the successful completion/termination of the sanction imposed against the appraiser.
- F. Trainee Appraisers shall be required to complete a course that, at minimum, complies with the specifications for course content established by the AQB, which is specifically oriented to the requirements and responsibilities of Supervisory Appraisers and Trainee Appraisers. The course must be completed by the Trainee Appraiser prior to obtaining a Trainee Appraiser credential from the individual credentialing jurisdiction. Further, the Trainee Appraiser course is not eligible towards the 75 hours of qualifying education required. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this booklet for more information.

# LICENSED RESIDENTIAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

## I. General

- A. The Licensed Residential Real Property Appraiser classification applies to the appraisal of non-complex one-to-four residential units having a transaction value less than \$1,000,000, and complex one-to-four residential units having a transaction value less than \$400,000.
- B. Complex one-to-four unit residential property appraisal means one in which the property to be appraised, the form of ownership, or the market conditions are atypical.
- C. For non-federally related transaction appraisals, transaction value shall mean market value.
  - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential units, or for which the highest and best use is for one-to-four residential units.
  - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
- D. All Licensed Residential Real Property Appraisers must comply with the COMPETENCY RULE of USPAP.

## II. Examination

- A. The AQB-approved Licensed Residential Real Property Appraiser examination must be successfully completed. The only alternative to successful completion of the Licensed Residential examination is the successful completion of the Certified Residential or Certified General examination.
- B. The prerequisites for taking the AQB-approved examination are completion of:
  - 1. One hundred fifty (150) creditable class hours as specified in the *Required Core Curriculum*; and
  - 2. One thousand (1,000) hours of qualifying experience in no fewer than six (6) months.

## III. Qualifying Education

- A. The Licensed Residential Real Property Appraiser classification requires completion of one hundred fifty (150) creditable class hours as specified in the *Required Core Curriculum*. As part of the 150 required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and successfully pass the examination. There is no alternative to successful completion of the USPAP Course and examination.
- B. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
 

1. Residential Market Analysis and Highest and Best Use	15 Hours
2. Residential Appraiser Site Valuation and Cost Approach	15 Hours
3. Residential Sales Comparison and Income Approaches	30 Hours
4. Residential Report Writing and Case Studies	15 Hours
<b>TOTAL</b>	<b>75 Hours</b>
- C. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential.
- D. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Licensed Residential Real Property Appraiser credential.

## IV. Experience:

One thousand (1,000) hours of experience are required to be obtained in no fewer than six (6) months.

# CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

## I. General

- A. The Certified Residential Real Property Appraiser classification qualifies the appraiser to appraise one-to-four residential units without regard to value or complexity.
  - 1. The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential units purposes or for which the highest and best use is for one-to-four residential units.
  - 2. The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.
- B. All Certified Residential appraisers must comply with the COMPETENCY RULE of USPAP.

## II. Examination

- A. The AQB-approved Certified Residential Real Property Appraiser examination must be successfully completed. The only alternative to successful completion of the Certified Residential examination is the successful completion of the Certified General examination.
- B. The prerequisites for taking the AQB-approved examination are completion of:
  - 1. Two hundred (200) creditable class hours as specified in the *Required Core Curriculum*;
  - 2. Completion of the requirements specified in Section III.B. or III.C., "Qualifying Education"; and
  - 3. One thousand five hundred (1,500) hours of qualifying experience obtained in no fewer than twelve (12) months.

## III. Qualifying Education

- A. All college-level education must be obtained from a degree-granting institution by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education.

Applicants with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:

- An accredited, degree-granting domestic college or university;
  - A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
  - A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.
- B. Applicants for the Certified Residential credential must satisfy at least one of the following five options (III.B.1., III.B.2., III.B.3., III.B.4., or III.B.5.):
  - 1. Possession of a Bachelor's Degree in any field of study;
  - 2. Possession of an Associate's Degree in a field of study related to:
    - a. Business Administration;
    - b. Accounting;
    - c. Finance;
    - d. Economics; or
    - e. Real Estate

3. Successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:
    - a. English Composition (3 semester hours);
    - b. Microeconomics (3 semester hours);
    - c. Macroeconomics (3 semester hours);
    - d. Finance (3 semester hours);
    - e. Algebra, Geometry, or higher mathematics (3 semester hours);
    - f. Statistics (3 semester hours);
    - g. Computer Science (3 semester hours);
    - h. Business or Real Estate Law (3 semester hours); and
    - i. Two elective courses in any of the topics listed above or in accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).
  4. Successful completion of at least 30 semester hours of College Level Examination Program® (CLEP®) examinations from each of the following subject matter areas:
    - a. College Algebra (3 semester hours);
    - b. College Composition (6 semester hours);
    - c. College Composition Modular (3 semester hours);
    - d. College Mathematics (6 semester hours);
    - e. Principles of Macroeconomics (3 semester hours);
    - f. Principles of Microeconomics (3 semester hours);
    - g. Introductory Business Law (3 semester hours); and
    - h. Information Systems (3 semester hours).
  5. Any combination of III.B.3 and III.B.4 above that ensures coverage of all topics and hours identified in III.B.3.
- C. As an alternative to the requirements in Section III.B. above, individuals who have held a Licensed Residential credential for a minimum of five (5) years may qualify for a Certified Residential credential by satisfying all of the following:
1. No record of any adverse, final, and non-appealable disciplinary action affecting the Licensed Residential appraiser's legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential credential;
  2. Successful completion of the additional required qualifying education as specified in Section III.F. below;
  3. Successful completion of the required experience as specified in Section IV below; and
  4. Successful completion of the Certified Residential Real Property Appraiser examination as specified in Section II above.
- D. The Certified Residential Real Property Appraiser classification requires completion of two hundred (200) creditable class hours as specified in the *Required Core Curriculum*. As part of the 200 required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and the examination. There is no alternative to successful completion of the USPAP Course and examination.
- E. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Certified Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
- |   |                  |
|---|------------------|
| 1. Residential Market Analysis and Highest and Best Use   | 15 Hours         |
| 2. Residential Appraiser Site Valuation and Cost Approach | 15 Hours         |
| 3. Residential Sales Comparison and Income Approaches     | 30 Hours         |
| 4. Residential Report Writing and Case Studies            | 15 Hours         |
| 5. Statistics, Modeling and Finance                       | 15 Hours         |
| 6. Advanced Residential Applications and Case Studies     | 15 Hours         |
| 7. Appraisal Subject Matter Electives                     | 20 Hours         |
| <b>TOTAL</b>  | <b>125 Hours</b> |
- F. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified Residential Real Property Appraiser credential by successfully completing the following additional educational hours:
- |   |                 |
|---|-----------------|
| 1. Statistics, Modeling and Finance                   | 15 Hours        |
| 2. Advanced Residential Applications and Case Studies | 15 Hours        |
| 3. Appraisal Subject Matter Electives                 | 20 Hours        |
| <b>TOTAL</b>  | <b>50 Hours</b> |

- G. Appraisers holding a valid **Trainee Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification must also satisfy the college-level education requirement as specified in III.B.
- H. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification who do not meet the requirements outlined in Section III.C. must also satisfy the college-level education requirements as specified in Section III.B.
- I. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential wishing to change to the Certified Residential Real Property Appraiser classification who meet the requirements outlined in Section III.C. do not need to satisfy college-level education requirements as specified in Section III.B.
- J. Appraisers holding a valid **Certified General Real Property Appraiser** credential satisfy the educational requirements for the Certified Residential Real Property Appraiser credential.

#### IV. Experience:

One thousand five hundred (1,500) hours of experience are required to be obtained during no fewer than twelve (12) months. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.

# CERTIFIED GENERAL REAL PROPERTY APPRAISER

Please consult the **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS** for additional requirements.

## I. General

- A. The Certified General Real Property Appraiser classification qualifies the appraiser to appraise all types of real property.
- B. All Certified General appraisers must comply with the COMPETENCY RULE of USPAP.

## II. Examination

- A. The AQB-approved Certified General Real Property Appraiser examination must be successfully completed. There is no alternative to successful completion of the exam.
- B. The prerequisites for taking the AQB-approved examination are completion of:
  1. Three hundred (300) creditable class hours as specified in the *Required Core Curriculum*; and
  2. Completion of the college-level education requirements specified in III.A. "Qualifying Education"; and
  3. Three thousand (3,000) hours of qualifying experience obtained in no fewer than eighteen (18) months, where a minimum of one thousand five hundred (1,500) hours must be obtained in non-residential appraisal work.

## III. Qualifying Education

- A. Applicants for the Certified General credential must hold a Bachelor's degree or higher from an accredited college or university. The college or university must be a degree-granting institution accredited by the Commission on Colleges, a national or regional accreditation association, or by an accrediting agency that is recognized by the US Secretary of Education. Applicants with a college degree from a foreign country may have their education evaluated for "equivalency" by one of the following:
  - An accredited, degree-granting domestic college or university;
  - A foreign degree credential evaluation service company that is a member of the National Association of Credential Evaluation Services (NACES); or
  - A foreign degree credential evaluation service company that provides equivalency evaluation reports accepted by an accredited degree-granting domestic college or university or by a state licensing board that issues credentials in another discipline.
- B. The Certified General Real Property Appraiser classification requires completion of three hundred (300) creditable class hours as specified in the *Required Core Curriculum*. As part of the 300 required hours, the applicant shall complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and the examination. There is no alternative to successful completion of the USPAP Course and examination.
- C. Applicants must demonstrate that their education includes the core courses listed in these *Criteria*, with particular emphasis on non-residential properties. Residential is defined as "composed of one-to-four residential units."

D. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	30 Hours
2. Statistics, Modeling and Finance	15 Hours
3. General Appraiser Sales Comparison Approach	30 Hours
4. General Appraiser Site Valuation and Cost Approach	30 Hours
5. General Appraiser Income Approach	60 Hours
6. General Appraiser Report Writing and Case Studies	30 Hours
7. Appraisal Subject Matter Electives	30 Hours
<b>TOTAL</b>	<b>225 Hours</b>

E. Appraisers holding a valid **Licensed Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
2. Statistics, Modeling and Finance	15 Hours
3. General Appraiser Sales Comparison Approach	15 Hours
4. General Appraiser Site Valuation and Cost Approach	15 Hours
5. General Appraiser Income Approach	45 Hours
6. General Appraiser Report Writing and Case Studies	15 Hours
7. Appraisal Subject Matter Electives	30 Hours
<b>TOTAL</b>	<b>150 Hours</b>

F. Appraisers holding a valid **Certified Residential Real Property Appraiser** credential may satisfy the educational requirements for the Certified General Real Property Appraiser credential by successfully completing the following additional educational hours:

1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
2. General Appraiser Sales Comparison Approach	15 Hours
3. General Appraiser Site Valuation and Cost Approach	15 Hours
4. General Appraiser Income Approach	45 Hours
5. General Appraiser Report Writing and Case Studies	10 Hours
<b>TOTAL</b>	<b>100 Hours</b>

G. **Trainee Appraisers, Licensed Residential Real Property Appraisers, and Certified Residential Real Property Appraisers** wishing to change to the Certified General Real Property Appraiser classification must also satisfy the requirements in III.A. and III.C.

#### IV. Experience

Three thousand (3,000) hours of experience are required to be obtained during no fewer than eighteen (18) months. One thousand five hundred (1,500) hours must be in non-residential appraisal work. While the hours may be cumulative, the required number of months must accrue before an individual can be certified.



# REQUIRED CORE CURRICULUM

TRAINEE APPRAISER	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
TOTAL	75 HOURS

LICENSED RESIDENTIAL	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH	15 HOURS
RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES	30 HOURS
RESIDENTIAL REPORT WRITING AND CASE STUDIES	15 HOURS
TOTAL	150 HOURS

CERTIFIED RESIDENTIAL	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
RESIDENTIAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE	15 HOURS
RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH	15 HOURS
RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES	30 HOURS
RESIDENTIAL REPORT WRITING AND CASE STUDIES	15 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES	15 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	20 HOURS
TOTAL	200 HOURS

CERTIFIED GENERAL	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE	30 HOURS
STATISTICS, MODELING AND FINANCE	15 HOURS
GENERAL APPRAISER SITE VALUATION AND COST APPROACH	30 HOURS
GENERAL APPRAISER SALES COMPARISON APPROACH	30 HOURS
GENERAL APPRAISER INCOME APPROACH	60 HOURS
GENERAL APPRAISER REPORT WRITING AND CASE STUDIES	30 HOURS
APPRAISAL SUBJECT MATTER ELECTIVES (May include hours over minimum shown above in other modules)	30 HOURS
TOTAL	300 HOURS

# SUPERVISORY APPRAISER / TRAINEE APPRAISER COURSE OBJECTIVES AND OUTLINE

## COURSE OBJECTIVES

In developing the course, providers must include the following course objectives, which address both the Supervisory Appraiser and Trainee Appraiser.

### Supervisory Appraiser Objectives

The course must provide adequate information to ensure the Supervisory Appraiser understands the qualifications and responsibilities of that role. Specifically, the objective of the course shall be that the student understands:

- AQB minimum qualifications for becoming and remaining a Supervisory Appraiser;
- Jurisdictional credentialing requirements for both Supervisory Appraisers and Trainee Appraisers that may exceed those of the *Criteria*;
- Expectations and responsibilities of being a Supervisory Appraiser;
- Responsibilities and requirements of a Supervisory Appraiser in maintaining and signing all appropriate Trainee Appraiser experience logs; and
- Expectations and responsibilities of the Trainee Appraiser.

### Trainee Appraiser Objectives

The course must provide adequate information to ensure the Trainee Appraiser understands the qualifications and responsibilities of that role. Specifically, the objective of the course shall be that the student understands:

- AQB minimum qualifications for becoming a credentialed appraiser;
- Jurisdictional credentialing requirements for Trainee Appraisers that may exceed those of the *Criteria*;
- AQB minimum qualifications for becoming and remaining a Supervisory Appraiser, as well as jurisdictional credentialing requirements that may exceed those of the *Criteria*;
- Processes and roles of the entities involved in establishing qualifications for credentialed appraisers;
- Expectations and responsibilities of the Trainee Appraiser;
- Basics of the *Uniform Standards of Professional Appraisal Practice* (USPAP); and
- Responsibilities and requirements of a Trainee Appraiser's role in maintaining and signing all appropriate Trainee Appraiser experience logs.

## COURSE CONTENT OUTLINE

Education developers must include the topics contained in the following outline when creating course content:

### I. Table of Contents

### II. Course Introduction and Overview

### III. Qualification and Credentialing Entities

- A. The Appraisal Foundation
  1. Overview of the creation and role of The Appraisal Foundation
- B. The Appraiser Qualifications Board (AQB)
  1. Overview of the role of the AQB in establishing qualifications for real property appraisers

- C. Individual State or Territory Credentialing Authorities
  - 1. Overview of a jurisdiction's role in issuing appraiser credentials and disciplining appraisers
  - 2. Specific information regarding the regulatory structure of the individual jurisdiction (optional)
- D. Professional Appraiser Organizations
  - 1. Overview of the role of professional appraiser organizations
  - 2. Explain difference between required regulatory state appraiser credentials and "voluntary" professional appraiser organization designations

#### IV. Qualifications for Appraiser Credentials

- A. AQB Qualifications
    - 1. Overview of the AQB minimum qualifications for real property appraisers, including the education, experience, and examination requirements for the following categories:
      - a. Trainee Appraiser
      - b. Licensed Residential
      - c. Certified Residential
      - d. Certified General
- Comment: Course developers shall include a summary matrix outlining the minimum education, experience, and examination requirements necessary for each of the credentials.
- 2. Overview of Supervisory Appraiser Qualifications
    - a. AQB minimum qualifications
    - b. Discussion noting individual credentialing jurisdictions could have qualifications that may exceed AQB minimum qualifications
- B. Individual Jurisdiction Qualifications
    - 1. Overview explaining how AQB sets minimum qualifications, but states may have qualifications that exceed AQB *Criteria*
    - 2. Outline and explain the specific steps/requirements to becoming licensed or certified in the particular jurisdiction in which the course is being provided

#### V. Overview of USPAP

- A. Provide brief overview of sections of USPAP relevant to Trainee Appraisers including overviews of:
  - 1. ETHICS RULE
  - 2. COMPETENCY RULE
  - 3. SCOPE OF WORK RULE
  - 4. RECORD KEEPING RULE
  - 5. STANDARD 1 (Development) and STANDARD 2 (Reporting)

Comment: This section is not intended to be a substitute for the *15-Hour National USPAP Course* (or its equivalent).

#### VI. Overview of Supervisory Appraiser Expectations and Responsibilities

- A. The course material must include a presentation of the requirements, expectations, and responsibilities of the Supervisory Appraiser. At a minimum, the course materials must include the expectations and responsibilities of the Supervisory Appraiser to:
  - 1. Provide the Trainee Appraiser with a basic understanding of USPAP requirements
  - 2. Understand the AQB minimum requirements of both the Supervisory Appraiser and Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the *Criteria*
  - 3. Provide proper guidance to the Trainee Appraiser when he or she selects a specific credentialing path (i.e., Licensed Residential, Certified Residential, or Certified General)
  - 4. Monitor the Trainee Appraiser's progress in satisfying both the education and experience requirements necessary to achieve his or her selected credentialing path
  - 5. Verify that the Supervisory Appraiser and Trainee Appraiser are properly documenting all appropriate experience logs

6. Accompany the Trainee Appraiser on all inspections until the Trainee Appraiser is competent to conduct inspections independently and has met all specific requirements pertaining to property inspection established by the credentialing jurisdiction
7. Monitor and provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value
8. Verify that the Trainee Appraiser is properly identified and acknowledged in the appraisal report in compliance with USPAP requirements
9. Immediately notify the Trainee Appraiser if the Supervisory Appraiser is no longer qualified to supervise and/or sign the Trainee Appraiser's experience log

## **VII. Overview of Trainee Appraiser Expectations and Responsibilities**

- A. The course material must include a presentation of the requirements, expectations, and responsibilities of the Trainee Appraiser. At a minimum, the course materials must include the expectations and responsibilities of the Trainee Appraiser to understand:
  1. The AQB minimum requirements to become a Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the *Criteria*
  2. The importance of selecting an appropriate Supervisory Appraiser. Points covered shall include:
    - a. The Supervisory Appraiser-Trainee Appraiser relationship is a long-term commitment by both parties
    - b. The Trainee Appraiser is inherently connected to the "good standing" of the Supervisory Appraiser
    - c. The importance of selecting a Supervisory Appraiser with the experience and competency that best matches the Trainee Appraiser's selected credentialing path
    - d. Options for the Trainee Appraiser if a Supervisory Appraiser is no longer qualified to serve as a Supervisory Appraiser
  3. How to determine if an appraiser is qualified and in good standing to be a Supervisory Appraiser by searching the Appraisal Subcommittee (ASC) National Registry and/or jurisdictional websites
  4. It is the Supervisory Appraiser's responsibility to monitor the progression of the Trainee Appraiser's education and experience necessary to achieve the Trainee Appraiser's selected credentialing path
  5. It is the Supervisory Appraiser's responsibility to provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value
  6. The responsibilities of both the Trainee Appraiser and the Supervisory Appraiser in properly documenting all appropriate Trainee Appraiser's experience logs
  7. The Supervisory Appraiser must accompany the Trainee Appraiser on all inspections until he or she is competent to conduct inspections independently, and has met all requirements pertaining to property inspection established by the credentialing jurisdiction

## **VIII. Overview of Jurisdictional Requirements for Supervisory Appraiser and Trainee Appraiser Requirements**

- A. Provide summary of jurisdictional requirements that may exceed those of the AQB *Criteria*
- B. Course developers may elect to present jurisdictional requirements as a separate add-on module, or incorporate differences between AQB minimum and jurisdictional requirements in each appropriate section of the outline

## **IX. Summary/Quiz (optional)**

## **X. Definitions**

- A. Provide glossary of definitions utilized throughout the course

# PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA)

The goal of the following is to outline necessary Content Criteria that must be included in the development of exercises, examples, simulations, case studies, and applications as are appropriate to recreate the practical experience expected to be gained by an appraiser seeking a license credential. At least 3 USPAP compliant appraisal reports will be developed in the PAREA program for each licensing category. At a minimum, development and reporting of appraisals for single unit residences, 2-4 unit, and condominium units are essential.

## MINIMUM CONTENT REQUIREMENTS – LICENSED RESIDENTIAL CLASSIFICATION

### I. Introduction

#### A. General Considerations and Responsibilities

1. Discuss respecting the public trust
2. Review and comment on appraiser independence
3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

#### B. Appraisal Software and Tools

1. Overview of software options (vendors) and common forms
2. Overview of Common tools: measuring devices, cameras, etc.

### II. Problem Identification

#### A. Understanding Assignment Parameters

1. Perform initial review of order/engagement letter, determine authoritative lines of communication. Provide interactive exercises in extracting key information from engagement letter.

#### B. Understanding Assignment Elements and Competency Issues

1. Examine appraisal request and other documents provided (e.g. title reports, surveys, purchase contract) to determine key assignment elements (Standards Rule 1-2(a)–Standards Rule 1-2(d), and the SCOPE OF WORK RULE), and/or contractual obligations. Determine relevant appraisal assignment conditions. Understanding common client, intended use, intended users, engagement letter terms, various assignment types, basis for assignment conditions, extraordinary assumptions, and hypothetical conditions (e.g., FHA, VA, USDA, etc.).
2. Provide exercises for defining the problem. The goal is for participant to establish appropriate steps in appraisal process.
3. Exercises should contain overlays introducing key engagement items that could affect scope of work
4. Ensure that exercises demonstrate impact on both assignment conditions and elements.
5. Include exercises where an appraiser can identify during problem definition process the existence of possible extraordinary assumptions and/or hypothetical conditions.
6. Demonstrate how competency issues are identified and will be resolved.

#### C. Market, Neighborhood, and Subject Property Research

1. Utilize preliminary online/archival research to gain basic market area and subject property information.
2. Develop the general area and neighborhood market analysis.
  - a. Overview of available data sources for market area information.

3. Retrieval/analysis of preliminary information necessary for understanding subject site and improvements.
4. Review of public record information including site and improvement information.
5. Utilization of MLS/online sites as a verification source.
6. Based on information gathered above, develop and explain key relevant property characteristics (Standards Rule 1-2(e)).

#### **D. Obtaining Preliminary Subject Property Information**

1. Simulate setting the inspection appointment with related requests/requirements.
2. Determine how you will verify individual providing access.
3. Review of inspections and reports provided by others and discuss their application and disclosure in the assignment.

### **III. Review Sections I and II with Mentor**

- A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.
- B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

### **IV. Property Identification and Inspection along with Initial Site Identification**

- A. Research available information sources including public records.
- B. Zoning, general plan information
  1. Identify where to locate all sources of information
  2. Verification of revisions to zoning/general plan
  3. Variances, use restrictions
- C. Environmental issues, flood zone/earthquake information. Identify and explain unusual issues
  1. Location of relevant research information
  2. Communicate any unusual findings to the client to confirm whether assignment is to be completed

### **V. Verification of Neighborhood and Market Area**

- A. Conduct virtual inspection/review of subject's market area
- B. Explain various influences
- C. Identify and explain trends/characteristics in the defined neighborhood and market area

### **VI. Subject Site Inspection**

- A. Verify similarity to plat, observation of site utility, its surrounding influences, and possible conditions that could impact value or marketability
- B. Analysis of site improvements and useable site area.
  1. Determine and explain how useable site area relates to surrounding properties
- C. Identify and discuss various site amenities. Include exercises that include various levels of impact on value

### **VII. Subject Property Improvements Inspection**

- A. Overview
  1. Types/quality of construction
  2. Floor plan issues, determination of room counts
  3. Observable condition factors and description of upgrades
  4. Recognition of potential/existing adverse influences
- B. Conduct a virtual physical inspection to determine relevant physical characteristics
- C. Provide a thorough description of improvements

### **VIII. Measuring the Subject Property Improvements**

- A. Exercises to include methods and ultimately determination of:
  1. Basements

2. Stairways & vaulted ceiling areas
3. Below grade living area (split level)
4. Accessory dwelling units, outbuildings, etc.
5. Awareness of special assignment conditions
6. Common rounding practices

**B. Include virtual exercises in measuring subject properties**

**C. Other sources for obtaining GLA**

#### **IX. Sketch Completion**

**A. Include sketch completion exercises**

**B. Exercises must include final GLA determination (what areas should be extracted from GLA)**

#### **X. Review Sections IV thru IX with Mentor**

**A. Ensure all elements of inspection process have been performed properly, including neighborhood, site, and improvements**

#### **XI. Market Analysis/ Highest and Best Use**

**A. Highest and Best Use**

1. Overview of pertinent data, including current/proposed/potential alternative use and communication of highest and best use

**B. Performing Neighborhood and Market Research**

1. Identify the market area boundaries, physical characteristics, and specific property location relevant to the analysis of the subject property.
2. Identify the trends and characteristics in the defined neighborhood and market area

#### **XII. Review Section XI with Mentor**

**A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**

#### **XIII. Process of Sales Analysis**

**A. Identify the best sources of sales data for use in case studies including:**

1. MLS
2. City/County (public) transfer records
  - a. How to verify
3. Data providers
4. Appraiser office files
  - a. Confidentiality concerns
5. Real estate agents/brokers
  - a. How to verify

**B. Select the same or similar property types, uses, and characteristics.**

1. Identify elements of comparison
2. Develop exercises for various property types

**C. Identify all relevant current listings, expired listings, withdrawn listings, offers (if available), FSBO, closed sales, and pending sales**

#### **XIV. Review Section XIII with Mentor**

**A. Ensure all necessary steps in highest and best use analysis and market analysis were performed properly. Review data source material to assure sufficient information has been identified for further application.**

#### **XV. Valuation Approaches and Techniques**

**A. Consider each approach to value and explain the appropriateness based on the intended use of the assignment. Select the data considered most meaningful and relevant.**

**B. Sales Comparison Approach**

1. Analyze quality and quantity of data



- a. Identify relevant units of comparison
  - b. Data and information collected must be analyzed for comparability and consistency
- 2. Select the sales that are considered the most appropriate for subject property comparability (demonstrate the process)
  - a. Identify and apply appropriate adjustments to comparable transactions based on differences to the subject property. Demonstrate applicable tools and methods, including:
    - 1. Paired sales analysis
    - 2. Statistical and other graphic analysis
- 3. Trend analysis
- 4. Qualitative differences, including:
  - a. Relative comparison analysis
  - b. Ranking analysis
- 5. Discuss and reconcile key elements developed in the sales comparison approach

#### **C. Cost Approach**

- 1. Develop site value of the subject as vacant using recognized methods or techniques
  - a. Include contributory value of site improvement
- 2. Discuss use of replacement or reproduction cost
  - a. Develop supportive data for the cost calculations
  - b. Calculate cost new for the improvements
  - c. Calculate depreciation (demonstrate and apply types, consider market trends)
  - d. Discuss and reconcile key elements developed in the cost approach

#### **D. Income Approach**

- 1. Collection and verification of pertinent rental data (actual vs. contract)
- 2. Determine appropriate GRM (Gross Rent Multiplier)
- 3. Discuss and reconcile key elements developed in the income approach

### **XVI. Review Section XV with Mentor**

- A. Ensure all approaches to value were adequately considered and completed in supportable fashion (including cost and/or income approaches if performed)**

### **XVII. Final Reconciliation**

- A. Analyze and discuss accuracy and sufficiency of data**
- B. Analyze and discuss strengths and weaknesses of each approach to value and their applicability to the subject property**
- C. Analyze and discuss consistency of data and development**
- D. Analyze and discuss the quality and quantity of data**
- E. Review calculations**
- F. Develop the final opinion of value along with the rationale for your conclusions**

### **XVIII. Review Section XVII with Mentor**

- A. Ensure final reconciliation was performed properly and determine appropriate reporting**

### **XIX. Appraisal Report Development/Delivery**

#### **A. Report Development**

- 1. Standards Rule 2-1 minimum standard (not misleading, sufficient, assumptions, etc.)
  - a. Ability to describe the subject property and comparable properties used in the analysis (ensure compliance with STANDARD 2)
    - 1. Technical terms
    - 2. Common industry phrases and descriptors
    - 3. Fair lending do's and don'ts
    - 4. Identify relevant information using industry typical approaches and technologies
  - b. Ability to describe a market area and a neighborhood (same subset as above)

- c. Report format
  - 1. Comply with all applicable assignment elements and conditions
  - 2. Awareness and compliance with state regulatory requirements
  - 3. Describe scope of work
  - 4. Ensure applicable appropriate addenda, exhibits, photos, etc. are included
  - 5. Understand adequacy/relevance/integrity of photos, maps, and exhibits – how/where to upload in a report
- d. Certification
  - 1. Ensure familiarity with pre-printed content and applicability.
  - 2. Develop exercises on completion of workfile documents
  - 3. Demonstrate an ability to store and compile documents

## **XX. Review Section XIX with Mentor**

- A. Ensure that the key components of an appraisal report and report format are appropriate for assignment(s)

## **XXI. Communication of Assignment Results**

- A. Adequacy and relevance of information
  - 1. USPAP compliance
  - 2. Assignment conditions
- B. Understand common Client-specific requirements – additional comparable sales, inclusion of active listings in the report, supplemental exhibits, etc.
  - 1. Demonstrate the ability to meet client expectations conveyed through the engagement letter or other instruction methods
  - 2. Adequate support for analysis
- C. Explain and support rationale for excluding any of the traditional approaches
  - 1. Explain and support reconciliation
  - 2. Explain all assumptions
- D. Explain and support all extraordinary assumptions and hypothetical conditions (state their use may have effect on assignment results)

## **XXII. Review Section XXI with Mentor**

- A. Ensure understanding of effective appraisal report presentation and required content
- B. Ensure compliance with Standards Rule 2-2

# MINIMUM CONTENT REQUIREMENTS – CERTIFIED RESIDENTIAL CLASSIFICATION

## **I. Problem Identification**

- A. Relevant Scope of Work and Competency Issues Involved
  - 1. Develop exercises on how competency issues will be resolved.
  - 2. Conduct a preliminary analysis to ensure an appropriate Scope of Work

## **II. Review Section I with Mentor**

- A. Ensure understanding of how issues uncovered during property identification process relate to complexity. Also, focus on complex ownership issues

## **III. Positive or Negative Locational Influences**

- A. Recognize Population/Employment Trends
- B. Determine and discuss relationships between employment, population, and residential units (Single Unit Residential vs. 2-4 Unit Residential) over time

## **IV. Residential Market Analysis/Highest and Best Use**

- A. Market Analysis Issues Related to Highest and Best Use for Complex Properties

**B. Special Assessments**

**V. Review Sections III and IV with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed.

**VI. Physical Characteristics of Complex Properties – identify and discuss**

- A. Unique Design Features
- B. High Quality/Amenity Properties
- C. Over-improvements
- D. Physical Deficiencies of Improvements
- E. Functional Inadequate and Super Adequate Impact

**VII. Vacant Sites (Including View Amenities, Surplus Land)**

- A. Develop exercises that contain issues covered under Site and Cost Approaches

**VIII. Use of Key Statistical Concepts**

- A. Develop appropriate statistical tools to be used in development of opinion of value
- B. Explain and support their application

**IX. Key Market Driving Influences**

- A. Determine most appropriate units of comparison (market drivers)
- B. Identify market preferences for characteristics and amenities (e.g., parking, # beds, # baths, GLA)

**X. Review Sections VI thru IX with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed
- B. Confirm appropriate items have been identified and analyzed for proper application in determination of opinion of value

**XI. Site Valuation and Cost Approaches**

**A. Site Valuation**

- 1. Extract comparable land/site sales data that will adequately support adjustments for contributing value of unique attributes associated with complex vacant sites (view, entitlements, amenities, surplus/excess land)

**B. Develop a supportable Land/Site Valuation - using the following methods:**

- 1. Allocation
- 2. Market extraction
- 3. Ground rent capitalization
- 4. Land residual method; and
- 5. Sales comparison

**C. Construction Costs**

- 1. Exercises related to high amenity structures
- 2. Discuss local cost influences

**D. Functional Obsolescence**

- 1. Distinguish between curable and incurable forms
- 2. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

**E. External Obsolescence**

- 1. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

**XII. Review Section XI with Mentor**

- A. Ensure the Cost Approach has been performed properly.**

**XIII. Sales Comparison Approach****A. Sales Concessions**

1. Is the subject property subject to sales concessions?
2. Identify and discuss application (or not) of any sales concessions in comparable data based on market norms
3. Cash equivalency related to financing terms

**B. Identifying and Applying Atypical Adjustments – develop support related to the following:**

1. High amenity custom quality adjustments
2. Site adjustments
3. Adjustment support/matched pairs, statistical methods
4. Adjustment support for unique one-off property sales including those with Accessory Dwelling Units

**XIV. Review Section XIII with Mentor**

- A. Ensure the sales comparison approach has been performed properly.**

**XV. Income Approach****A. 1-4 Unit Appraisals**

1. Perform collection of comparable rent data
2. Complex rental adjustments
3. Understand and apply impact of complex amenities
4. Factor for Expense allocations between comparable transactions

**B. Unique 2-4 unit assignments – discuss the following:**

1. Location premiums within PUD/condo
2. Impact of rent control or subsidies
3. Student housing
4. Seasonal and short-term rentals

**C. GRM analysis**

1. Non-market rent impact on GRM
2. Perform reconciliation of GRM indicators

**XVI. Review Section XV with Mentor**

- A. Review the Income approach to value and ensure proper analysis and support for conclusions**

**XVII. Writing and Reasoning Skills****A. Data Presentation**

1. Develop presentation of data in tables, charts, and graphs as appropriate
2. Express succinct narrative using active voice, direct statements, shorter words, shorter paragraphs and placing the bottom-line up front
3. Underscore proper and understandable use of English
  - a. Have another proofread whenever possible

**B. Discussion of Approaches to Value**

1. Adjust depth of discussion to the intended user(s)

**C. Support for Conclusions**

1. Clearly state conclusions throughout the report. Each conclusion requires credible support and logical reconciliation

**D. Summary of Data and Reconciliation of Value Approaches**

1. Summarize the quantity, quality, reliability, and relevance of data available for application in each approach performed. The reconciliation and final value opinion must be consistent with the conclusions of this summary regarding the most germane approach to value

**XVIII. Review Section XVII with Mentor**

- A. Ensure understanding of effective appraisal report presentation and required content**

- B. Ensure compliance with Standards Rule 2-2**



# APPENDIX

## GUIDE NOTES

# GUIDE NOTES

## AQB GUIDE NOTE 1 (GN-1) AQB GUIDANCE FOR REQUIRED CORE CURRICULUM CONTENT

Guide Note 1 (GN-1) contains guidance for curriculum content with subtopics listed under each education module (I through XIV) listed. The subtopics in Guide Note 1 are used in developing examination content outlines for each respective credential level and may also be amended from time-to-time to reflect changes in technology or in the Body of Knowledge. The hours shown for each educational module are the minimums required; students may complete more than the minimum required for each module.

Candidates for a real property appraiser credential should carefully review the educational modules below, keeping in mind that some modules only apply to certain classifications. For example, education module IX (*Advanced Residential Applications and Case Studies*) is only required for the Certified Residential classification. Also, education module XIII (*General Appraiser Income Approach*) is required for the Certified General classification but no others. As a result, candidates should structure their education program giving careful consideration to the credential being sought.

### **I. BASIC APPRAISAL PRINCIPLES (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)** **30 HOURS**

- A. Real Property Concepts and Characteristics
  - 1. Basic Real Property Concepts
  - 2. Real Property Characteristics
  - 3. Legal Description
- B. Legal Considerations
  - 1. Forms of Ownership
  - 2. Public and Private Controls
  - 3. Real Estate Contracts
  - 4. Leases
- C. Influences on Real Estate Values
  - 1. Governmental
  - 2. Economic
  - 3. Social
  - 4. Environmental, Geographic, and Physical
- D. Types of Value
  - 1. Market Value
  - 2. Other Value Types

- E. Economic Principles
  - 1. Classic Economic Principles
  - 2. Application and Illustrations of the Economic Principles
- F. Overview of Real Estate Markets and Analysis
  - 1. Market Fundamentals, Characteristics, and Definitions
  - 2. Supply Analysis
  - 3. Demand Analysis
  - 4. Use of Market Analysis
- G. Ethics and How They Apply in Appraisal Theory and Practice
- H. Valuation Bias, Fair Housing, and/or Equal Opportunity

### **II. BASIC APPRAISAL PROCEDURES (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)** **30 HOURS**

- A. Overview of Approaches to Value

- B. Valuation Procedures
  - 1. Defining the Problem
  - 2. Collecting and Selecting Data
  - 3. Analyzing
  - 4. Reconciling and Final Value Opinion
  - 5. Communicating the Appraisal

- C. Property Description
  - 1. Geographic Characteristics of the Land/Site
  - 2. Geologic Characteristics of the Land/Site
  - 3. Location and Neighborhood Characteristics
  - 4. Land/Site Considerations for Highest and Best Use
  - 5. Improvements - Architectural Styles and Types of Construction
  - 6. Special Energy-Efficient Characteristics of the Improvements

- D. Residential or General Applications

**III. 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)**  
15 HOURS

**IV. RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE (required for the Licensed Residential and Certified Residential classifications)**  
15 HOURS

- A. Residential Markets and Analysis
  - 1. Market Fundamentals, Characteristics, and Definitions
  - 2. Supply Analysis
  - 3. Demand Analysis
  - 4. Use of Market Analysis
- B. Highest and Best Use
  - 1. Test Constraints
  - 2. Application of Highest and Best Use
  - 3. Special Considerations
  - 4. Market Analysis
  - 5. Case Studies

**V. RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH (required for the Licensed Residential and Certified Residential classifications)**  
15 HOURS

- A. Site Valuation
  - 1. Methods
  - 2. Case Studies
- B. Cost Approach
  - 1. Concepts and Definitions
  - 2. Replacement/Reproduction Cost New
  - 3. Accrued Depreciation
  - 4. Methods of Estimating Accrued Depreciation
  - 5. Case Studies

**VI. RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES (required for the Licensed Residential and Certified Residential classifications)**  
30 HOURS

- A. Valuation Principles & Procedures - Sales Comparison Approach
- B. Valuation Principles & Procedures - Income Approach
- C. Finance and Cash Equivalency
  - 1. Identification of Seller Concessions and Their Impact on Value
- D. Financial Calculator Introduction
- E. Identification, Derivation, and Measurement of Adjustments
- F. Gross Rent Multipliers
- G. Partial Interests
- H. Reconciliation
- I. Case Studies and Applications

**VII. RESIDENTIAL REPORT WRITING AND CASE STUDIES (required for the Licensed Residential and Certified Residential classifications)**  
15 HOURS

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Form Reports
- D. Report Options and USPAP Compliance
- E. Case Studies

**VIII. STATISTICS, MODELING AND FINANCE (required for the Certified Residential and Certified General classifications)**  
15 HOURS

- A. Statistics
- B. Valuation Models (AVM's and Mass Appraisal)
- C. Real Estate Finance

**IX. ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES (required for the Certified Residential classification)**  
15 HOURS

- A. Complex Property, Ownership, and Market Conditions
- B. Deriving and Supporting Adjustments
- C. Residential Market Analysis
- D. Advanced Case Studies
  - 1. Seller Concessions
  - 2. Special Energy-Efficient Items (i.e., "Green Buildings")

**X. GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE (required for the Certified General classification)**  
30 HOURS

- A. Real Estate Markets and Analysis
  - 1. Market Fundamentals, Characteristics, and Definitions

2. Supply Analysis
3. Demand Analysis
4. Use of Market Analysis

- B. Highest and Best Use
  1. Test Constraints
  2. Application of Highest and Best Use
  3. Special Considerations
  4. Market Analysis
  5. Case Studies

**XI. GENERAL APPRAISER SALES COMPARISON APPROACH (required for the Certified General classification)**

*30 HOURS*

- A. Value Principles
- B. Procedures
- C. Identification and Measurement of Adjustments
- D. Reconciliation
- E. Case Studies
  1. Seller Concessions
  2. Special Energy-Efficient Items (i.e., “Green Buildings”)

**XII. GENERAL APPRAISER SITE VALUATION AND COST APPROACH (required for the Certified General classification)**

*30 HOURS*

- A. Site Valuation
  1. Methods
  2. Case Studies
- B. Cost Approach
  1. Concepts and Definitions
  2. Replacement/Reproduction Cost New
  3. Accrued Depreciation
  4. Methods of Estimating Accrued Depreciation
  5. Case Studies

**XIII. GENERAL APPRAISER INCOME APPROACH**

**(required for the Certified General classification)**

*60 HOURS*

- A. Overview
- B. Compound Interest
- C. Lease Analysis
- D. Income Analysis
- E. Vacancy and Collection Loss
- F. Estimating Operating Expenses and Reserves
- G. Reconstructed Income and Expense Statement
- H. Stabilized Net Operating Income Estimate
- I. Direct Capitalization
- J. Discounted Cash Flow
- K. Yield Capitalization
- L. Partial Interests
- M. Case Studies

**XIV. GENERAL APPRAISER REPORT WRITING AND CASE STUDIES (required for the Certified General classification)**

*30 HOURS*

- A. Writing and Reasoning Skills
- B. Common Writing Problems
- C. Report Options and USPAP Compliance
- D. Case Studies



# AQB GUIDE NOTE 2 (GN-2)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

RETIRED, OCTOBER 2005

# AQB GUIDE NOTE 3 (GN-3)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO THE SCOPE OF PRACTICE FOR THE LICENSED RESIDENTIAL AND CERTIFIED RESIDENTIAL CLASSIFICATIONS IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

With respect to the *Real Property Appraiser Qualification Criteria* for the Licensed Residential and Certified Residential classifications:

*The scope of practice identified herein represents the consensus of the Appraiser Qualifications Board. The Federal Financial Institutions Regulatory Agencies, as well as other agencies and regulatory bodies, permit the Certified Residential (or Licensed) classification to appraise properties other than those identified within these Criteria. Individuals should refer to agency regulations and state law to determine the type of property that may be appraised by the Certified Residential (or Licensed) appraiser.*

# AQB GUIDE NOTE 4 (GN-4)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO PRACTICUM COURSES TO BE USED FOR EXPERIENCE CREDIT, AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “Criteria Applicable to All Appraiser Classifications” in the *Real Property Appraiser Qualification Criteria*, Section V Generic Experience *Criteria*, Paragraphs D and E, read as follows:

- D. *There need not be a client in a traditional sense (i.e., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.*
- E. *Practicum courses that are approved by the AQB Course Approval Program or state appraiser regulatory agencies can satisfy the non-client experience requirement. **A practicum course must include the generally applicable methods of appraisal practice for the credential category. Content includes, but is not limited to: requiring the student to produce credible appraisals that utilize an actual subject property; performing market research containing sales analysis; and applying and reporting the applicable appraisal approaches in conformity with USPAP. Assignments must require problem solving skills for a variety of property types for the credential category.** Experience credit shall be granted for the actual classroom hours of instruction, and hours of documented research and analysis as awarded from the practicum course approval process. (Bold added for emphasis)*

The bolded language above sets forth the broad requirements for practicum courses. However, more detailed guidance is needed for developers of such courses, as well as state appraiser regulatory agencies seeking to approve such courses. The following is designed to offer this guidance:

1. General Practicum Course Guidelines
  - a. The time period for any non-residential practicum course should be consistent with the type and complexity of the assignment.
  - b. The time period for a residential practicum course should be consistent with the type and complexity of the assignment.
  - c. Practicum courses that cover multiple property types should allocate appropriate times for each assignment and subject properties should be significantly different from one another to provide appropriate training.
  - d. The maximum number of students per course should be consistent with best practices for proper student/instructor ratios.
  - e. In order for this type of experience to be compliant with USPAP, the student/appraiser must list the course provider for the practicum course as the client and the intended user.
  - f. The intended use of the report should be indicated as, “For experience credit.”
2. Appraisal Assignment Guidelines
  - a. The appraisal should employ all of the approaches to value applicable to the assignment.
  - b. Property types and complexity should be those typically encountered by an appraiser seeking experience within the specified credential category.

- c. The appraisal should indicate the intended user and intended use and should solve typical appraisal problems – e.g., mortgage assignments, tax appeals, estates, etc.
  - d. There should be an identifiable subject property and the student should inspect it.
  - e. The actual subject property may change from time to time, but the property type should remain the same.
  - f. All comparable data researched, analyzed, and used in the assignment should be actual and identifiable market data.
  - g. All comparables utilized should be verified with at least one market participant of the sale/rent – e.g., buyer, seller, or broker – and the student should also inspect the exterior of each comparable utilized.
  - h. The final assignment should be communicated in compliance with the Appraisal Report option of STANDARD 2 of USPAP.
  - i. The final reports should be maintained by the student according to the Record Keeping section of the ETHICS RULE of USPAP.
  - j. The practicum course should result in an appraisal and appraisal report completed in accordance with the current version of USPAP.
3. Instructor Guidelines
- a. An instructor conducting a residential experience practicum course should hold either a Certified Residential or Certified General credential in good standing.
  - b. An instructor conducting a general experience practicum course should hold a Certified General credential in good standing.
  - c. The instructor should demonstrate compliance with the COMPETENCY RULE of USPAP for the type of assignment.
  - d. The instructor should grade and correct all assignments and should ensure USPAP compliance.
  - e. The instructor should meet with the students a minimum of 50% of the course hours during the course.

# AQB GUIDE NOTE 5 (GN-5)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO RECIPROCITY, TEMPORARY PRACTICE, RENEWALS, AND APPLICATIONS FOR THE SAME CREDENTIAL IN ANOTHER JURISDICTION, AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Criteria*, Section II Existing Credential Holders, reads as follows:

*Existing credential holders in good standing in any jurisdiction shall be considered in compliance with current Appraiser Qualifications Board Real Property Appraiser Qualification Criteria if they have passed an AQB approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. All credential holders must comply with ongoing requirements for continuing education and state renewal procedures.*

The intent of the AQB is to allow current credential holders who are in good standing within their jurisdictions to obtain reciprocal credentials, temporary practice permits, renewals of existing credentials, and an equivalent credential in another jurisdiction without having to meet the current AQB *Criteria*. If an appraiser holds a valid appraiser credential supported by an AQB approved examination, the appraiser will be deemed by the AQB to be in full compliance with the current *Criteria*.

For example, if a Certified General credential holder who received a credential prior to adoption of the current *Criteria* in one jurisdiction were to relocate to another jurisdiction after adoption of the current *Criteria*, for AQB purposes that existing “home” state credential would be sufficient to support an equivalent credential in the “new” state. The credential holder would be deemed to have met the current *Criteria* for education, experience and examination.

The AQB understands that the individual Title XI jurisdictions must operate in compliance with applicable state laws with regard to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction. While Title XI jurisdictions are only required to meet the AQB *Criteria*, existing state laws may require that these minimums be exceeded. It is possible that a jurisdiction, because of existing law, might require an applicant for an equivalent credential from another jurisdiction to meet all of the current AQB *Criteria* (i.e., education, experience, and examination) in order to obtain the credential in their jurisdiction.

For example, consider an appraiser who holds a Certified General credential in State A and decides to relocate to State B. State B must apply both AQB *Criteria* and State law in determining whether the appraiser from State A qualifies for an appraiser credential in State B. While the AQB considers the valid existing credential in State A to be adequate documentation of conformance to AQB *Criteria*, some State laws might require the appraiser to submit a complete application, including appropriate documentation of experience, education, and successful exam completion. This new application requirement might involve some of the following issues:

- Depending on the wording of the State law, this could mean that the appraiser from State A would have to conform to the current *Criteria* to obtain a credential from State B. Among other things, the appraiser would have to reconstruct his/her appraisal education, perhaps going back as much as 20 to 30 years. The State, then, would have to determine whether that education conformed to the current AQB *Criteria* as implemented by State law.
- Virtually all appraiser education obtained prior to 2008 was provided in what is considered the “integrated” approach. If State B does not accept integrated educational courses, the appraiser from State A would be required to obtain 300 hours of education acceptable under current *Criteria*, plus a college degree, to qualify for a Certified General credential in State B.

It was not the AQB's intent to impose such hardships on appraisers or regulatory agencies. It was the intent of the AQB in drafting the language in Section II of "Existing Credential Holders" that jurisdictions would recognize those appraisers that held credentials prior to the adoption of the current *Criteria*. The acceptance of the existing credential holders would provide for a smooth transition from prior *Criteria* to the current (and beyond) *Criteria*.

The AQB encourages jurisdictions to examine their statutes and regulations and initiate any changes that might be necessary to facilitate a smooth transition.

# AQB GUIDE NOTE 6 (GN-6)

## AQB GUIDANCE FOR CRITERIA IMPLEMENTATION

THIS GUIDE NOTE RELATES TO THE VERIFICATION OF EXPERIENCE CREDIT AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA.

Under “*Criteria Applicable to All Appraiser Classifications*” in the *Criteria*, Section V.G. (Generic Experience *Criteria*) reads as follows:

- G. *The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:*
1. *Type of property;*
  2. *Date of report;*
  3. *Address of appraised property;*
  4. ***Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;***
  5. *Number of actual work hours by the trainee/applicant on the assignment; and*
  6. *The signature and state certification number of the supervising appraiser, if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.*

*(Bold added for emphasis)*

As indicated above, the *Criteria* mandates that the forms used to verify experience credit include all of the identified items. Five of the six items listed are fairly self-explanatory; however, the AQB has received inquiries regarding the intent of item #4 above (the bolded text).

It is the intent of the AQB that the verification of experience clearly identifies three things under item #4:

- 1) A description of the work performed by the trainee or applicant;
- 2) The scope of the review performed by the supervising appraiser; and
- 3) The level of supervision performed by the supervising appraiser.

Although the scope of review and level of supervision performed by the supervising appraiser might appear to be redundant at first glance, they are not. For example, in certain assignments a supervising appraiser might determine that a lesser level of supervision is required, but that might not impact the level of review performed.

The AQB recognizes that assignments may differ significantly; therefore, the level of review and supervision by the supervising appraiser may also differ from assignment to assignment. Also, depending on the assignments involved, it might be expected that the supervising appraiser’s level of review and supervision diminish over time as the trainee/applicant gains competency.

The following page includes an example of an experience log that includes the information required by the *Criteria*. The attached is merely one possible example of an experience log. Any format that includes the items listed under Section V.G., Generic Experience *Criteria*, as specified in the *Real Property Appraiser Qualification Criteria*, is acceptable.

It should be noted that experience logs or other forms prescribed by a state appraiser regulatory agency to verify experience credit might appear very different, including requiring substantially more information than is identified in the example below. However, as stated above, all forms must, at a minimum, include the items listed under Section V.G., “Generic Experience *Criteria*,” as specified in the *Real Property Appraiser Qualification Criteria*.

Date of Report	Property Address, City, State, Zip	Type of Property (SFR, Condo, 2-4 Units)	Description Of Applicant's Work Performed	Scope of Supervising Appraiser's Review	Scope of Supervising Appraiser's Supervision	Number of Actual Hours Worked By Applicant
1/3/08	123 Oak Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison approaches, final reconciliation	Reviewed workfile and report, verified subject sales history, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Completed entire appraisal process with applicant, including physical inspection of subject property (first SFR appraisal for applicant)	7
6/7/08	455 Pine Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison approach, final reconciliation	Reviewed workfile and report, verified all comparable data and analyses, verified homeowner's association info, discussed with applicant, co-signed appraisal report	Oversight of comparable data selection and analyses, provided direction in site value analysis used in cost approach, did not physically inspect subject property	7
1/10/09	202 Spruce Street Washington, DC 20005	SFR	Neighborhood, subject and comp data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Review of comparable data selection and analyses, did not physically inspect subject property	10
1/24/09	115 Pennsylvania Ave. Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Completed entire appraisal process with applicant, including physical inspection of subject property (first commercial appraisal for applicant)	30



Date of Report	Property Address, City, State, Zip	Type of Property (SFR, Condo, 2-4 Units)	Description Of Applicant's Work Performed	Scope of Supervising Appraiser's Review	Scope of Supervising Appraiser's Supervision	Number of Actual Hours Worked By Applicant
8/14/09	200 S Broadway Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Oversight of comparable data selection and analyses, provided direction in DCF analysis used in income approach, did not physically inspect subject property	40
1/10/10	300 Capitol Avenue Washington, DC 20005	Retail Store	Neighborhood, subject and comp (sale and rental) data research and analyses, interior/exterior property inspection, cost/sales comparison/income approaches, final reconciliation	Reviewed workfile and report, checked data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal report	Review of comparable data selection and analyses, did not physically inspect subject property	40
2/12/10	144 Elm Avenue Washington, DC 20005	Golf Course	Completed entire appraisal process	Reviewed workfile and report, verified subject sales history and all data and analyses in approaches to value utilized, discussed with applicant, co-signed appraisal	Completed entire appraisal process	60

Thomas D. Trainee  
Applicant/Trainee Appraiser

Sally A. Supervisor  
Supervisory Appraiser

State  
Certification No.

# AQB GUIDE NOTE 7 (GN-7)

THIS GUIDE NOTE RELATES TO DEGREE PROGRAMS IN REAL ESTATE REVIEWED BY THE AQB, AND THEIR APPLICABILITY TOWARDS THE QUALIFYING EDUCATION SPECIFIED IN THE REQUIRED CORE CURRICULUM.  
RETIRED, JANUARY 2015

# AQB GUIDE NOTE 8 (GN-8)

THIS GUIDE NOTE RELATES TO THE COLLEGE-LEVEL EDUCATIONAL REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA THAT BECAME EFFECTIVE ON JANUARY 1, 2008.  
RETIRED, JANUARY 2015

# AQB GUIDE NOTE 9 (GN-9)

THIS GUIDE NOTE RELATES TO THE BACKGROUND CHECK REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA EFFECTIVE ON JANUARY 1, 2017.

Under “Criteria Applicable to All Appraiser Classifications” in the *Real Property Appraiser Qualification Criteria*, Section VII. Background Checks, reads as follows:

*All applicants for a real property appraiser credential shall possess a background that would not call into question public trust.*

Some jurisdictions have been performing background checks since the implementation of real property appraiser credentialing, while others have not. This Guide Note is intended to provide additional guidance, in particular to those jurisdictions with little to no experience in evaluating an applicant’s background as part of the applicant’s overall fitness for licensure or certification.

## EXAMPLES OF ISSUES TO CONSIDER

Some of the types of background issues that state appraiser regulatory agencies might consider include, but are not limited to, applicants who have:

- (1) Had an appraiser license or certification revoked in any governmental jurisdiction.
- (2) Been convicted of, or pled guilty or *nolo contendere* to, a crime involving moral turpitude.
- (3) Been convicted of any crime *that is substantially related* to the qualifications, functions, or duties of the profession of real estate appraisal.
- (4) Performed any act, which if done by the holder of a real property appraiser credential, would be grounds for revocation or suspension of such a credential.
- (5) Knowingly made a false statement of material fact required to be disclosed in an application for any professional license or certification.
- (6) Been prohibited from participating in the affairs of an insured depository institution pursuant to Section 19(a) of the Federal Deposit Insurance Act (12 U.S.C. Section 1829).

## SUBSTANTIAL RELATIONSHIP

A crime or act may be deemed substantially related to the qualifications, functions, or duties of an appraiser if, to a substantial degree, it evidences present or potential unfitness of a person applying for or holding a real property appraiser credential to perform the functions authorized by the credential. Examples of the types of crimes or acts include, but are not limited to, the following:

- (1) Taking, appropriating, or retaining the funds or property of another.
- (2) Forging, counterfeiting, or altering any instrument affecting the rights or obligations of another.
- (3) Evasion of a lawful debt or obligation, including but not limited to tax obligations.
- (4) Traffic in any narcotic or controlled substance in violation of law.

- (5) Violation of a relation of trust or confidence.
- (6) Theft of personal property or funds.
- (7) Crimes or acts of violence or threatened violence against persons or property.
- (8) The commission of any crime or act punishable as a sexually related crime.
- (9) Misrepresentation of facts or information on the appraisal license or certification application.
- (10) Cheating on an examination for a real property appraiser credential.

## REHABILITATION

Upon a determination that an applicant's background is inconsistent with public trust, state appraiser regulatory agencies should consider all evidence related to the extent an applicant is rehabilitated, including testimony or other documentation demonstrating things such as:

- (1) The effect of the passage of time since the most recent act or crime.
- (2) Restitution by the applicant to any person who has suffered monetary losses.
- (3) Judicial relief from the consequences of criminal convictions resulting from immoral or antisocial acts, including but not limited to release from probation, finding of factual innocence, a completed program of diversion, or other comparable orders of a court.
- (4) Successful completion or early discharge from probation or parole.
- (5) Abstinence from the use of controlled substances or alcohol for not less than two years if the crime or offense is attributable in part to the use of controlled substances or alcohol.
- (6) Payment of any fine or other imposed monetary penalty.
- (7) Stability of family life and fulfillment of parental and familial responsibilities subsequent to the act or conviction.
- (8) Completion of, or sustained enrollment in, formal education or vocational training courses for economic self-improvement.
- (9) Discharge of, or bona fide efforts toward discharging adjudicated debts or monetary obligations to others.
- (10) Mitigating facts or circumstances that reasonably indicate that an applicant will perform appraisal-related activities honestly, fairly, and ethically.
- (11) Correction of business practices resulting in injury to others or with the potential to cause such injury.
- (12) Significant or conscientious involvement in community, church, or privately-sponsored programs designed to provide social benefits.
- (13) New and different social and business relationships from those that existed at the time of the act or crime.
- (14) Change in attitude from that which existed at the time of the act or crime, as evidenced by any or all of the following:
  - a) Testimony of applicant.
  - b) Evidence from family members, friends, or other persons familiar with applicant's previous conduct and his or her subsequent attitudes and behavioral patterns.
  - c) Evidence from probation or parole officers or law enforcement officials competent to testify as to applicant's social adjustments.

- d) Evidence from psychiatrists or other persons competent to testify with regard to psychiatric or emotional disturbances.

The above is intended to be illustrative, not exhaustive. State appraiser regulatory agencies, in performing their due diligence when examining an applicant's qualifications for a real property appraiser credential, may elect to include additional items not identified in this Guide Note. Likewise, state appraiser regulatory agencies may determine, based on their own experience and history, that some of the items identified in this Guide Note may not be applicable to an applicant seeking a real property appraiser credential in that jurisdiction.

# AQB GUIDE NOTE 10 (GN-10)

THIS GUIDE NOTE RELATES TO THE COLLEGE-LEVEL EDUCATION REQUIREMENTS FOR THE CERTIFIED RESIDENTIAL CLASSIFICATION AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA THAT BECAME EFFECTIVE MAY 1, 2018.

Section III. B. 3. of the “Qualifying Education” requirements for the Certified Residential credential in the *Real Property Appraiser Qualification Criteria* states that Certified Residential applicants may obtain a credential by successfully completing 30 semester hours of college-level courses that cover each of the following topic areas and hours:

- a. English Composition (3 semester hours);
- b. Microeconomics (3 semester hours);
- c. Macroeconomics (3 semester hours);
- d. Finance (3 semester hours);
- e. Algebra, Geometry, or higher mathematics (3 semester hours);
- f. Statistics (3 semester hours);
- g. Computer Science (3 semester hours);
- h. Business or Real Estate Law (3 semester hours); and
- i. Two elective courses in any of the topics listed above or accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).

The intent of this guidance is to assist regulatory agencies and applicants with determining which types of college-level courses may count toward these requirements. Although several course titles are provided as acceptable options, the content of the course is far more meaningful than the actual title. Therefore, there may be acceptable courses that contain similar content but do not have titles referenced in this Guide Note.

1. **English Composition** – *English Composition is the professional field of writing.*

Possible alternative course titles for this section include, but are not limited to: College Composition; Descriptive / Critical / Expository / Technical / Public / Business / Professional Writing; Foundations of the English Language; Writing Fiction; Writing Creative Non-Fiction; or Rhetoric and Writing.

2. **Microeconomics** – *The study of individuals, households, and firms’ behavior in decision making and allocation of resources. It generally applies to markets of goods and services and deals with individual and economic issues.*

Most college-level education on this topic includes the word “microeconomics” in the course title.

3. **Macroeconomics** – *Studies of the behavior and performance of an economy as a whole. It focuses on the aggregate changes in the economy such as unemployment, growth rate, gross domestic product, and inflation.*

Most college-level education on this topic includes the word “macroeconomics” in the course title.

4. **Finance** – *The management of revenues; the conduct or transaction of money matters generally, especially those affecting the public, as in the fields of banking investment.*

Possible alternative course titles for this section include, but are not limited to: Corporate Finance; Introduction to Business; Financial Markets and Institutions; International Business Finance; Principles of Finance; or Real Estate Finance and Investment.

5. **Algebra, Geometry, or Higher Mathematics** – *Higher mathematics includes advanced portions of mathematics beyond ordinary arithmetic, geometry, and algebra.*

Possible alternative course titles for this section include, but are not limited to: Algebra; Applied Math; Calculus; Differential Equations; Finite Mathematics; Geometry; Logic; Precalculus; Probability and Statistics; or Trigonometry.

6. **Statistics** – *Branch of mathematics concerned with collection, classification, analysis, and interpretation of numerical facts, for drawing inferences based on their quantifiable likelihood (probability). Statistics can interpret aggregates of data too large to be intelligible by ordinary observation because such data (unlike individual quantities) tend to behave in a regular, predictable manner. It is subdivided into descriptive statistics and inferential statistics.*

Possible alternative course titles for this section include, but are not limited to: Applied Linear Models; Bayesian Theory and Data Analysis; Business Statistics; Exploratory Data Analysis; Introduction to Statistics; Multivariate Data Analysis; Non-Parametric Theory and Data Analysis; Probability Statistics; Sampling; Statistical Analysis; Statistical Reasoning; Statistical Methods; or Time Series Analysis.

7. **Computer Science** – *A branch of science that deals with the theory of computation or the design of computers.*

Possible alternative course titles for this section include, but are not limited to: The Computer Science Profession; Introduction to Computer Science / Computers / Information Technology / Programming / Software Systems / Software Development / Web Development; Data Management; Database Fundamentals; Integrated Computer Applications; Object Oriented Programming; or System Administration.

8. **Business or Real Estate Law** – *Business law, sometimes called mercantile law or commercial law, refers to the laws that govern the dealings between people and commercial matters. There are two distinct areas of business law: regulation of commercial entities through laws of partnership, company, bankruptcy, and agency; and regulation of the commercial transactions through the laws of contract. The course titles will typically include compliance, risk, legal framework, and writing contracts.*

*Real estate law is a branch of civil law that covers the right to possess, use, and enjoy land and the permanent man-made additions attached to it.*

Possible alternative course titles for this section include, but are not limited to: Business Law for Accountants; Corporate Law Compliance; Drafting Policies and Procedures; Enterprise Risk Management; Financial Ethics; Legal Aspects of Real Estate; The Legal Environment of Business; Business Organization Law; or Writing Contracts.

9. **Two elective courses in accounting, geography, agricultural economics, business management, or real estate.**

**Accounting** – *Accounting is the system of recording and summarizing business and financial transactions and analyzing, verifying, and reporting the results.*

Possible alternative course titles for this section include, but are not limited to: Accounting Principles; Financial Accounting; Financial Markets and Institutions; Managerial Accounting; or Real Estate Market Analysis.

**Geography** – *Geography is the study of the physical features of the earth and its atmosphere, and of human activity as it affects and is affected by these, including the distribution of populations and resources, land use, and industries.*

Possible alternative course titles for this section include, but are not limited to: GIS Data Capture; Introduction to Geographic Information; Physical Geography; or World / Regional Geography.

**Agricultural Economics** – *An applied field of economics concerned with the application of economic theory in optimizing the production and distribution of food and fiber — a discipline known as agronomics.*

Possible alternative course titles for this section include, but are not limited to: Agribusiness Management; Agricultural Management Principles; Concepts in Agricultural Economics; Issues in Agriculture; Microeconomic Concepts in Agricultural Economics; or Quantitative Methods and Price Analysis.



**Business Management** – *The activities associated with running a company, such as controlling, leading, monitoring, organizing, and planning.*

Possible alternative course titles for this section include, but are not limited to: Business Marketing; Human Resource Management; Organizational Behavior; or Operations Management.

**Real Estate** – *Real estate is the property, land, buildings, air rights above the land and underground rights below the land.*

Possible alternative course titles for this section include, but are not limited to: Commercial Lease Analysis; Fundamentals of Investment Analysis; Fundamentals of Real Estate Transactions; Managing Commercial Properties; Market Analysis; Real Estate Economics; Real Estate Finance; Real Estate Procedures; or Real Estate Studies.

# AQB GUIDE NOTE 11 (GN-11)

THIS GUIDE NOTE RELATES TO THE PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA) REQUIREMENTS AS SPECIFIED IN THE REAL PROPERTY APPRAISER QUALIFICATION CRITERIA EFFECTIVE ON JANUARY 1, 2021.

## AQB GUIDANCE FOR DELIVERY METHODS AND TECHNIQUES IN PAREA TRAINING

Guide Note 11 (GN-11) contains guidance for the delivery of PAREA training. The suggested delivery methods and techniques follow each of the required content areas as identified in the PAREA section of the Criteria, and are abbreviated using the following legend:

Method	Abbreviation
Computer Based Learning	CBL
Video Gaming	VG
Video Tutorial	VT
Virtual Assistant	VA
Virtual Reality Training	VRT

These delivery methods and techniques may be amended from time-to-time to reflect changes in technology or required PAREA content.

## PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL (PAREA)

The goal of the following is to suggest potential technologically based delivery methods that could be used in the development of exercises, examples, simulations, case studies, and applications as are appropriate to create practical experience expected to be gained by an appraiser seeking a license credential with respect to the content outline in Section 3. PAREA providers may utilize some, all or a combination of the well-established methods described above. Providers are encouraged to utilize a variety of methodologies to ensure a comprehensive experience resulting in participants having sufficient practical experience to enable success in obtaining an appraisal license or certification.

## MINIMUM CONTENT REQUIREMENTS – LICENSED RESIDENTIAL CLASSIFICATION

### I. Introduction

#### A. General Considerations and Responsibilities [CBL, VT]

1. Discuss respecting the public trust
2. Review and comment on Appraiser Independence Requirements
3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

#### *Methods and Techniques*

- Highlight USPAP considerations (e.g. improper influence, prior services) [VT, VG]
- Demonstrate Appraiser Independence Requirements (AIR) and other regulatory guidance, with examples of acceptance and unacceptable conditions [CBL, VT, VG]

**B. Appraisal Basics - Software and Tools [CBL, VT, VRT]**

1. Overview of software options (vendors) and common forms
2. Overview of Common tools: measuring devices, cameras, etc.

*Methods and Techniques*

- Identify various appraisal-related technology tools [VT, VA]
- Introduce and demonstrate the use of appraisal software [VA, VG, CBL]
- Identify and demonstrate the use of various measuring tools [VA, VG, CBL]
- Require completion of training on a base level camera as well as instruction on camera etiquette – obtaining consent to photograph certain subjects, such as children, personal effects, etc. [VT, VA, VG]
- Develop challenges around Graham-Leach-Bliley Act, Privacy/Information Security [VT, VA, VG]

**II. Problem Identification****A. Understanding Assignment Parameters [CBL, VG, VT, VA]**

1. Perform initial review of order/engagement letter, determine authoritative lines of communication. Provide interactive exercises in extracting key information from engagement letter.

**B. Understanding Assignment Elements and Competency Issues [VG, VT, VA, VRT]**

1. Examine appraisal request and other documents provided (e.g. title reports, surveys, purchase contract) to determine key assignment elements (Standards Rule 1-2(a)–Standards Rule 1-2(d), and the SCOPE OF WORK RULE), and/or contractual obligations. Determine relevant appraisal assignment conditions. Understanding client, intended use, intended users, engagement letter terms, various assignment types, basis for assignment conditions, extraordinary assumptions, and hypothetical conditions.
2. Provide exercises for defining the problem. Goal is for participant to establish appropriate steps in appraisal process.
3. Exercises should contain overlays introducing key engagement items that could affect scope of work.
4. Ensure that the exercise demonstrates impact on both assignment conditions and elements.
5. Include exercises where appraiser can identify during problem definition process the existence of possible extraordinary assumptions and/or hypothetical conditions.
6. Demonstrate how competency issues are identified and will be resolved.

**C. Market, Neighborhood, and Subject Property Research [CBL, VT, VA, VRT]**

1. Utilize preliminary online/archival research to gain basic market area and subject property information.
2. Must develop the general area and neighborhood market analysis.
  - a. Overview of available data sources for market area information.
3. Retrieval/analysis of preliminary information necessary for understanding subject site and improvements.
4. Review of public record information including site and improvement information.
5. Utilization of MLS/online sites as a verification source.
6. Based on information gathered above, develop and explain key relevant property characteristics {Standards Rule 1-2(e)}.

*Methods and Techniques*

- Perform a sample neighborhood “fly-by” with characteristics as specified above being identified [VT, VA, VRT].
- Review simulated MLS data to evaluate supply/demand [VT, VA, VG, CBL].
- Review public and private sources (e.g., proprietary data, Trulia, Zillow) [VT, VA, CBL].
- Analyze information from simulations to reveal trends on growth, values, prices, marketing times [VT, VA, VG, CBL].
- Collect data on simulated neighborhood using multiple examples and iterations (e.g., census, population trends, imitated zoning) [VT, VA, VG, CBL].
- Visually illustrate typical area boundaries (e.g., roadways, natural boundaries, zoning clusters) using multiple examples [VT, CBL, VG].
- Use simulated data tools (e.g., MLS, aggregators) to identify and determine price trends, market supply (current and historical information) [VT, VA, CBL].
- Using simulated property record system, obtain attributes of a subject property [VA, CBL].

**D. Obtaining Preliminary Subject Property Information [CBL, VG, VT, VA, VRT]**

1. Simulate setting the inspection appointment with related requests/requirements
2. Determine how you will verify individual providing access
3. Review of inspections and reports provided by others and discuss their application and disclosure in the assignment

*Methods and Techniques*

- Create multiple scenarios to determine the adequacy of inspections (i.e., personal inspection, inspection by third party, and virtual inspection) and third-party reports to ensure an appropriate Scope of Work [VA, CBL]
- Create multiple scenarios (using good and bad examples) for inspection scheduling, communication, verification of data, etc. [VT, VA, VG]
- Conduct specific Q&A examples with virtual agent/broker, tenant, property owner, etc. [VT, VA, VG]

**III. Review Sections I and II with Mentor**

- A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.
- B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

**IV. Property Identification and Inspection along with Initial Site Identification [CBL, VG, VA, VRT]**

- A. Research available information sources including public records
- B. Zoning, general plan information
  1. Identify where to locate all sources of information
  2. Verification of revisions to zoning/general plan
  3. Variances, use restrictions
- C. Environmental issues, flood zone/earthquake information. Identify and explain unusual issues
  1. Location of relevant research information
  2. Communicate any unusual findings to the client to confirm whether assignment is to be completed

*Methods and Techniques*

- Demonstrate zoning map and analysis [VT/VA/CBL]
- Demonstrate flood map system and analysis [VT/VA/CBL]
- Demonstrate earthquake map and analysis [VT/VA/CBL]
- Demonstrate sample GIS system and analysis [VT/VA/CBL]

**V. Verification of Neighborhood and Market Area [CBL, VT, VA, VRT]**

- A. Conduct virtual inspection/review of subject's market area
- B. Explain various influences
- C. Identify and explain trends/characteristics in the defined neighborhood and market area

*Methods and Techniques*

- Virtual neighborhood tours identifying positive and negative influences [VT, VA, VRT]
- Demonstrate use of web-based mapping tools (e.g. Google Earth, Google Maps) and how to use analytics [VT, VA, CBL]

**VI. Subject Site Inspection [CBL, VT, VA, VRT]**

- A. Verify similarity to plat, Observation of site utility, its surrounding influences, and possible conditions that could impact value or marketability
- B. Analysis of site improvements and useable site area.
  1. Determine and explain how useable site area relates to surrounding properties

**C. Identify and discuss various site amenities. Include exercises that include various levels of impact on value**

*Methods and Techniques*

- Illustrate different site conditions, offer multiple options within each example, provide description choices, demonstrate appropriate analyses of scenarios [VT, VA, VRT]

**VII. Subject Property Improvements Inspection [CBL, VT, VA, VRT]**

**A. Overview**

1. Types/quality of construction
2. Floor plan issues, determination of room counts
3. Observable condition factors and description of upgrades
4. Recognition of potential/existing adverse influences

**B. Conduct a virtual physical inspection to determine relevant physical characteristics**

**C. Provide a thorough description of improvements**

*Methods and Techniques*

- Provide multiple examples (variety) of architecture, material types for exterior and interior surfaces, condition, quality, mechanicals, electrical systems and provide exercises for proper identification and analysis [VT, CBL]
- Identify physical and functional obsolescence, lack of conformity [VT, CBL]

**VIII. Measuring the Subject Property Improvements [CBL, VG, VT, VA, VRT]**

**A. Exercises to include methods and ultimately determination of:**

1. Basements
2. Stairways & vaulted ceiling areas
3. Below grade living area (split level)
4. Accessory dwelling units, outbuildings, etc.
5. Awareness of special assignment conditions
6. Common rounding practices

**B. Include virtual exercises in measuring subject properties**

**C. Other sources for obtaining GLA**

**IX. Sketch Completion [CBL, VT, VRT]**

**A. Include sketch completion exercises**

**B. Exercises must include final GLA determination (what areas should be extracted from GLA)**

*Methods and Techniques*

- Demonstrate sketch measurement software applications using computers, tablets, handheld devices, etc. for various home designs (e.g., 1-story, 2-story, split-level, bi-level) [VT, VA, VG, VRT]
- Include multiple variations (e.g., bay windows, overhangs, open space 2nd story, basements, etc.) [VT, VA, VG, VRT]
- Include various tools (e.g., laser, roller, tape, etc.) [VT, VA, VG, VRT]
- Calculate square footage from plans and specs [VT, VA, VG, VRT]
- Complete several examples on a sketch program [VT, VA, VG, VRT]

**X. Review Sections IV thru IX with Mentor**

**A. Ensure all elements of inspection process have been performed properly, including neighborhood, site, and improvements**

**XI. Market Analysis/Highest and Best Use [CBL, VRT, VA, VT]****A. Highest and Best Use**

1. Overview of pertinent data, including actual current/proposed/potential alternative use and communication of highest and best use

**B. Performing Neighborhood and Market Research**

1. Identify the market area boundaries, physical characteristics, and specific property location relevant to the analysis of the subject property.
2. Identify the trends and characteristics in the defined neighborhood and market area.

*Methods and Techniques*

- Provide exercises reviewing and analyzing various property and site characteristics related to property use and the factors for determining highest and best use [CBL, VRT, VA, VG]
- Provide exercises reviewing market information, including maps, satellite images, aerial photographs, economic data, census data and analysis from third parties to determine boundaries, physical characteristics, and other factors relevant to the subject market area [CBL, VRT, VA, VT, VG]
- Provide exercises reviewing market and neighborhood information such as maps, plat maps, satellite images, aerial photographs, economic data, census data, etc. to determine neighborhood boundaries, characteristics and trends related to the analysis of the subject property [CBL, VRT, VA, VT, VG]

**XII. Review Section XI with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**

**XIII. Process of Sales Analysis [CBL, VG, VT, VA, VRT]****A. Identify the best sources of sales data for use in case studies including:**

1. MLS
2. City/County (public) transfer records
  - a. How to verify
3. Data providers
4. Appraiser office files
  - a. Confidentiality concerns
5. Real estate agents/brokers
  - a. How to verify

**B. Select the same or similar property types, uses, and characteristics.**

1. Identify elements of comparison
2. Develop exercises for various property types

**C. Identify all relevant current listings, expired listings, withdrawn listings, offers (if available), FSBO, closed sales, and pending sales***Methods and Techniques*

- Demonstrate a typical MLS search, and other less common search options [VT/VA]
- Perform searches to identify applicable sales from a group of potential transactions [VT/VA/VG/CBL]
- Develop and demonstrate rationale for selection of sales [VT/VG/CBL]
- Conduct an interactive interview (incorporating checklist) on sales data confirmation [VT/VA]
- Research prior sales history with simulated data sites (e.g., assessor, public records, proprietary sources) [VT/VG/CBL]
- Identify appropriate elements of comparison [VT/VA/CBL]
- Introduce confidentiality issues related to use of non-public information [VT/VA/VG]
- Update workfile with results, incorporate electronic vs. paper vs. combination [VT/VA]

**XIV. Review Section XIII with Mentor**

- A. Ensure all necessary steps in highest and best use analysis and market analysis were performed properly. Review data source material to assure sufficient information has been identified for further application.**

**XV. Valuation Approaches and Techniques [CBL, VG, V, VA, VRT]**

- A. Consider each approach to value and explain the appropriateness based on the intended use of the assignment. Select the data considered most meaningful and relevant.**

**B. Sales Comparison Approach**

1. Analyze quality and quantity of data
  - a. Identify relevant units of comparison
  - b. Data and information collected must be analyzed for comparability and consistency
2. Select the sales that are considered the most appropriate for subject property comparability (demonstrate the process)
  - a. Identify and apply appropriate adjustments to comparable transactions based on differences to the subject property. Demonstrate applicable tools and methods, including:
    1. Paired sales analysis
    2. Statistical and other graphic analysis
    3. Trend analysis
    4. Qualitative differences, including:
      - i. Relative comparison analysis
      - ii. Ranking analysis
3. Discuss and reconcile key elements developed in the sales comparison approach

*Methods and Techniques*

- *Using simulated data, identify applicable approach(es) to value [VT, VG, CBL]*
- *Complete multiple sales comparison analyses using previously selected data for both vacant land and improved sites, incorporating applicable techniques to estimate appropriate adjustments [VT, VG, CBL]*
- *Add complexity at a basic level for commonly encountered external influences, super-adequacies, functional obsolescence [VT, VA, VG, CBL]*
- *Develop value opinions for multiple scenarios [VT, VG, CBL]*
- *Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VG, CBL]*

**C. Cost approach**

1. Develop site value of the subject as vacant using recognized methods or techniques
  - a. Include contributory value of site improvement
2. Discuss use of replacement or reproduction cost
  - a. Develop supportive data for the cost calculations
  - b. Calculate cost new for the improvements
  - c. Calculate depreciation (demonstrate and apply types, consider market trends)
  - d. Discuss and reconcile key elements developed in the cost approach

*Methods and Techniques*

- *Complete a basic cost new, utilize several different cost approach models [VT, VG, CBL]*
- *Develop credible opinions of site value [VT, VG, CBL]*
- *Add basic level complexity (e.g., new homes, remodeled homes, homes having inadequacies) [VT, VA, VG, CBL]*
- *Develop supportable depreciation estimates, age-life method, add basic level complexities (e.g., repairs, obsolescence) [VT, VG, CBL]*
- *Develop indicated values by the cost approach [VT, VG, CBL]*
- *Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation on multiple examples [VT, VA, VG, CBL]*

**D. Income approach**

1. Collection and verification of pertinent rental data (actual vs. contract)
2. Determine appropriate GRM (Gross Rent Multiplier)
3. Discuss and reconcile key elements developed in the income approach

*Methods and Techniques*

- *Develop appropriate comparison factors involved for gross rental estimate, sources [VT, VG, CBL]*
- *Identify comparables using simulated data sources (e.g., MLS, interviews, proprietary sources, door knocking, etc.) for rental information [VT, VA, CBL]*
- *Develop credible opinions of market rent [VT, VG, CBL]*
- *Develop GRM's from simulated comparable properties [VT, VG, CBL]*

- Develop indicated values by the income approach [VT, VG, CBL]
- Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VG, CBL]

#### XVI. Review Section XV with Mentor

- Ensure all approaches to value were adequately considered and completed in supportable fashion (including cost and/or income approaches if performed)

#### XVII. Final Reconciliation [CBL, VG, VT, VA, VRT]

- Analyze and discuss accuracy and sufficiency of data
- Analyze and discuss strengths and weaknesses of each approach to value and their applicability to the subject property
- Analyze and discuss consistency of data and development
- Analyze and discuss the quality and quantity of data
- Review calculations
- Develop the final opinion of value along with the rationale for your conclusions

##### Methods and Techniques

- Demonstrate multiple scenarios using the various approaches to analyze their strengths and weaknesses [VT, VA, VG, CBL]
- Perform check for accuracy of math and calculations [VT, VA, VG, CBL]
- Demonstrate proper and improper examples of reconciliation, develop appropriate reconciliation [VT, VA, VG, CBL]

#### XVIII. Review Section XVII with Mentor

- Ensure final reconciliation was performed properly and determine appropriate reporting

#### XIX. Appraisal Report Development/Delivery [CBL, VG, VT, VA, VRT]

##### A. Report Development

- Standards Rule 2-1 minimum standard (not misleading, sufficient, assumptions, etc.)
  - Ability to describe the subject property and comparable properties used in the analysis (ensure compliance with STANDARD 2)
    - Technical terms
    - Common industry phrases and descriptors
    - Fair lending do's and don'ts
    - Identify relevant information using industry typical approaches and technologies
  - Ability to describe a market area and a neighborhood (same subset as above)
  - Report format
    - Comply with all applicable assignment elements and conditions
    - Awareness and compliance with state and federal regulatory requirements
    - Describe scope of work
    - Ensure applicable appropriate addenda, exhibits, photos, etc. are included
    - Understand adequacy/relevance/integrity of photos, maps, and exhibits – how/where to upload in a report
  - Certification
    - Ensure familiarity with pre-printed content and applicability.
    - Develop exercises on completion of workfile documents
    - Demonstrate an ability to store and compile documents

##### Methods and Techniques

- Complete appraisal reports using several styles (e.g., forms such as 1004, condo, 2-4 units, short narrative) [VG, CBL]
- Provide samples of prior service disclosures (i.e., certifications) [VT, VA]



- Provide opportunities to create multiple versions of required exhibits (e.g., photos, sketches, maps) using simulated data [VT, VA, VG, CBL]
- Provide sample certifications, include correct and incorrect examples [VT, VA, VG, CBL]
- Provide sample limiting conditions, include correct and incorrect examples [VT, VA, VG, CBL]
- Verify required contents of workfile, incorporating examples of items that should/should not be included [VT, VA, VG, CBL]
- Demonstrate/use document storage examples (e.g., password, back-up) [VT, VA, CBL]

## XX. Review Section XIX with Mentor

- Ensure that the key components of an appraisal report and report format are appropriate for assignment(s)

## XXI. Communication of Assignment Results [CBL, VT, VA, VRT]

### A. Adequacy and relevance of information

- USPAP compliance
- Assignment conditions

### B. Understand common Client-specific requirements – additional comparable sales, inclusion of active listings in the report, supplemental exhibits, etc.

- Demonstrate the ability to meet client expectations conveyed through the engagement letter or other instruction methods
- Adequate support for analysis

### C. Explain and support rationale for excluding any of the traditional approaches

- Explain and support reconciliation
- Explain all assumptions

### D. Explain and support all extraordinary assumptions and hypothetical conditions (state their use may have effect on assignment results)

#### Methods and Techniques

- Ensure adequacy and relevancy of information in report [VT, VG, CBL]
- Demonstrate examples of reports containing information specifically required by clients, regulators, or applicable assignment conditions [VA, VT, VG, CBL]
- Ensure accuracy and consistency of information throughout report [VT, VG, CBL]
- Provide various report samples that contain both adequate and inadequate communication [VT, VA]
- Provide opportunities to review and correct errors in reports [VT, VA, VG, CBL]
- Provide opportunities to review and correct inappropriate assumptions, extraordinary assumptions and hypothetical conditions [VT, VA, VG, CBL]
- Provide various samples of appropriate and inappropriate requests for corrections, clarifications and Reconsiderations of Value, demonstrating appropriate responses (e.g., no changes, modifications to report, requirement for new assignment, etc.) [VT, VA, VG, CBL]

## XXII. Review Section XXI with Mentor

- Ensure understanding of effective appraisal report presentation and required content
- Ensure compliance with Standards Rule 2-2

## MINIMUM CONTENT REQUIREMENTS – CERTIFIED RESIDENTIAL CLASSIFICATION

### I. Problem Identification

#### A. Relevant Scope of Work and Competency Issues Involved [CBL, VG, VT, VA, VRT]

- Develop exercises on how competency issues will be resolved.
- Conduct a preliminary analysis to ensure an appropriate Scope of Work

#### Methods and Techniques

- Provide sample engagement letters for review and analysis [VT, VA, CBL]
- Provide samples of complex residential properties (e.g., ADUs, 2-4 unit group homes, student housing, short-term rentals, co-ops, leaseholds, etc.) [VT, VA, CBL]

- Perform required research using simulated data (e.g., public sources, proprietary databases) [VT, VA, VG, CBL]

## II. Review Section I with Mentor

- Ensure understanding of how issues uncovered during property identification process relate to complexity. Also, focus on complex ownership issues

## III. Positive or Negative Locational Influences [CBL, VG, VT, VA, VRT]

- Recognize Population/Employment Trends
- Determine and discuss relationships between employment, population, and residential units (Single Unit Residential vs. 2-4 Unit Residential) over time

## IV. Residential Market Analysis/Highest and Best Use [CBL, VRT, VG, VT]

- Market Analysis Issues Related to Highest and Best Use for Complex Properties
- Special Assessments

### Methods and Techniques

- Provide exercises reviewing and analyzing various property and site characteristics that would be considered complex in nature, including current and proposed use; include consideration of the factors for determining highest and best use [CBL, VRT, VG, VT]
- Provide exercises reviewing data from public records, title records, CCR documents, etc., that describe current and planned special assessments for various property ownership types (one family, condominium, planned unit developments, Cooperative, etc.) to determine impact on market analysis [CBL, VRT, VG, VT]

## V. Review Section III and IV with Mentor

- Ensure key analytical issues related to market conditions and highest and best use are effectively addressed

## VI. Physical Characteristics of Complex Properties [CBL, VG, VA, VRT]

- Unique Design Features
- High Quality/Amenity Properties
- Over-improvements
- Physical Deficiencies of Improvements
- Functional Inadequate and Super Adequate Impact

## VII. Vacant Sites (Including View Amenities, Surplus Land) [CBL, VG, VT, VA, VRT]

- Develop exercises that contain issues covered under Site and Cost Approaches

### Methods and Techniques

- Identify and analyze impact of complex property characteristics (e.g., atypical size, view, design, historical ranking) [VT, VA, VG]
- Exercises comparing and analyzing typical homes with outliers [VT, VG, CBL]
- Exercises identifying and understanding the influence of locational influences through observation and comparison [CBL, VG, VT, VA, VRT]

## VIII. Use of Key Statistical Concepts [CBL, VG, VT, VA, VRT]

- Develop appropriate statistical tools to be used in development of opinion of value
- Explain and support their application

## IX. Key Market Driving Influences [CBL, VT, VA, VRT]

- Determine most appropriate units of comparison (market drivers)

**B. Identify market preferences for characteristics and amenities (e.g., parking, # beds, # baths, GLA)***Methods and Techniques*

- Complete exploratory data analysis and generate representative sample data to identify different unit price indicators by requiring candidate to analyze several options and select the option with the most robust statistical results [VT, VG, CBL]
- Express several types of simulated data with the candidate building models which generate the most accurate and reliable results [VT, VG, CBL]
- Incorporate in all exploratory data analysis exercises utilizing relevant descriptive statistics (e.g., median, mean, mode, standard deviation, coefficient of variation) [VT, VG, CBL]

**X. Review Sections VI thru IX with Mentor**

- A. Ensure key analytical issues related to market conditions and highest and best use are effectively addressed**
- B. Confirm appropriate items have been identified and analyzed for proper application in determination of opinion of value**

**XI. Site Valuation and Cost Approaches****A. Site Valuation**

1. Extract comparable land/site sales data that will adequately support adjustments for contributing value of unique attributes associated with complex vacant sites (view, entitlements, amenities, surplus/excess land)

**B. Develop a supportable Land/Site Valuation - using the following methods:**

1. Allocation
2. Market extraction
3. Ground rent capitalization
4. Land residual method; and
5. Sales comparison

**C. Construction Costs**

1. Exercises related to high amenity structures
2. Discuss local cost influences

**D. Functional Obsolescence**

1. Distinguish between curable and incurable forms
2. Analyze and support conclusions on obsolescence, including lack thereof, associated with complex properties

*Methods and Techniques*

- Develop multiple samples that use each of the basic site valuation techniques [VT, VA, VG, CBL]
- Develop multiple samples that use multiple techniques to estimate cost new [VT, VA, VG, CBL]
- Develop multiple examples to estimate functional obsolescence [VT, VA, VG, CBL]
- Develop an indicated value of a complex property using the cost approach [VT, CBL]

**XII. Review Section XI with Mentor**

- A. Ensure the Cost Approach has been performed properly.**

**XIII. Sales Comparison Approach****A. Sales Concessions**

1. Is the subject property subject to sales concessions?
2. Identify and discuss application (or not) of any sales concessions in comparable data based on market norms
3. Cash equivalency related to financing terms

**B. Identifying and Applying Atypical Adjustments – develop support related to the following:**

1. High amenity custom quality adjustments
2. Site adjustments
3. Adjustment support/matched pairs, statistical methods
4. Adjustment support for unique one-off property sales including those with Accessory Dwelling Units

*Methods and Techniques*

- Develop multiple exercises requiring identification and determination of impact of sales concessions (e.g., assumption of closing costs, payments made outside of transaction) [VT, VA, VG, CBL]
- Develop multiple exercises using statistical techniques (e.g., paired sales analysis, regression analysis) to analyze simulated data and estimate adjustments [VT, VA, VG, CBL]

**XIV. Review Section XIII with Mentor****A. Ensure the sales comparison approach has been performed properly.****XV. Income Approach****A. 1-4 Unit Appraisals**

1. Perform collection of comparable rent data
2. Complex rental adjustments
  - a. Understand and apply impact of complex amenities
  - b. Factor for Expense allocations between comparable transactions

**B. Unique multi-unit assignments – discuss the following:**

1. Location premiums within PUD/condo
2. Impact of rent control or subsidies
3. Student housing
4. Seasonal and short-term rentals

**C. GRM analysis**

1. Non-market rent impact on GRM
2. Perform reconciliation of GRM indicators

*Methods and Techniques*

- Provide exercises extracting expense information via market participant interviews (e.g., agents/brokers, property managers, prior property information) [VT, VG, CBL]
- Provide exercises identifying and analyzing unique property characteristics (e.g., view, physical characteristics, parking limitations, floor location) [VT, VG, CBL]
- Provide exercises identifying and analyzing non-market rent on GRM [VT, VG, CBL]

**XVI. Review Section XV with Mentor****A. Review the Income approach to value and ensure proper analysis and support for conclusions****XVII. Writing and Reasoning Skills****A. Data Presentation**

1. Develop presentation of data in tables, charts, and graphs as appropriate
2. Express succinct narrative using active voice, direct statements, shorter words, shorter paragraphs and placing the bottom-line up front
3. Underscore proper and understandable use of English
  - b. Have another proofread whenever possible

**B. Discussion of Approaches to Value**

1. Adjust depth of discussion to the intended user(s)

**C. Support for Conclusions**

1. Clearly state conclusions throughout the report. Each conclusion requires credible support and logical reconciliation

**D. Summary of Data and Reconciliation of Value Approaches**

1. Summarize the quantity, quality, reliability, and relevance of data available for application in each approach performed. The reconciliation and final value opinion must be consistent with the conclusions of this summary regarding the most germane approach to value

*Methods and Techniques*

- *Ensure accuracy and consistency of information throughout report [VT, VG, CBL]*
- *Provide various report samples that contain both adequate and inadequate communication [VT, VA]*
- *Provide opportunities to review and correct errors in reports [VT, VG, CBL]*
- *Provide opportunities to review and correct inappropriate assumptions, extraordinary assumptions and hypothetical conditions [VT, VG, CBL]*
- *Provide various samples of appropriate and inappropriate requests for corrections, clarifications and Reconsiderations of Value, demonstrating appropriate responses (e.g., no changes, modifications to report, requirement for new assignment, etc.) [VT, VG, CBL]*

**XVIII. Review Section XVII with Mentor**

- A. Ensure understanding of effective appraisal report presentation and required content**
- B. Ensure compliance with Standards Rule 2-2**

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 Larry Disney  
 John F. Ryan  
 Brad Swinney  
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Blank FAQs

One to be completed for each regulation  
that is amended

## Regulation Changes Questionnaire

Division/Board: \_\_\_\_\_ Meeting Date: \_\_\_\_\_

Regulation change being proposed: 12 AAC \_\_\_\_\_

General topic of the regulation: SB21 - Military Licensing

This worksheet is designed to help the board think through an anticipated regulations project. Staff will provide this worksheet to the board at the time a regulations project is being approved for public notice. This information will be used to develop a FAQ to be posted on the board's web page to help the public understand the project. Staff will submit the completed worksheet with the draft board minutes to the Regulations Specialist within 10 days of the meeting and provide a copy to the supervisor. Appropriate staff will be assigned to complete this worksheet if a division regulation. **NOTE: Use a separate worksheet for each section being proposed.**

1. Is the new regulation needed to comply with new legislation or federal law?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes, effective date of new statute/federal law: _____	
<i>(If appropriate, ensure the new regulation is in line with federal requirements prior to initiating a regulation project.)</i>	
2. Does the change add a new license type?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes:	
Does it affect current licensees?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Do current licensees/non-licensees already perform the service for which the new license type is required?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is there a grace period or date explicitly included in the regulation to allow for a transition period?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3. Does it change the qualifications or requirements of an existing license?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes, does it affect current licensees?	Yes <input type="checkbox"/> No <input type="checkbox"/>
4. Does it affect continuing education/competency requirements?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes:	
Does it add additional requirements or hours?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Does it clarify existing regulations?	Yes <input type="checkbox"/> No <input type="checkbox"/>
Is there an effective date in the future to give licensees time to comply?	Yes <input type="checkbox"/> No <input type="checkbox"/>
5. Is it a fee change or does it create a new fee?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes:	
Does it move fees in the centralized regulations to a new number, therefore affecting other program regulations?	Yes <input type="checkbox"/> No <input type="checkbox"/>
6. Does it make changes to the requirements of licensees?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes:	
All licensees	Yes <input type="checkbox"/> No <input type="checkbox"/>
Certain licensees (List: _____)	Yes <input type="checkbox"/> No <input type="checkbox"/>
Initial licensees	Yes <input type="checkbox"/> No <input type="checkbox"/>
7. In addition to interested parties, who should receive the public notice? (All licensees or certain license types?)	

8. In addition to the 30-day minimum written notice, does the board request a public hearing? If yes, when and where.
9. What will the regulation do?
10. What is the demonstrated public need or purpose of this regulation?
11. What is the known or estimated cost of the new regulation to a private person, another agency, or a municipality (see Step 3 of the <i>Steps in the Regulation Process...</i> )?
12. What <u>positive</u> consequences may this regulation have on public or private people, businesses, or organizations?
13. What <u>negative</u> consequences may this regulation have on public or private people, business, or organizations?
14. If any <u>negative</u> consequences, please address the reasons why the public need for this change outweighs the negative impact.
15. List any additional questions or comments that may arise from the public during the comment period. Include a response to the questions.
16. What type of notification outlining the changes will be required once the regulation is adopted? Check appropriate boxes. <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <span>FAQ on website <input type="checkbox"/></span> <span>Email to licensees <input type="checkbox"/></span> <span>*Letter to licensees <input type="checkbox"/></span> </div> <div style="margin-top: 5px;"> <small>* Cost to board for mailing letter</small> </div>

Staff submitting this worksheet: \_\_\_\_\_ Date submitted to Regulations Specialist: \_\_\_\_\_

## Regulation Changes Questionnaire

Division/Board: \_\_\_\_\_ Meeting Date: \_\_\_\_\_

Regulation change being proposed: 12 AAC \_\_\_\_\_

General topic of the regulation: \_\_12 AAC 70.111 (B)\_\_\_\_\_

This worksheet is designed to help the board think through an anticipated regulations project. Staff will provide this worksheet to the board at the time a regulations project is being approved for public notice. This information will be used to develop a FAQ to be posted on the board's web page to help the public understand the project. Staff will submit the completed worksheet with the draft board minutes to the Regulations Specialist within 10 days of the meeting and provide a copy to the supervisor. Appropriate staff will be assigned to complete this worksheet if a division regulation. **NOTE: Use a separate worksheet for each section being proposed.**

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If yes, effective date of new statute/federal law: _____	
<i>(If appropriate, ensure the new regulation is in line with federal requirements prior to initiating a regulation project.)</i>	
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Is there a grace period or date explicitly included in the regulation to allow for a transition period?	Yes <input type="checkbox"/> No <input type="checkbox"/>
3. Does it change the qualifications or requirements of an existing license?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes, does it affect current licensees?	Yes <input type="checkbox"/> No <input type="checkbox"/>
4. Does it affect continuing education/competency requirements?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes:	
Does it add additional requirements or hours?	Yes <input type="checkbox"/> No <input type="checkbox"/>
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5. Is it a fee change or does it create a new fee?	Yes <input type="checkbox"/> No <input type="checkbox"/>
If yes:	
Does it move fees in the centralized regulations to a new number, therefore affecting other program regulations?	Yes <input type="checkbox"/> No <input type="checkbox"/>
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If yes:	
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14. If any <u>negative</u> consequences, please address the reasons why the public need for this change outweighs the negative impact.
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Staff submitting this worksheet: \_\_\_\_\_ Date submitted to Regulations Specialist: \_\_\_\_\_

## Continued Review of ASC Off Site Assessment



# FEDERAL REGISTER

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## Part II

### Department of the Treasury

Office of the Comptroller of the Currency

12 CFR Part 34

### Federal Reserve System

12 CFR Parts 208 and 225

### Federal Deposit Insurance Corporation

12 CFR Parts 323 and 390

### Bureau of Consumer Financial Protection

12 CFR Part 1026

### Federal Housing Finance Agency

12 CFR Part 1222

Minimum Requirements for Appraisal Management Companies; Final Rule

**DEPARTMENT OF THE TREASURY****Office of the Comptroller of the Currency****12 CFR Part 34**

[Docket No. OCC–2014–0002]

RIN 1557–AD64

**FEDERAL RESERVE SYSTEM****12 CFR Parts 208 and 225**

[Docket No. R–1486]

RIN 7100–AE15

**FEDERAL DEPOSIT INSURANCE CORPORATION****12 CFR Parts 323 and 390**

RIN 3064–AE10

**BUREAU OF CONSUMER FINANCIAL PROTECTION****12 CFR Part 1026**

RIN 3170–AA44

**FEDERAL HOUSING FINANCE AGENCY****12 CFR Part 1222**

RIN 2590–AA61

**Minimum Requirements for Appraisal Management Companies**

**AGENCIES:** Office of the Comptroller of the Currency, Treasury (OCC); Board of Governors of the Federal Reserve System (Board); Federal Deposit Insurance Corporation (FDIC); National Credit Union Administration (NCUA); Bureau of Consumer Financial Protection (Bureau); and Federal Housing Finance Agency (FHFA).

**ACTION:** Final rule.

**SUMMARY:** The OCC, Board, FDIC, NCUA, Bureau, and FHFA (collectively, the Agencies) are adopting a final rule to implement the minimum requirements in the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) to be applied by participating States in the registration and supervision of appraisal management companies (AMCs). The final rule also implements the minimum requirements in the Dodd-Frank Act for AMCs that are subsidiaries owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency (Federally regulated AMCs). Under the final rule, these Federally regulated AMCs do not need to register with a

State, but are subject to the same minimum requirements as State-regulated AMCs. The final rule also implements the requirement for States to report to the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC) the information required by the ASC to administer the new national registry of AMCs (AMC National Registry). In conjunction with this implementation, the FDIC is integrating its appraisal regulations for State nonmember banks and State savings associations.

**DATES:** *Effective date.* This final rule will become effective on August 10, 2015.

*Compliance date:* Federally regulated AMCs must comply with the minimum requirements for providing appraisal management services under 12 CFR 34.215(a) no later than 12 months from the effective date of this final rule. The participating State or States in which a State-regulated AMC operates will establish the compliance deadline for State-regulated AMCs.

**FOR FURTHER INFORMATION CONTACT:**

*OCC:* Robert L. Parson, Appraisal Policy Specialist, (202) 649–6423, G. Kevin Lawton, Appraiser (Real Estate Specialist), (202) 649–7152, Mitchell E. Plave, Special Counsel, Legislative and Regulatory Activities Division, (202) 649–5490, for persons who are deaf or hard of hearing, TTY, (202) 649–5597, or Christopher Manthey, Special Counsel, Bank Activities and Structure Division, (202) 649–5500.

*Board:* Carmen Holly, Supervisory Financial Analyst, Division of Banking Supervision and Regulation, at (202) 973–6122, or Walter McEwen, Senior Counsel, Legal Division, at (202) 452–3321, Board of Governors of the Federal Reserve System, Washington, DC 20551.

*FDIC:* Beverlea S. Gardner, Senior Examination Specialist, Division of Risk Management and Supervision, at (202) 898–3640, Sandra S. Barker, Senior Policy Analyst, Division of Depository and Consumer Protection, at (202) 898–3915, Mark Mellon, Counsel, Legal Division, at (202) 898–3884, or Benjamin K. Gibbs, Senior Regional Attorney, at (678) 916–2458, Federal Deposit Insurance Corporation, 550 17th Street NW., Washington, DC 20429.

*NCUA:* John Brolin or Pamela Yu, Staff Attorneys, Office of General Counsel, at (703) 518–6540, or Vincent Vieten, Program Officer, Office of Examination and Insurance, at (703) 518–6360, or 1775 Duke Street, Alexandria, Virginia, 22314.

*Bureau:* Owen Bonheimer, Counsel, Office of Regulations, and David Friend,

Counsel, Office of Regulations, 1700 G Street NW., Washington, DC 20552, at (202) 435–7000.

*FHFA:* Robert Witt, Senior Policy Analyst, Office of Housing and Regulatory Policy, (202) 649–3128, or Ming-Yuen Meyer-Fong, Assistant General Counsel, Office of General Counsel, (202) 649–3078, Federal Housing Finance Agency, 400 Seventh Street SW., Washington, DC 20024.

**SUPPLEMENTARY INFORMATION:****I. Background***AMC Minimum Requirements*

Section 1473 of the Dodd-Frank Act<sup>1</sup> added a new section 1124 to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989<sup>2</sup> (FIRREA) that established minimum requirements to be applied by States in the registration and supervision of AMCs. An AMC is an entity that serves as an intermediary for, and provides certain services to, creditors.<sup>3</sup> These minimum requirements apply to States that have elected to establish, pursuant to section 1117 of FIRREA,<sup>4</sup> an appraiser certifying and licensing agency with authority to register and supervise AMCs (participating States). Section 1473 of the Dodd-Frank Act<sup>5</sup> also requires the ASC to maintain an AMC National Registry, which will include AMCs that are either registered with, and subject to supervision by, a State appraiser certifying and licensing agency or are subsidiaries owned and controlled by a Federally regulated insured depository institution and regulated by a Federal financial institutions regulatory agency.<sup>6</sup> Section 1124(e) further requires the Agencies to promulgate regulations for the reporting of the activities of AMCs to the ASC in determining the payment of the annual fee for the AMC National Registry.<sup>7</sup>

Pursuant to FIRREA section 1124, the Agencies must establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on

<sup>1</sup> Public Law 111–203, 124 Stat. 1376.

<sup>2</sup> Public Law 101–73, 103 Stat. 183.

<sup>3</sup> The term “appraisal management company” is defined in more detail in section 1121(11) of Title XI of FIRREA, 12 U.S.C. 3350(11), and in § 34.211(c) of this final rule.

<sup>4</sup> 12 U.S.C. 3346.

<sup>5</sup> Hereafter, section references are to Title XI of FIRREA, unless otherwise noted.

<sup>6</sup> 12 U.S.C. 3332(a)(6).

<sup>7</sup> 12 U.S.C. 3353(e). See also FIRREA section 1109(a)(3), 12 U.S.C. 3338(a)(3) (requiring States to submit reports to the ASC concerning supervisory activities involving AMCs). This final rule does not implement section 1109(a)(3); this section of FIRREA is implemented by the ASC.



AMCs doing business in the State.<sup>8</sup> Specifically, pursuant to section 1124(a), participating States must require that AMCs: (1) Register with, and be subject to supervision by, the State appraiser certifying and licensing agency in the State or States in which the company operates; (2) verify that only State-certified or State-licensed appraisers are used for Federally related transactions;<sup>9</sup> (3) require that appraisals comply with the Uniform Standards of Professional Appraisal Practice (USPAP); and (4) require that appraisals are conducted in accordance with the statutory valuation independence standards pursuant to the Truth in Lending Act (TILA) (15 U.S.C. 1639e) and its implementing regulations.<sup>10</sup> An AMC that is a subsidiary owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency is subject to all of the minimum requirements, except the requirement to register with a State.<sup>11</sup>

In participating States, the minimum requirements apply to any AMC that provides appraisal management services, as defined in the final rule, and meets the statutory panel size threshold, which is that the AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more appraisers in two or more States in a calendar year or 12-month period under State law. States may establish requirements for AMC registration and supervision that are in addition to these minimum requirements.<sup>12</sup>

Pursuant to section 1124(f), beginning 36 months from the effective date of this final rule, an AMC that meets the statutory size threshold may not provide services for a Federally related transaction in a State unless the AMC is registered with the State or is subject to oversight by a Federal financial institutions regulatory agency.<sup>13</sup> This provision effectively allows each State up to three years to establish registration and supervision systems that meet the

requirements of the final rule before AMCs in the State will be subject to the aforementioned restriction in the absence of such a regime. The ASC, with the approval of the FFIEC, may delay the restriction for an additional year if the ASC makes a written finding that a State has made substantial progress toward implementation of a system that meets the criteria in Title XI of FIRREA.<sup>14</sup> Even after the three-year implementation period has passed, a State may still elect to establish a regime, at which point AMCs operating in the State would be able to provide appraisal management services for Federally related transactions.

Section 1124 does not compel a State to establish an AMC registration and supervision program, nor is a penalty imposed on a State that does not establish a regulatory structure for AMCs within 36 months of issuance of this final rule.<sup>15</sup> However, in a State that has not adopted the AMC minimum requirements established by this rule, AMCs are barred by section 1124 from providing appraisal management services for Federally related transactions, unless they are owned and controlled by a Federally regulated depository institution.<sup>16</sup> Thus, appraisal management services may still be provided for Federally related transactions in non-participating States by individual appraisers, by AMCs that are below the minimum statutory panel size threshold, and as noted previously, by Federally regulated AMCs.<sup>17</sup>

On April 9, 2014, the Agencies published a proposed rule to implement the minimum requirements under FIRREA section 1124 for registration and supervision of AMCs, with a 60-day public comment period.<sup>18</sup> With certain changes to the proposed rule, this final rule implements the statutory requirements discussed above, as well as section 1124's requirements for the reporting of the activities of AMCs in determining the payment of the annual registry fee.<sup>19</sup> The final rule is being published in the Code of Federal

Regulations separately by the OCC, the Board, the FDIC, and the FHFA. The Bureau is publishing a cross-reference to the OCC rule text in the valuation independence provisions of Regulation Z, 12 CFR 1026.42, to highlight that the final rule specifically reinforces the valuation independence standards. The rules are not different substantively. The implementation of the AMC minimum requirements does not affect the responsibility of banks, Federal savings associations, State savings associations, bank holding companies, and credit unions to ensure that appraisals for their institutions comply with applicable laws and regulations and are consistent with supervisory guidance. If these regulated financial institutions use an AMC to engage appraisers on their behalf, the AMC must be acting as an agent for these institutions.<sup>20</sup>

#### *Consolidation of FDIC and OTS Rules on Appraisals*

Title III of the Dodd-Frank Act transferred the powers, duties, and functions formerly performed by the Office of Thrift Supervision (OTS), the Federal entity formerly responsible for the supervision of Federally insured savings associations and their holding companies, to the FDIC for State savings associations and authorized the FDIC to consolidate OTS and FDIC rules.<sup>21</sup> The final rule implements this authority by rescinding the OTS regulatory provisions on appraisals pertaining to State savings associations, as these entities are now covered by the FDIC's appraisal rules.<sup>22</sup>

## **II. The Final Rule**

The final rule: (1) Establishes the minimum requirements in section 1124 of FIRREA for State registration and supervision of AMCs in participating States; (2) requires Federally regulated AMCs to meet the minimum requirements of section 1124 (other than registering with the State); and (3) requires States to report certain AMC information to the ASC.<sup>23</sup> The final rule also integrates FDIC appraisal regulations for State nonmember banks and State savings associations.

For the reasons discussed in section III of this **SUPPLEMENTARY INFORMATION**,

<sup>20</sup> See OCC: 12 CFR 34.45(b)(1); Board: 12 CFR 225.65(b)(1); FDIC: 12 CFR 323.5(b)(1); and NCUA: 12 CFR 722.5(b)(1).

<sup>21</sup> The OTS was abolished on October 19, 2011, pursuant to the Dodd-Frank Act.

<sup>22</sup> Title III of the Dodd-Frank Act transferred supervision of Federal savings associations to the OCC. The OCC recently integrated the OTS and OCC rules on appraisals. See 79 FR 28393 (May 16, 2014) (integrating certain interagency rules for national banks and Federal savings associations).

<sup>23</sup> See 12 U.S.C. 3353(a), (c), and (e).

<sup>8</sup> 12 U.S.C. 3353(a).

<sup>9</sup> Under FIRREA, a Federally related transaction is a real estate related financial transaction that involves an insured depository institution regulated by the OCC, Board, FDIC, or NCUA and that requires the services of an appraiser under the interagency appraisal rules. See 12 U.S.C. 3350(4), implemented by the OCC: 12 CFR 34.42(f) and 34.43(a); Board: 12 CFR 225.62(f) and 225.63(a); FDIC: 12 CFR 323.2(f) and 323.3(a); and NCUA: 12 CFR 722.2(f) and 722.3(a).

<sup>10</sup> 12 U.S.C. 3353(a). For regulations implementing TILA section 129E, 15 U.S.C. 1639e, see 12 CFR 226.42 (Board) and 12 CFR 1026.42 (Bureau).

<sup>11</sup> 12 U.S.C. 3353(c).

<sup>12</sup> 12 U.S.C. 3353(b).

<sup>13</sup> 12 U.S.C. 3353(f)(1).

<sup>14</sup> 12 U.S.C. 3353(f)(2).

<sup>15</sup> 12 U.S.C. 3353.

<sup>16</sup> See FIRREA section 1124(f)(1), 12 U.S.C. 3353(f)(1). Under section 1124(c), this restriction will not apply to AMCs that are subsidiaries owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency. 12 U.S.C. 3353(c). Such AMCs are subject to all the requirements of section 1124, with the exception of the requirement to register with a State. See *id.*

<sup>17</sup> See FIRREA section 1121(11), 12 U.S.C. 3350(11).

<sup>18</sup> 79 FR 19521 (Apr. 9, 2014).

<sup>19</sup> 12 U.S.C. 3353(e). See also 12 U.S.C. 3338(a)(4) (setting out the fee structure for the AMC National Registry).

the final rule adopts the rule substantially as proposed, with modifications to: (1) Provide that the standard for determining whether an appraiser is an independent contractor will be based on how the appraiser is treated for Federal income taxes, as determined under Internal Revenue Service (IRS) guidance; (2) clarify that an AMC credit union service organization (CUSO) is not considered to be a Federally regulated AMC, and therefore would be regulated by the State or States in which the AMC CUSO operates; (3) clarify that the rule does not bar the use of trainee appraisers; (4) provide that the registration limitations on individuals who have had their licenses refused, denied, cancelled, surrendered in lieu of revocation, or revoked, should not be construed to apply to appraisers whose licenses have been revoked for nonsubstantive reasons, as determined by the appropriate State appraiser certifying and licensing agency and whose licenses have been subsequently reinstated; (5) revise the provision on reporting of information by Federally regulated AMCs to clarify that Federally regulated AMCs will report information required for the AMC National Registry directly to the States; and (6) remove cross-references to provisions of Regulation Z, 12 CFR part 1026 (Truth in Lending), in the proposed definitions. The Agencies are generally adopting the relevant text of the cross-referenced Regulation Z provisions, in lieu of the cross-references. The final rule also contains technical, nonsubstantive changes.

### III. The Final Rule and Public Comments on the Proposed Rule

The following is a section-by-section review of the proposed rule and a discussion of the public comments received by the Agencies concerning the proposal. The Agencies received 256 comment letters containing 89 unique comments in response to the published proposal. These comment letters were received from State appraiser certifying and licensing agencies, AMCs, appraiser trade and professional associations, appraisal firms, appraisers, financial institutions, consumer/community groups and individual commenters. For ease of reference, unless otherwise noted, the **SUPPLEMENTARY INFORMATION** refers to section numbers in the proposed and final rule texts for the OCC, 12 CFR 34.210 *et seq.* Rule text for the other Agencies is published separately in this **Federal Register** notice at 12 CFR 208.50 and 225.190 *et seq.* (Board); 12 CFR 323.8 *et seq.*

(FDIC); and 12 CFR 1222.20 *et seq.* (FHFA).

#### A. Section 34.211. Definitions

The Agencies requested comment on the key definitions in the proposed rule. The following is a discussion of these key definitions, related public comments, and issues relating to those definitions. Definitions on which the Agencies did not receive comment are not discussed below and are adopted without change in the final rule.

##### 1. Cross-References to Other Regulations

The Agencies are adopting changes to definitions for which cross-references to Regulation Z, 12 CFR part 1026, were used in the proposed rule. Specifically, the Agencies are removing most cross-references and adopting the relevant text of the cross-referenced provisions directly (*see* § 34.211(g) (defining “consumer credit”), § 34.211(i) (defining “creditor”), and § 34.211(m) (defining “person”). In addition, the Agencies are defining the term “dwelling” in § 34.211(j) by adopting the text of the definition of “dwelling” in 12 CFR 1026.2(a)(19), which was included in the proposed definition of “principal dwelling” (*see* proposed § 34.211(m)). In new § 34.211(j)(2), the Agencies are retaining the explanation of “principal dwelling” that was provided in the proposed rule.<sup>24</sup> (*See* proposed § 34.211(m)). This explanation is based on Official Interpretation 12 CFR 1026.2(a)(24)–3. The Agencies are adopting these changes in the final rule to simplify the rule and relieve regulatory burden on States. Substituting the text of these definitions for cross-references mitigates the potential obligations of States to update, clarify, or amend State law or its interpretations as Regulation Z is amended over time, or if the numbering of definitions in Regulation Z changes.<sup>25</sup>

##### 2. Section 34.211(c): Appraisal Management Company; Section 34.211(d): Appraisal Management Services

Proposed § 34.211(c) defined an AMC as a person that: (1) Provides appraisal management services to creditors or secondary mortgage market participants; (2) provides these services in connection with valuing the consumer’s

principal dwelling as security for a consumer credit transaction (including consumer credit transactions incorporated into securitizations); and (3) within a given year, oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States. The proposed definition cross-referenced proposed § 34.212 for the rules on how to calculate the numeric threshold for the appraiser panel.

Proposed § 34.211(d) defined “appraisal management services,” which is a key component of the definition of “appraisal management company,” to mean one or more of the following: (1) Recruiting, selecting, and retaining appraisers; (2) contracting with State-certified or State-licensed appraisers to perform appraisal assignments; (3) managing the process of having an appraisal performed, including providing administrative duties such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary mortgage market participants, collecting fees from creditors and secondary mortgage market participants for services provided, and paying appraisers for services performed; and (4) reviewing and verifying the work of appraisers. This definition is consistent with the appraisal management services outlined in the definition of AMC in section 1121.<sup>26</sup> As in section 1121, the proposed definition of appraisal management services did not include performing appraisals, nor does the definition of appraisal management services adopted in this final rule.<sup>27</sup>

##### a. Commercial Transactions and the Definition of AMC

Consistent with the statutory definition of AMC, the proposed definition of AMC applied to appraisal management services provided in connection with residential mortgage transactions secured by the consumer’s principal dwelling and securitizations involving those mortgages. The proposed rule did not extend to appraisal management services provided in connection with commercial real estate transactions or securitizations involving commercial real estate mortgages.<sup>28</sup>

In drafting the definition of AMC for the proposal, the Agencies considered whether the statutory definition of AMC in section 1121 should be construed to

<sup>24</sup> See proposed §§ 34.211(m) and 34.211(j)(2).

<sup>25</sup> These changes also should avoid any inadvertent confusion created by referring to Regulation Z, which includes additional exemptions that are not included in these regulations, such as for transactions meeting the Regulation Z definition of consumer credit transaction secured by a principal dwelling, but used to purchase a 3–4 unit owner-occupied rental property.

<sup>26</sup> See 12 U.S.C. 3350(11).

<sup>27</sup> See *id.*

<sup>28</sup> 12 U.S.C. 3350(11).

encompass not only appraisal management services provided for securitizations of consumer purpose residential mortgages, but also appraisal services in connection with securitizations of commercial mortgages.<sup>29</sup> The Agencies proposed the former. The Agencies' reading of the statute—that it extends only to consumer purpose residential mortgage transactions and securitizations of those mortgages—is consistent with the text of section 1124 and with the Dodd-Frank Act as a whole.<sup>30</sup> Non-residential or commercial mortgages are not mentioned in any AMC provisions in section 1473 of the Dodd Frank Act (or elsewhere in Title XIV of the Dodd-Frank Act). The lack of a reference to commercial mortgage lending in the relevant Dodd-Frank Act provisions suggests that AMCs were not intended to be covered by the AMC minimum requirements when they are providing appraisal management services for underwriters or other principals in commercial mortgage securitizations. Moreover, the Agencies understand that individual appraisers, as opposed to AMCs, are more typically retained to provide an appraisal of properties securing commercial mortgage loans (and securitizations of such loans) because of the size and complexity of those properties. This understanding is based on the supervisory experience of the Agencies as well as outreach during the proposed rule process to a trade association for AMCs and an individual AMC, which confirmed that, under the current business model, AMCs do not generally provide services in connection with commercial mortgages.

The Agencies received a small number of comments concerning whether an AMC's services for commercial mortgage transactions should be covered by the final rule. Several commenters supported the proposal to exclude commercial real estate transactions from the definition of AMC. One commenter disagreed, stating that both commercial and consumer transactions should be covered by the rule, but did not elaborate.

The Agencies continue to believe that commercial real estate transactions should be excluded from the definition of AMC based on the reasons outlined above. As such, the definition of AMC in the final rule includes entities only when they are providing appraisal management services for consumer

mortgage transactions secured by the consumer's principal dwelling and securitizations of those loans.

**b. "External Third Party" Within the Definition of AMC**

Section 1121 defines an AMC as any "external third party" authorized to take certain actions by a creditor of a consumer credit transaction secured by the consumer's principal dwelling or by an underwriter of or other principal in the secondary mortgage markets.<sup>31</sup> Consistent with the statutory definition, the proposal defined the term "appraisal management company" to exclude a department or division of an entity if the department or division provides appraisal management services only to that entity. This reflects the Agencies' interpretation that a department or a division of an entity is not an "external third party" as required by the statute. Under the proposed rule, an AMC that is an affiliate (rather than a department or division) of a creditor or secondary market principal would, however, be treated as an AMC, even if the AMC provides appraisal management services only to the entity with which it is affiliated, because the affiliate is a separate legal entity.

The Agencies believe that this interpretation of the term "external third party" is consistent with the plain meaning of "external" and "third party," as well as with section 1124(c), which provides that the requirements of section 1124 would apply to AMCs that are owned and controlled by financial institutions.<sup>32</sup> In the Agencies' view, this interpretation is also consistent with section 1124 as a whole, which is directed at regulating parties that provide appraisal management services on behalf of creditors and secondary market principals, but does not regulate creditors or secondary market principals directly.<sup>33</sup>

The Agencies received one comment on this topic, which supported the exclusion of departments and divisions from the definition of AMC. The Agencies are adopting in the final rule the proposed approach to "external third party."

**c. Uniformity and the Definition of AMC**

The Agencies received a number of comments suggesting that the Agencies require all participating States to adopt the definition of AMC in the proposed rule. Several commenters also stated that reducing burden for AMCs would reduce costs for consumers. As a legal

basis for this position, one commenter noted that the definition of AMC is statutory, and therefore should be binding on all the participating States.

The Agencies agree that the definition of AMC in section 1121 sets the uniform minimum standards for assessing whether an entity is an AMC under this rule.<sup>34</sup> Under the proposed rule, a participating State would be required to treat an entity as an AMC if the entity provides services described in the definition and meets the statutory panel size threshold. As such, pursuant to section 1121 and the proposed rule, a participating State could not revise the definition of AMC to eliminate or limit the range of services that would classify an entity as an AMC with respect to the minimum requirements in the rule. Similarly, a State could not void the statutory panel size threshold that triggers the minimum requirements by, for example, adopting an AMC law that provides that an entity is an AMC only if it has 50 or more appraisers on its nationwide panel.<sup>35</sup> Thus, all States electing to establish an AMC regulatory program under the rule would have a uniform minimum scope as to coverage of their program.

While the Agencies understand the commenters' desire for uniformity, FIRREA section 1124(b) recognizes expressly the authority of States to adopt requirements in addition to those in the final rule: "Nothing in this section [1124] shall be construed to prevent States from establishing requirements in addition to any rules promulgated under subsection(a)[by the Agencies]."<sup>36</sup> Therefore, the Agencies decline to require all participating States to adopt a uniform definition of AMC.

**d. "Portals" Within the Definition of AMC**

The Agencies received one comment from an entity that provides appraisal related services through electronic mechanisms, described as a "portal" business model. The commenter requested that the Agencies address the question of whether a portal is an AMC.

The Agencies do not support a categorical rule in this regard. The business model an entity uses to provide services should not be

<sup>29</sup> While it is clear that the definition of AMC encompasses only residential mortgage loans, there is some question as to whether the definition includes securitizations of commercial mortgages.

<sup>30</sup> 12 U.S.C. 3353.

<sup>31</sup> 12 U.S.C. 3350(11).

<sup>32</sup> 12 U.S.C. 3353(c).

<sup>33</sup> 12 U.S.C. 3353.

<sup>34</sup> 12 U.S.C. 3350(11). This rule establishes "minimum" requirements for a State to apply in registering AMCs. Thus, the Agencies interpret the rule of construction in FIRREA section 1124(b) to recognize that States may adopt requirements that exceed those in the rule, for example, defining AMC to cover more entities than would be covered under the minimum requirements of this rule. 15 U.S.C. 3353(b).

<sup>35</sup> 12 U.S.C. 3350(11).

<sup>36</sup> 12 U.S.C. 3353(b).

determinative of whether the entity is an AMC; rather, if a portal is providing appraisal management services, and meets the other elements of the definition, then it should be considered an AMC under the final rule. Thus, the final rule does not limit or affect the discretion of States to treat a portal as an AMC if a State finds that a portal provides appraisal management services.

#### e. Distinction Between AMCs and Appraisal Firms

In the proposal, the Agencies addressed whether appraisal firms should be considered AMCs pursuant to sections 1124 and 1121(11)<sup>37</sup> and requested comment on whether the distinction between employees and independent contractors served as a basis for excluding appraisal firms from the definition of an AMC. (See Question 3 in the proposal.) The technical distinction between independent contractors and employees, for purposes of determining whether an entity meets the statutory panel size thresholds, is addressed in the section-by-section analysis of § 34.212 (Appraiser Panel), which discusses how to calculate the number of appraisers on a panel. The following is a discussion of the comments on the broader issue of whether the proposal appropriately excluded appraisal firms from the scope of the rule.

A number of commenters supported the proposal to construe section 1124 as applying only to AMCs or hybrid entities (discussed in detail below) and not to appraisal firms. These commenters stated that the business models of AMCs and appraisal firms are different. Under the different business models, according to these commenters, employees of appraisal firms perform appraisals, while AMCs contract for appraisal services, but do not perform appraisals. Another set of commenters argued that appraisal firms should be covered by the rule. The basis for this argument was the commenters' assertion that there is no substantive distinction between AMCs, which hire others to perform appraisals, and appraisal firms, which generally hire appraisers as employees.

As discussed in the preamble to the proposed rule, the Agencies interpret section 1124 to distinguish between AMCs and appraisal firms for three key reasons.<sup>38</sup> First, the distinction between appraisal firms and AMCs is reflected in section 1472 of the Dodd-Frank Act, which added provisions concerning

valuation independence to TILA.<sup>39</sup> These provisions contemplate expressly that certain entities would not be covered by the AMC minimum requirements in FIRREA section 1124 and describe this type of entity, in pertinent part, as one that "utilizes the services of State licensed or certified appraisers and receives a fee for performing appraisals in accordance with the Uniform Standards of Professional Appraisal Practice."<sup>40</sup> The Agencies understand that the type of entity described here as excluded from the AMC minimum requirements is an appraisal firm, which receives fees for directly performing appraisals. Second, FIRREA section 1124 uses the term "appraisal management company," and not appraisal firm.<sup>41</sup> Third, section 1121(11) describes the activities of AMCs as including "contracting with State-certified or State-licensed appraisers to perform appraisal assignments," but not directly performing appraisals.<sup>42</sup> Section 1121(11) also defines an AMC as an entity that "oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally (meaning two or more States) within a given year . . ."<sup>43</sup> By contrast, the Agencies understand that appraisal firms perform appraisals as a primary function directly through employees and do not oversee a "network or panel" of non-employee appraisers.

As stated in the proposal, the Agencies believe that the fundamental reasons to distinguish between AMCs and appraisal firms are that the business models of AMCs and appraisal firms are different and that Congress expressed an intention to exclude entities operating on an appraisal firm model from coverage by the AMC minimum requirements. This conclusion is consistent with the fact that AMCs provide appraisal management services to third parties, including retaining appraisers to perform appraisals, but AMCs do not perform appraisals. By contrast, appraisal firms perform appraisals using one or more of the firm's employees or partners. In addition, appraisal firms typically hire a

limited number of appraisers, based on identified need, and hire inexperienced trainees and train them to become qualified appraisers. AMCs, on the other hand, generally have a large number of pre-approved appraisers in their network or panel who are available, as independent contractors, for potential assignments and do not conduct training for inexperienced appraisers.

#### f. Hybrid Entities

In the proposal, the Agencies discussed the possibility that there are, or may be in the future, "hybrid" entities, meaning entities that both hire appraisers as employees to perform appraisals and engage independent contractors to perform appraisals. In this situation, the entity could be considered both an AMC and an appraisal firm. As such, under the proposed rule, the hybrid entity would be treated as an AMC for purposes of State registration if it meets the statutory panel size threshold (of overseeing more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States within a given year). Under the proposal, the numerical calculation of panel size for hybrid entities would only include appraisers engaged as independent contractors.

Some commenters supported the proposed treatment of firms that have both employee appraisers and independent contractor appraisers. One commenter suggested that the Agencies should not recognize a hybrid firm as a valid business model, but did not elaborate. The Agencies adopt in the final rule the proposed definition of AMC and the proposed treatment of hybrid firms. The Agencies continue to believe that sections 1124 and 1121(11) are best interpreted to apply only to AMCs, as defined in the proposed and final rules, and not to appraisal firms (with the exception of hybrid firms). In addition to the statutory distinction between appraisal firms and AMCs, the Agencies believe this interpretation is consistent with, and supported by, the key distinction between AMCs and appraisal firms—that the former contracts with appraisers to perform appraisals, while the latter performs appraisals directly through employees. Even if some services provided by AMCs and appraisal firms overlap, which some commenters assert, this key difference between the two entities (that AMCs contract with appraisers to perform appraisals and appraisal firms perform appraisals directly through their own employees) remains. The final rule also reflects the definition of "appraisal management company" in

<sup>39</sup> See TILA section 129F, 15 U.S.C. 1639e.

<sup>40</sup> 15 U.S.C. 1639e(i)(2) (emphasis added); see also 12 U.S.C. 3353. A "fee appraiser" is defined in TILA section 129E, 15 U.S.C. 1639(e)(i), as a person who: (1) Is not an employee of a loan originator or AMC engaging the appraiser; (2) performs an appraisal in compliance with USPAP; and (3) is a company [an appraisal firm] not subject to the requirements of section 1124 (minimum requirements for AMCs, 12 U.S.C. 3353) and that receives a fee for performing appraisals.

<sup>41</sup> *Id.*

<sup>42</sup> 12 U.S.C. 3350(11).

<sup>43</sup> 12 U.S.C. 3350(11).

<sup>37</sup> 12 U.S.C. 3353 and 3350(11).

<sup>38</sup> 12 U.S.C. 3353.

section 1121(11), which provides that an AMC is an entity that “oversees a network or panel” of appraisers.<sup>44</sup> Appraisal firms do not oversee networks or panels of non-employee appraisers.

The Agencies also continue to believe that recognition of hybrid firms as AMCs is appropriate when the entity maintains a panel of appraisers that includes independent contractors meeting the threshold minimum numbers pursuant to § 34.212. The Agencies believe that this interpretation of the definition of AMC is consistent with the statutory language and purpose, appropriately reflects the business models of AMCs, and accommodates the possibility that appraisal firms may evolve over time. For these reasons, the Agencies adopt in the final rule the proposed definition of AMC and the proposed treatment of hybrid firms.

### 3. Section 34.211(e) Appraiser Panel

The Agencies are adopting the proposed definition of “appraiser panel” with minor clarifications. Specifically, proposed § 34.211(e) defined an appraiser network or panel as a network of State-licensed or State-certified appraisers who are independent contractors to an AMC. In the final rule, “appraiser panel” is defined as a network, list or roster of licensed or certified appraisers approved by the AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC’s “appraiser panel” under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments and appraisers engaged by the AMC to perform one or more appraisals. The final rule also clarifies in the definition of “appraiser panel” that an appraiser is an independent contractor for purposes of this rule if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

#### a. Distinction Between Employees and Independent Contractors in Determining Panel Membership

The definition of “appraisal management company” in section 1121(11) provides that an entity will be treated as an AMC subject to State registration if it has an “appraiser network or panel” of more than 15 State-certified or State-licensed appraisers in a State or 25 or more appraisers nationally (meaning two or more States) within a given year.<sup>45</sup> Section 1121(11) does not specify

whether a “network or panel” consists of employees of an AMC or independent contractors retained by the AMC (or both). However, by including only independent contractors with the AMC, the proposed and adopted definition of “appraiser panel” reflects the approach taken by the majority of States that have adopted AMC registration laws or have proposed AMC laws<sup>46</sup> and reflects the Agencies’ understanding that AMCs typically engage appraisers as independent contractors under the current AMC business model.<sup>47</sup> Section 34.211(e) also reflects the definition of AMC in section 1121(11), which outlines typical tasks carried out by AMCs, including as “contract[ing] with licensed and certified appraisers.”<sup>48</sup> As discussed above in the section-by-section analysis of § 34.211(c), the definition of AMC and its description of appraisal management services does not include directly performing appraisals through the AMC’s own employees—rather, AMCs contract with external third parties to perform appraisals.<sup>49</sup>

The method for calculating whether an entity has an “appraiser network or panel” of more than 15 State-certified or State-licensed appraisers in a State or 25 or more appraisers nationally (meaning two or more States) within a calendar year or 12-month period under State law is discussed further under the section-by-section analysis of § 34.212, below.

The Agencies requested comment on the proposed definition of “appraiser panel” and on the alternative of defining this term to include employees as well as independent contractors. (See

Question 2 in the proposal.) Some commenters argued that employees as well as independent contractor appraisers should be counted as part of an appraiser network or panel. These commenters did not disagree with the Agencies’ understanding that AMCs generally use independent contractors rather than employee appraisers. Nor did the commenters address the key distinction between AMCs and appraisal firms, which is that AMCs primarily engage third parties to perform appraisals, whereas appraisal firms perform appraisals directly through employees.

As discussed above in the section-by-section analysis of § 34.211(c), the commenters argued that appraisal firms should be regulated as AMCs as a matter of policy. As such, these commenters suggested that the distinction between employee and independent contractor appraisers be removed from the rule. In support of this position, the commenters stated that appraisal firms and AMCs provide substantially the same services, and therefore should both be covered by the AMC registration and supervision programs.

Other commenters agreed with the employee-independent contractor distinction, stating that defining “appraiser panel” to be comprised only of independent contractor appraisers reflects the difference between the AMC and appraisal firm business models. Specifically, these commenters stated that appraisal firms’ employees perform appraisals directly, while AMCs provide appraisal management services and engage third-party appraisers to perform appraisals.

The Agencies adopt in the final rule the proposed definition of “appraiser panel,” which includes only appraisers who are independent contractors to an AMC. The Agencies note the predominance of comments in favor of retaining the employee-independent contractor distinction. The final rule also reflects that the commenters who opposed the proposed employee-independent contractor distinction effectively conceded that the distinction is accurate, arguing instead that AMCs and appraisal firms should both be regulated as AMCs under section 1124 and implementing State laws, regardless of the way these entities structure their operations.<sup>50</sup> This larger policy question is addressed above in the discussion of the distinction between employees and independent contractors as a basis for exclusion of an appraisal firm from the definition of an AMC. See the section-by-section analysis of § 34.211(c)

<sup>46</sup> A majority of States with AMC laws define “appraiser panel” as being comprised of independent contractors. See, e.g., N.C. Gen. Stat. section 93E–2–2 (defining an appraiser panel as a network or panel of appraisers who are independent contractors to the AMC); Vernon’s Tex. Code Ann. Occupations Code section 1104.003(b)(3) (same); Louisiana La. Rev. Stat. Ann. section 37:3415.2(a) (same); see also Ohio (draft code) (same). A minority of States use a broader definition for “appraiser panel” that encompasses a combination of independent contractors and employees. See, e.g., Cal. Bus. & Prof. Code section 11302 (defining AMC to include both independent contractors and employees); Ark. Code Ann. section 17–14–402(2) (same); Ky. Rev. Stat. section 324A.150(2)(same). The majority approach is consistent with the model AMC code offered by a trade association for appraisers and the minority approach is consistent with a model code offered by a trade association for AMCs.

<sup>47</sup> As discussed in the proposal, this understanding is based on outreach conducted by the Agencies with associations that represent AMCs and appraisers, as well as outreach with State appraiser certifying and licensing agencies.

<sup>48</sup> 12 U.S.C. 3350(11).

<sup>49</sup> The Agencies will monitor AMCs to assess whether they are hiring appraisers as part-time employees to avoid State registration requirements. Outreach with State officials before the issuance of the proposed rule did not indicate this is currently occurring or at significant risk of occurring.

<sup>50</sup> 12 U.S.C. 3353.

<sup>44</sup> 12 U.S.C. 3350(11).

<sup>45</sup> 12 U.S.C. 3350(11).

(definition of AMC), above. Moreover, the treatment of hybrid firms will help address the potential that a firm may try to avoid the requirements of the rule by using a combination of appraisers who are employees and appraisers who are independent contractors.

#### b. Definition of Independent Contractor

The Agencies requested comment on whether the term “independent contractor” should be defined, and if so why and how, including whether it should be defined based on Federal law by using the standards or guidance issued by the IRS or standards adopted in other Federal regulations, such as those issued under the Secure and Fair Enforcement for Mortgage Licensing Act of 2008 (SAFE Act),<sup>51</sup> or left to State law. (See Question 2 in the proposal.) A number of commenters requested that the final rule include a definition of independent contractor, or that the rule incorporate an external definition, for example, IRS guidance on the employee-independent contractor distinction or the definition of independent contractor in the SAFE Act. In addition, these commenters stated that it would be desirable to have a standard for independent contractor that applies in all participating States. The commenters stated a preference for using IRS guidance for this purpose. One commenter disagreed, suggesting that a single definition of the term independent contractor is not needed.

The Agencies believe that additional guidance on the meaning of “independent contractor” under the final rule facilitates compliance and, therefore, are amending the proposed definition of appraiser panel accordingly. As noted, the definition of appraiser panel in § 34.211(e) provides that that an appraiser is deemed an “independent contractor” for purposes of this rule if the appraiser is treated as such by the AMC for purposes of Federal income taxation.<sup>52</sup>

<sup>51</sup> 12 CFR 1008.23 (“Independent contractor means an individual who performs his or her duties other than at the direction of and subject to the supervision and instruction of an individual . . .”) (emphasis added). The SAFE Act was enacted as part of the Housing and Economic Recovery Act of 2008, Pub. L. 110–289, Division A, Title V, sections 1501–1517, 122 Stat. 2654, 2810–2824 (July 30, 2008), codified at 12 U.S.C. 5101–5116.

<sup>52</sup> For guidance on how to determine whether an appraiser is an employee or independent contractor, see IRS Publication 1779, “Independent Contractor or Employee,” available at <http://www.irs.gov/pub/irs-pdf/p1779.pdf> and IRS Publication 15–A, “Employer’s Supplemental Tax Guide,” at p. 7 *et seq.* (discussing factors for distinguishing employees from independent contractors), available at <http://www.irs.gov/pub/irs-pdf/p15a.pdf>.

#### 4. Section 34.211(h): Covered Transaction

Proposed § 34.211(h) defined a covered transaction as any consumer credit transaction secured by the consumer’s principal dwelling. The proposed definition did not limit the definition of “covered transaction” to Federally related transactions (generally, credit transactions involving a Federally regulated depository institution, *see* 12 U.S.C. 3350(4)), even though Title XI of FIRREA and its implementing regulations have applied historically only to appraisals for Federally related transactions.

As stated in the proposed rule, defining “covered transaction” to include all consumer credit transactions secured by the consumer’s principal dwelling reflects the statutory text of section 1121(11), which defines the term “appraisal management company,” as in pertinent part, “any external third party authorized either by a creditor of a consumer credit transaction secured by the consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets.”<sup>53</sup>

Applying coverage of the AMC rule beyond Federally related transactions is consistent with the structure and text of other parts of section 1124, most of which address appraisals generally rather than appraisals only for Federally related transactions. For example, section 1124(a)(2) specifies that only licensed or certified appraisers are to be used for “federally related transactions,” but sections 1124(a)(3) and (a)(4) apply to “appraisals” generally.<sup>54</sup> In particular, the text of section 1124(a)(4) indicates that one of the chief purposes of the minimum requirements for AMCs is to ensure compliance with the valuation independence standards established pursuant to section 129E of TILA.<sup>55</sup> Those standards apply to AMCs whenever they engage in a consumer credit transaction secured by the consumer’s principal dwelling, regardless of whether the transaction is a Federally related transaction.<sup>56</sup>

For these reasons, the proposed rule provided that the minimum requirements in participating States would apply to all entities that meet the definition of AMC in providing appraisal management services related to consumer credit transactions secured by the consumer’s principal dwelling

<sup>53</sup> 12 U.S.C. 3350(11).

<sup>54</sup> *See* 12 U.S.C. 3353(a)(2) (3) and (4).

<sup>55</sup> 12 U.S.C. 3353(a)(4).

<sup>56</sup> *See* 15 U.S.C. 1639e(a) (defining scope); 12 CFR 1026.42(b)(1)–(2) (implementing regulations defining scope).

for both Federally related transactions and non-Federally related transactions.

The Agencies received one comment that supported the proposed definition of “covered transaction.” The Agencies are adopting it in the final rule as proposed. As such, a covered transaction is defined to mean any consumer credit transaction secured by the consumer’s principal dwelling. For the reasons discussed above in describing the proposed definition, the Agencies have determined the final rule should not limit the definition of “covered transaction” to consumer credit transactions secured by the consumer’s principal dwelling that are Federally related transactions.

#### 5. Section 34.211(k): Federally Regulated AMCs

Section § 34.211(k) defines a “Federally regulated AMC” as an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813, or an insured credit union, as defined in 12 U.S.C. 1752, and regulated by the OCC, the Board, the NCUA, or the FDIC. This definition differs from the proposed definition only in that the reference to the NCUA is removed, for reasons discussed below.

Under section 1124(c), an AMC that is a subsidiary owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency<sup>57</sup> is not required to register with a State.<sup>58</sup> Proposed § 34.211(j) defined an entity of this type as a “Federally regulated AMC,” meaning an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813, or an insured credit union, as defined in 12 U.S.C. 1752, and regulated by the OCC, the Board, the NCUA, or the FDIC. Under section 1124(c), a Federally regulated AMC must follow the minimum requirements that are applicable to a State-registered AMC (other than the requirement to register with a State) and is subject to supervision for compliance with these requirements by the appropriate Federal financial institutions regulatory agency. In addition, under section 1124(e), as

<sup>57</sup> The term “Federal financial institutions regulatory agencies” means the Board, the FDIC, the OCC, the former OTS, and the NCUA. 12 U.S.C. 3350(6). Title III of the Dodd-Frank Act provides that the OCC is now the Federal financial institutions regulatory agency for Federal savings associations. Title III of the Dodd-Frank Act also provides that the FDIC is the Federal financial institutions regulatory agency for State savings associations. Finally, the Dodd-Frank Act provides that the Board is responsible for regulation of savings and loan holding companies.

<sup>58</sup> 12 U.S.C. 3353(c).

implemented by the proposed rule, AMCs, including Federally regulated AMCs, must report to the participating State or States in which they operate the information required to be submitted by the State to the ASC for administration of the AMC National Registry. These requirements are discussed further in the section-by-section analysis of § 34.215, below.

In the proposal, the Agencies discussed whether an AMC that is a subsidiary owned and controlled by a credit union (credit union service organization or “CUSO”) would be considered a Federally regulated AMC, and thus exempt from State registration and supervision. The Agencies indicated that an AMC, even if owned and controlled by a credit union, would not be a Federally regulated AMC because the NCUA, unlike the other banking agencies involved in this rulemaking, does not directly oversee or regulate CUSOs. Instead, the authority that the NCUA exercises over CUSOs is through its regulations that permit Federal credit unions to invest in, or lend to, CUSOs.<sup>59</sup> For these reasons, under the proposed rule, if an AMC were owned and controlled by a credit union (whether owned by a State or Federally chartered credit union) it would not be considered to be regulated by a Federal financial institutions regulatory agency. As such, the AMC CUSO would be required to be registered in accordance with applicable State requirements in participating States.<sup>60</sup>

The Agencies requested comment on whether references to the NCUA and insured credit unions should be removed from the definition of “Federally regulated AMC” and other parts of the final rule to clarify that an AMC CUSO would be subject to State registration and supervision. (See Question 4 in the proposal.) Some commenters expressed concern that the references to the NCUA and credit unions in the proposed regulatory text were confusing and suggested that removing these references in the final rule would clarify that AMC CUSOs are subject to State registration and supervision.

To provide clarification in the final rule, the Agencies removed references to NCUA and credit unions from pertinent

portions of the regulatory text defining “Federally regulated AMC.” An AMC owned and controlled by a credit union (whether owned by a State or Federally chartered credit union) is not considered to be regulated by a Federal financial institutions regulatory agency under the final rule. As such, AMC CUSOs are required to register in accordance with applicable State requirements.

#### 6. Section 34.211(n): Secondary Mortgage Market Participant

In the proposed rule, the Agencies defined “secondary mortgage market participant” to implement the statutory definition of AMC, which refers to an entity that performs services authorized by “an underwriter of or other principal in the secondary mortgage markets.”<sup>61</sup> Proposed § 34.211(n) defined “secondary mortgage market participant” to mean a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. The definition included individual investors in a mortgage-backed security only if they also serve in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

Most commenters supported the proposed definition of “secondary mortgage market participant.” Some commenters indicated that the definition is clear and needs no further additions or clarifications at this time, but could at some future date to reflect evolving conditions. One commenter believed that the definition is sufficiently understandable for States to be able to write statutes and rules to enforce the intent of the rule. Another commenter suggested that the definition of “secondary market participant” is too narrow, and that any bank or creditor involved in lending Federally insured funds in a transaction secured by real estate (commercial or residential) should be considered a secondary market participant.

Commenters did not provide any specific suggestions for revising the proposed definition of secondary mortgage market participant. As with other aspects of the proposed rule, the Agencies understand that changes in the marketplace may, at some point, require the Agencies to amend the final rule, or may require States to amend or re-interpret State laws. The Agencies continue to believe, however, that the definition of secondary mortgage market participant is accurate at present. Regarding the comment that banks or creditors lending Federally insured

funds should be included, the Agencies note that the statutory definition of AMC distinguishes between “creditors” and “secondary mortgage market participants,”<sup>62</sup> and therefore believe that including originating banks or creditors in the definition of “secondary mortgage market participants” would be inconsistent with this distinction in the statutory definition. The Agencies in the final rule adopt the proposed definition of secondary mortgage market participant.

#### B. Section 34.212: Appraiser Panel—Annual Size Calculation

##### 1. Determining Appraiser Panel

Section 34.212 finalizes proposed § 34.212 without change, other than revising the title from “Appraiser Panel” to “Appraiser Panel—Annual Size Calculation,” for clarity. Section 34.212 sets out criteria for determining whether, within a calendar year or 12-month period specified by State law, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States. Consistent with the proposal, pursuant to § 34.212(a), an appraiser is deemed part of the AMC’s appraiser panel as of the earliest date the AMC accepts the appraiser for consideration for future appraisal assignments in covered transactions or engages the appraiser to perform one or more appraisal assignments on behalf of a creditor or secondary mortgage market participant in a covered transaction, including an affiliate of such a creditor or participant. Also consistent with the proposal, pursuant to § 34.212(b), an appraiser who is considered to be part of the AMC’s appraiser panel is deemed to remain on the panel until: (1) The date on which the AMC sends written notice to the appraiser removing the appraiser from the appraiser panel; (2) the date the AMC receives written notice from the appraiser asking to be removed from the appraiser panel; or (3) the date the AMC receives notice of the death or incapacity of the appraiser. If an appraiser is removed from an AMC’s appraiser panel, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the appraiser’s removal, the removal would be deemed not to have occurred, and the appraiser would be deemed to have been part of the AMC’s appraiser panel without interruption. The Agencies included

<sup>59</sup> See 12 CFR part 712 (outlining requirements relating to credit union investments in CUSOs).

<sup>60</sup> As noted in the preamble to the proposed rule, the NCUA has not, historically, asserted that CUSOs or their employees are exempt from applicable State registration and licensing regimes. See 75 FR 44656, 44659 (applying similar reasoning to the licensing of mortgage loan originators who were employees of CUSOs under the SAFE Act).

<sup>61</sup> 12 U.S.C. 3350(11).

<sup>62</sup> 12 U.S.C. 3350(11).



these procedural provisions to give States clarity and prevent circumvention of the registration requirement.

The Agencies received a wide variety of comments relating to the calculation of appraiser panel membership under Question 2 of the proposal. Some commenters suggested that the approach in the proposal, which would count appraisers either engaged to perform appraisals or pre-approved to do so, would result in the unintended consequence of limiting the number of appraisers in AMC networks or panels. These commenters argued that pre-approved appraisers who have not yet been engaged by the AMC for an assignment should not be counted. They argued that the proposed method of counting appraisers would provide a strong incentive for AMCs to limit significantly the size of networks or panels, given that the AMC National Registry fee will be determined based on the number of appraisers on an AMC's network or panel of appraisers. The commenters stated that, to reduce costs, AMCs would likely reduce the size of appraiser panels if the proposed method of counting appraisers were adopted as final.

As background, the commenters explained that AMCs maintain large panels of pre-approved appraisers in order to offer timely appraisal services in a wide variety of areas, including smaller communities and rural areas where appraisers are engaged less often than in more populated communities. The commenters noted that, if the AMCs reduce panels to actively engaged appraisers, then real estate transactions in small communities and rural areas will take more time because AMCs would not typically have pre-approved appraisers readily available for this type of assignment.<sup>63</sup> For these reasons, the commenters requested that the Agencies modify the proposed method of counting appraisers in an AMC's network or panel to include only appraisers who are actually engaged to perform an appraisal during a 12-month period.

The Agencies understand the commenters' concerns relating to the panel membership and the potential for AMCs to reduce their appraiser networks or panels to reduce ASC fees. The Agencies are also cognizant of, and concerned about, the potential adverse effects this may have on small communities and rural areas. However,

for several reasons, the Agencies decline to amend the rule such that only appraisers actually given assignments in a particular year will be counted as being on the panel. First, the Agencies interpret sections 1124 and 1121(11) to mean that the counting of appraisers in determining whether an entity is subject to the AMC minimum requirements does not control or affect the counting of appraisers for purposes of payment of the AMC National Registry fee.<sup>64</sup> Therefore, this final rule does not address or require the collection or calculation of these fees. Section 34.212 of the rule implements FIRREA section 1121(11) and governs how to count the number of appraisers on a panel *only* for purposes of whether an entity is an AMC subject to the AMC minimum requirements of this final rule, either as an AMC registered with a State that adopts these requirements or as a Federally regulated AMC.<sup>65</sup> The rule requires AMCs to provide information to the State or States in which they operate, to be used in determining the payment of the annual AMC National Registry fee, but does not address or control how to calculate the number of appraisers on a network or panel for purposes of determining the fee. The AMC National Registry fee provisions pertaining to the calculation, assessment, and collection of the fee are addressed in FIRREA section 1109(a), which is enforced and administered by the ASC, not by the Agencies pursuant to section 1124.<sup>66</sup> As such, it is the ASC, and not the Agencies in this rulemaking, that will determine how to calculate and pay the AMC National Registry fee.

Second, the statute that the Agencies are charged with implementing expressly defines an AMC with reference to the number of appraisers that the AMC "oversees" on a "network or panel" in a given year, not only on the number of appraisers to which it actually gives assignments.<sup>67</sup> While commenters speculate that this approach to defining the number of appraisers that an AMC oversees on a network or panel may lead to efforts to

evade the definition, the alternative approach suggested by commenters of relying only on the number of appraisers actually used during a 12-month period will also encourage evasion attempts. This alternative would allow AMCs to accumulate relationships with large numbers of independent contractors, advertise this breadth of coverage, and evade the rule by managing the actual use of appraisers through the year.

The Agencies will monitor the effect of the rule and the definition of AMC for evasion and revisit the rule to the extent appropriate and permitted by statute in light of future developments.

## 2. Section 34.212(d): Annual Period for Counting Appraisers on AMC Panel

Proposed § 34.212(d) provided two options to States for calculating the number of appraisers on an entity's panel for determining whether the entity meets the minimum thresholds for designation as an AMC. The first was the 12-month calendar year and the second was any other 12-month period set by a State. One commenter suggested that, to promote uniformity, all States should be required to use the calendar year for determining whether an entity has the requisite number of appraisers on its panel to qualify as an AMC.

Under the proposed rule, States would have the flexibility to align the 12-month period for determining AMC status with their AMC registration calendars, which may, or may not, be based on the calendar year. In this regard, the Agencies are aware that many States already do not use a calendar year for their existing appraiser registration process. The Agencies believe that allowing states to set the 12-month period provides appropriate flexibility and will help States comply with the minimum requirements and reduce regulatory burden for State governments. Thus, the Agencies adopt § 34.212(d) in the final rule without change.

## C. Section 34.213: Appraisal Management Company Registration

### 1. Section 34.213(a): Minimum Requirements for Participating States

Under proposed § 34.213(a), adopted without change in this final rule, participating States must have a licensing program in place within the State appraiser certifying and licensing agency that has the authority to: (1) Review and approve or deny an AMC's application for initial registration; (2) review and renew or refuse to renew an AMC's registration periodically; (3) examine the books and records of an

<sup>63</sup> One commenter, a coalition of three AMCs, stated the process of approving an appraiser for a panel typically requires from one week at a minimum to a month.

<sup>64</sup> 12 U.S.C. 3350(11) (defining an AMC subject to the minimum requirements as, in pertinent part, an entity with a "network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally (meaning two or more States) within a given year." 12 U.S.C. 3350(11). The provision of the statute relevant to determining the registry fee is in section 1109(a)(4)(B), which provides that the fee is based on the number of appraisers "working for or contracting with [an AMC] in [a] state during the previous year." FIRREA section 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

<sup>65</sup> 12 U.S.C. 3350(11).

<sup>66</sup> 12 U.S.C. 3338(a), 3353.

<sup>67</sup> FIRREA section 1121(11), 12 U.S.C. 3350(11) (defining AMC).



AMC operating in the State and require the AMC to submit reports, information, and documents to the State; (4) verify that the appraisers on the AMC's appraiser panel hold valid State certifications or licenses, as applicable; (5) conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders; (6) discipline, suspend, terminate, and refuse to renew the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and (7) report to the ASC an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations.

These authorities and mechanisms reflected the Agencies' interpretation of the provisions of section 1124(a), including the minimum requirement in section 1124(a)(1) that AMCs be "subject to supervision" by the State appraiser certifying and licensing agency.<sup>68</sup> The Agencies interpret section 1124(a) as being consistent with the criteria outlined in FIRREA sections 1103, 1109, and 1118(a), which describe the elements of State regulation of AMCs that will be monitored by the ASC.<sup>69</sup> For example, the ASC is responsible for monitoring whether States have supervision systems in place that would allow a State to process complaints against an AMC and conduct investigations in connection with those complaints.<sup>70</sup> The ASC is also responsible for monitoring whether a State takes appropriate enforcement actions against an AMC that is found to have violated applicable laws and regulations.<sup>71</sup> Consistent with the interpretation stated in the proposal, the Agencies continue to believe that these

requirements are consistent with the enforcement and supervision authorities underlying an effective regulatory program and will ensure that State appraiser certifying and licensing agencies have the required structures for the registration and supervision of AMCs.

## 2. Section 34.213(b): Minimum Requirements for State-Registered AMCs

The Agencies are adopting proposed § 34.213(b) without change. Section 34.213(b) implements FIRREA sections 1121(11) and 1124 and provides that participating States must require State-registered AMCs to follow certain minimum requirements when AMCs provide appraisal management services for a creditor or "underwriter of or other principal in the secondary mortgage markets" that are related to a covered transaction.<sup>72</sup> Pursuant to the minimum requirements in § 34.213(b), an AMC (other than a Federally regulated AMC) is required to register with, and be subject to supervision by, a State appraiser certifying and licensing agency in each State in which the AMC operates. In addition, States must require AMCs to verify that only State-certified or State-licensed appraisers are used when a creditor or secondary mortgage market participant engages in a transaction that requires the services of a State-certified or State-licensed appraiser under the Federally related transaction regulations. A State also must require registered AMCs to have processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who has the requisite education, expertise, and experience to complete competently the assignment for the particular market and property type. This minimum requirement implements the requirement of section 1124(a)(2)<sup>73</sup> and emphasizes a core principle of the Agencies' FIRREA appraisal regulation and the Interagency Appraisal and Evaluation Guidelines, which is that an appraiser must not only be State credentialed and competent generally, but also have specific competency to perform a particular appraisal assignment.<sup>74</sup>

In addition, States must require an AMC to establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with: (1) The AMC's obligations as a covered person with respect to mandatory reporting, conflicts of interest, and other acts or practices that would violate valuation independence pursuant to section 129E(a) through (i) of TILA; and (2) the AMC's obligations as a creditor's agent with respect to appraiser compensation pursuant to section 129E(i) of TILA, 15 U.S.C. 1639e(i).<sup>75</sup>

As noted in the proposed rule, the AMC minimum standards do not affect the responsibility of banks, Federal savings associations, State savings associations, bank holding companies, and credit unions for compliance with applicable regulations and guidance concerning appraisals. Under the interagency appraisal rules, for example, if an appraisal is prepared by a fee appraiser (as opposed to in-house, by the institution), the appraiser must be engaged directly by the regulated institution or its agent, and have no direct or indirect interest, financial or otherwise, in the property or the transaction.<sup>76</sup> As stated in the Interagency Appraisal and Evaluation Guidelines, an institution that engages a third party, such as an AMC, to administer any part of the institution's appraisal program remains responsible for compliance with applicable laws concerning appraisers and appraisals.<sup>77</sup>

The Agencies requested comment on the proposed minimum requirements for State registration and supervision of AMCs. (See Question 6 in the proposal.) The Agencies also asked related questions concerning appraisal review standards and potential challenges States may encounter under the proposed minimum requirements for State registration and supervision of AMCs. (See Questions 7 through 11 in the proposal.) The following is a summary of these comments, followed by the response from the Agencies.<sup>78</sup>

<sup>75</sup> See 12 CFR 226.42 (Board); 12 CFR 1026.42 (Bureau).

<sup>76</sup> 12 CFR 34.45 and 164.5 (OCC); 12 CFR 225.65 (Board); 12 CFR 323.5 (FDIC); 12 CFR 722.5 (NCUA).

<sup>77</sup> See Interagency Appraisal and Evaluation Guidelines, 75 FR 77450, 77463 (discussing third-party arrangements).

<sup>78</sup> The Agencies received many comments on Question 6 concerning the proposed minimum requirements for State registration and supervision of AMCs. Commenters were generally supportive of the proposed requirements. However, the commenters made several observations and expressed concerns with the proposed requirements.

<sup>68</sup> 12 U.S.C. 3353(a). As stated in the proposal, the Agencies view section 1124 as allowing the Agencies to establish more specific requirements for supervision and registration of AMCs that implement the general requirements enumerated in section 1124(a). *Id.* In addition, by providing that the regulation shall "include" the requirements enumerated in section 1124, the statute implies that the Agencies have the discretion to establish additional supervisory standards for State oversight of AMCs consistent with the general requirements specifically enumerated in section 1124(a). *Id.*

<sup>69</sup> See 12 U.S.C. 3332(a)(1)(B) (requiring the ASC to monitor requirements established by the States for supervision of AMCs); 12 U.S.C. 3338(a) (requiring each participating State to transmit reports to the ASC on supervisory activities involving AMCs and disciplinary actions taken); and 12 U.S.C. 3347(a) (requiring the ASC to monitor States to assess whether a State has an effective regulatory program).

<sup>70</sup> See FIRREA section 1103(a)(1)(B), 12 U.S.C. 3332(a)(1)(B).

<sup>71</sup> See FIRREA sections 1109(a)(3) and 1118(a)(4), 12 U.S.C. 3338(a)(3) and 3347(a)(4).

<sup>72</sup> 12 U.S.C. 3350(11), 3353.

<sup>73</sup> 12 U.S.C. 3353(a)(2).

<sup>74</sup> See 12 CFR 34.46(b) (OCC); *see also* Interagency Appraisal and Evaluation Guidelines, 75 FR 77450, 77458 (December 10, 2010); Appraisal Standards Board, Uniform Standards of Professional Appraisal Practice, Appraiser Competency Rule (2014–2015), available at The Appraisal Foundation, <https://netforum.avectra.com/eWeb/DynamicPage.aspx?Site=TAF&WebCode=USPAP> (requiring that an appraiser have specific competency for the appraisal assignment).

For the reasons explained below, the Agencies adopt proposed § 34.213 on AMC registration without change in the final rule.

#### a. Appraisal Review

The Agencies requested comment on the proposal to defer consideration of appraisal review standards to a separate rulemaking. (See Question 7 in the proposal). Some commenters agreed with the Agencies that appraisal review standards should be addressed in a separate rulemaking. Other commenters suggested that there are many pressing questions concerning appraisal review standards and that this rulemaking should therefore incorporate such standards.

In drafting the minimum requirements for State registration and supervision of AMCs, and the definition of appraisal management services discussed previously, the Agencies considered whether to require AMCs to follow minimum standards when performing appraisal reviews. This question was presented by section 1121(11), which includes appraisal review as one of the types of appraisal management services performed by AMCs.<sup>79</sup> In considering this question, the Agencies noted that FIRREA section 1110 requires a separate rulemaking regarding the requirement that, for Federally related transactions, appraisals shall be subject to “appropriate” review for compliance with USPAP.<sup>80</sup> As stated in the proposal, the Agencies believe that a rulemaking to implement section 1110 provides the appropriate opportunity to address the requirement for appraisal reviews.<sup>81</sup> For this reason, the proposed minimum standards for AMCs did not include appraisal review standards.

Commenters identified issues that may be appropriate for consideration in a rulemaking pursuant to FIRREA section 1110(3), but did not address why those standards are more appropriately addressed in the context of this rulemaking rather than in a separate rulemaking to implement section 1110(3).<sup>82</sup> The Agencies continue to believe that addressing appraisal review issues more comprehensively in a separate rulemaking is appropriate, rather than doing so in a limited way as part of the AMC rule. The appraisal review standard of section 1110(3) applies to all

regulated financial institutions subject to the appraisal rules of the Federal financial institution regulatory agencies, not just appraisals for which one of those firms uses an AMC to engage an appraiser. In addition, most commenters supported a separate rulemaking on appraisal review standards. For these reasons, consistent with the proposal, the final rule does not contain appraisal review standards.

#### b. Barriers to Implementation of AMC Minimum Requirements

The Agencies also asked about whether any barriers existed for States in implementing the proposed AMC minimum requirements. (See Question 8 in the proposal). In response, the Agencies received several comments indicating concern that States might not have adequate funding or resources to implement or enforce the proposed rule. Other commenters expressed the view that the requirement to establish authorities and mechanisms to examine the books and records of an AMC could be subject to different interpretations by each State, and that the Agencies’ expectations should be clarified. A third set of commenters indicated additional guidance is needed on the expectations for States engaging in examinations of AMCs. One commenter believed that States should be given the option to register AMCs for longer than a period of one year. See proposed § 34.212 (requiring an annual count of appraisers on an entity’s panel to determine whether the entity is subject to State registration requirements pursuant to the proposed rule). The commenter indicated that many States allow appraiser registration for longer periods and that doing so for AMCs might facilitate implementation of the rule by States.

The Agencies are aware of, and sensitive to, the adequacy of participating States’ resources to supervise AMCs in the manner contemplated by FIRREA section 1124. It is the Agencies’ understanding, however, that many States that have already established AMC laws and registration programs have collected fees from AMCs, in part to offset the costs of the registration and supervision programs, using authority under State law. Nothing in this rule would prevent these States, or States that choose to become participating States, from continuing to charge fees to AMCs in the future.<sup>83</sup> The Agencies also note that

the registration and supervision of AMCs is voluntary, and that a State may elect not to establish such a program for any reason, including if its resources do not support such a program.

With respect to the request that the Agencies set standards for State supervision of AMCs, the Dodd-Frank Act section 1473 amended FIRREA to confirm clearly the States’ ability to exercise registration and supervisory capacities over AMCs, which the State can exercise using its own discretion, based on the individual State’s enforcement priorities.<sup>84</sup> As such, the Agencies leave supervisory standards to the discretion of the States and to the ASC, which is charged under Title XI of FIRREA with evaluating the efficacy of State registration and supervision of AMCs.

Regarding the request that States be able to register AMCs for longer than a year, the Agencies defer to individual States, but note that the requirement for an annual count of appraisers on an entity’s panel is statutory. Specifically, the definition of AMC in FIRREA section 1121(11) bases whether an entity is an AMC on the number of appraisers on an entity’s panel “within a given year.”<sup>85</sup> Regarding whether a two-year AMC National Registry fee collection program is permissible or feasible, the Agencies defer to the ASC, which administers the relevant portion of FIRREA.<sup>86</sup> Specifically, FIRREA section 1109(a)(4) requires States to submit AMC fees for the AMC National Registry to the ASC annually.<sup>87</sup>

While the registration fee cycle is dictated by section 1109(a)(4), any additional licensing fees or any other associated fees charged by the State can be charged based on the State’s determination of an appropriate cycle.<sup>88</sup> The Agencies do not see a need to make any changes from the proposed version of the rule to clarify the annual registration cycle requirement in the final rule.

#### c. Trainee Appraisers

The Agencies received one comment on the requirement that States must verify that the appraisers on an AMC’s panel hold valid States licenses and certifications (see proposed § 34.213(a)(4)). This commenter expressed concern that the requirement

appraisers for administering national appraiser registration for many years.

<sup>79</sup> 12 U.S.C. 3350(11).

<sup>80</sup> FIRREA section 1110(3), 12 U.S.C. 3339(3).

<sup>81</sup> 12 U.S.C. 3339(3).

<sup>82</sup> 12 U.S.C. 3339(3).

<sup>83</sup> This approach is consistent with the States’ approach to registering appraisers. The Agencies understand that State appraiser certifying and licensing agencies have collected fees from

<sup>84</sup> 12 U.S.C. 3346.

<sup>85</sup> 12 U.S.C. 3350(11).

<sup>86</sup> FIRREA section 1109(a)(4), 12 U.S.C. 3338(a)(4) (requiring States to submit AMC fees for the National Registry to the ASC annually).

<sup>87</sup> 12 U.S.C. 3338(a)(4).

<sup>88</sup> 12 U.S.C. 3338(a)(4).

These comments overlap with comments made concerning other questions in the proposal. As such, Question 6 is not addressed separately.

could be interpreted by some States to prohibit appraisers from using trainees to assist with assignments.

The Agencies are adopting proposed § 34.213(a)(4) with a minor non-substantive change. New § 34.213(a)(4) requires States to verify that the appraisers on an AMC's appraiser panel—as defined in § 34.211(e)—hold valid State certifications or licenses, as applicable. The Agencies are removing references to a “list,” “network,” or “roster” because these terms are incorporated into the definition of “appraiser panel” in § 34.211(e). Regarding the concerns about whether trainee appraisers may be used in light of this requirement, § 34.213(a)(4) is not intended to imply any changes in the current requirements for their use. The requirement in § 34.213(a)(4) complements the requirement in proposed § 34.213(b)(2) (adopted as final without change) that AMCs must use only State-licensed or State-certified appraisers for Federally related transactions. Both are intended to implement FIRREA section 1124(a)(2), under which the Agencies must require States to require AMCs to use only State-licensed or certified appraisers for Federally related transactions.<sup>89</sup>

The trainee appraiser designation established by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation requires trainees to work under the supervision of a qualified supervisory appraiser, as authorized by section 1122(e).<sup>90</sup> The Agencies continue to support the use of trainee appraisers as long as they work under the supervision of a State-certified and or State-licensed appraiser and have met the qualifications established by the appropriate State and the AQB. As such, the requirement in section 1124(a)(2) and the proposed and final rules should not be interpreted to bar trainee appraisers from working with State-certified or State-licensed appraisers who perform appraisals for AMCs, which is authorized by section 1122(e).<sup>91</sup> The final rule amends proposed § 34.213(b)(2), by substituting the term “engage” for the term “use” to clarify that an appraiser may work with a trainee appraiser on an appraisal, but only the appraiser may be “engaged” by the AMC to perform appraisals. In a Federally related transaction, an AMC may engage only a State-certified or State-licensed appraiser.

#### d. Valuation Independence

The Agencies received comments on proposed § 34.213(b)(5), which requires participating States to require AMCs to establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of the valuation independence requirements of TILA section 129E.<sup>92</sup> These commenters requested that the final rule clarify the extent to which States are expected to investigate and enforce TILA section 129E and its implementing regulations, which includes the requirements to pay appraisers customary and reasonable fees. These commenters also expressed concern that States might interpret these rules differently, potentially in ways that may conflict with Federal interpretations.

In response to the comments, the Agencies note that, pursuant to section 1124(a)(4), States must require AMCs to require that appraisals are conducted in accordance with the valuation independence requirements of section 129E(a) through (i) of TILA.<sup>93</sup> The Agencies proposed to implement this requirement by mandating that participating States require AMCs to:

- Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type; and
- Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

See proposed § 34.213(b)(3) and (4).

Questions about what mechanisms a State agency may use to assess a party's compliance in connection with any authority the State has to commence a civil action to enforce section 129E of TILA are outside the scope of this rulemaking.<sup>94</sup> This final rule sets minimum standards for States to adopt in establishing a State program for registering and supervising AMCs. Once adopted by a State, these minimum standards become part of the State's

legal framework for licensing and registering AMCs. Questions concerning what authority a State may confer on its own agency to supervise for and enforce compliance with the State's licensing and registration program are also outside the scope of this rulemaking.

#### 3. Other Issues

##### a. The 36-Month Implementation Period

The Agencies asked for comment on whether aspects of the proposed rule would be challenging for States to implement within 36 months. (See Question 9 in the proposal.) The Agencies also asked States to identify alternative approaches that would make implementation easier. Seven commenters stated that 36 months does not give States enough time for implementation and that the 36-month implementation period should begin after the ASC establishes the AMC National Registry and has issued its clarifying regulations. One commenter asserted that States would have difficulty beginning the implementation process until the ASC issued its regulations. Other commenters expressed concerns that the ASC would be unable to set up a functioning AMC National Registry and issue its clarifying regulations within 36 months after this final rule is issued.

The Agencies note that Congress specifically provided for a 36- to 48-month implementation period before restrictions are imposed on AMCs in States that have not yet participated. This 36-month implementation period is set pursuant to section 1124(f), which also provides for a potential 12-month extension if the ASC finds that a State has made substantial progress towards implementing an AMC registration and supervision program.<sup>95</sup> Thus, only the ASC, and not the Agencies, may extend the implementation period beyond 36 months. The Agencies anticipate that concerns about the 36-month period and the need for registry regulations will be addressed by the ASC. In response to the concern expressed by the commenters, however, the Agencies are adopting changes to the proposed definitions that relied on cross-references to Regulation Z, 12 CFR part 1026 rule, by substituting the text of these definitions for the cross references. As noted in the section-by-section analysis of § 34.211, above, the Agencies believe that these changes mitigate the potential obligations of States to update, clarify, or amend State law or its interpretations as Regulation Z is amended over time, or if the

<sup>89</sup> 12 U.S.C. 3353(a)(2).

<sup>90</sup> 12 U.S.C. 3351(e).

<sup>91</sup> 12 U.S.C. 3351(e), 3353(a)(2).

<sup>92</sup> 15 U.S.C. 1639e.

<sup>93</sup> 12 U.S.C. 3353(a)(4), 15 U.S.C. 1639e.

<sup>94</sup> 15 U.S.C. 1639e.

<sup>95</sup> FIRREA sections 1124(f)(1) and (2), 12 U.S.C. 3353(f)(1) and (2).

numbering of definitions in Regulation Z changes.

**b. Potential Differences Between State Laws and the Proposed AMC Rule**

The Agencies asked for comment on whether there are questions raised by any differences between State laws and the proposed rule and whether those differences should be addressed in the final rule. (See Question 11 in the proposal.) As noted, one commenter suggested that, to promote uniformity, all States should be required to use the calendar year for determining whether an entity has the requisite number of appraisers on its panel to qualify as an AMC. These comments were addressed in the section-by-section analysis of § 34.212(d), above.

**c. Voluntary Nature of State Adoption of AMC Registration and Supervision Programs**

As described earlier in this preamble, the Agencies have interpreted section 1124 to mean that there is no requirement for States to adopt programs for registration and supervision of AMCs.<sup>96</sup> Rather, if a State chooses not to adopt such a program, AMCs located in that State may not provide appraisal management services for Federally related transactions, unless the AMCs are Federally regulated. To qualify to provide appraisal management services for Federally related transactions, a State program must include the minimum requirements for registration and supervision of AMCs in section 1124 and in the final rule.<sup>97</sup>

The Agencies received a number of comments concerning the Agencies' interpretation of the statute and the conclusion that adoption by States of AMC registration and supervision programs is voluntary and optional. These commenters argued that, in non-participating States, non-Federally regulated AMCs will be at a competitive disadvantage, because these AMCs will be barred by statute from providing appraisal management services for Federally related transactions. In addition, the commenters argued that interpreting State adoption of the minimum requirements to be voluntary would burden lenders. These commenters asserted that, in non-participating States, lenders would have to set up in-house appraisal management staff, which would raise the costs of lending. In addition, the commenters argued that, in non-participating States, consumers would

be affected adversely by increased costs for appraisals and delays arising from the absence of AMCs in the marketplace. These commenters also suggested that either the Agencies or the ASC should serve as a "back-up" regulator to register and supervise AMCs in non-participating States. These commenters suggested that this alternative would address the same policy concerns they expressed in arguing for mandatory State participation.

In response to these comments, the Agencies note first that section 1124(a), by its plain terms, does not require any State to adopt an AMC registration and supervision program.<sup>98</sup> Nor is there a stated penalty for a State that declines to do so. Rather, under section 1124(f), an AMC (that is not Federally regulated) in a non-participating State is barred from providing appraisal management services for Federally related transactions.<sup>99</sup> The Agencies note that 38 States have already adopted AMC programs.<sup>100</sup> The commenters also provided no substantiating basis to support the commenters' warning that lending will be inhibited or more costly in non-participating States. If after the 36-month period following issuance of the final rule (or any extended period permitted by the ASC), a State has not yet adopted an AMC registration and supervision program, many options exist for creditors to obtain appraisals for Federally related transactions. Creditors that do not wish to hire in-house appraisers can engage third-party appraisers directly.<sup>101</sup> Smaller AMCs (those that have fewer than 15 appraisers in the State on their panel or fewer than 25 appraisers in two or more States) as well as Federally regulated AMCs can still perform services in

Federally related transactions. AMCs that exceed the statutory size threshold may also continue to service transactions that are not Federally related and, if the State does later participate, can also then provide services in Federally related transactions.

Some commenters suggested that the Agencies or the ASC step in to register and supervise AMCs in non-participating States. Neither section 1124 nor FIRREA authorizes either the Agencies or the ASC to serve as a "back up" regulator for registration and supervision of AMCs.<sup>102</sup> The Agencies are only permitted to directly supervise Federally regulated AMCs, as discussed in the section-by-section analysis of § 34.215, below.

**D. Section 34.214: Registration Limitations**

Section 34.214 finalizes proposed § 34.215, which placed certain limitations on whether an AMC (whether or not Federally regulated) may be registered in a State or included in the AMC National Registry. Proposed § 34.215 was based on section 1124(d), which provides that an AMC shall not be registered by a State or included on the AMC National Registry if the company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State.<sup>103</sup> Section 1124(d) provides further that each person who owns more than 10 percent of an AMC must be of good moral character, as determined by the State appraiser certifying and licensing agency, and must submit to a background investigation carried out by the State appraiser certifying and licensing agency.<sup>104</sup>

To implement this provision, proposed § 34.215(a)—finalized in substantially similar form at § 34.214(a)—provided that an AMC may not be registered by a State or included on the AMC National Registry if such company, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. As the Agencies noted in the proposal, section 1124(d) states clearly that the limitations regarding appraiser licensure and certification determine both whether an AMC may be "registered by a State" and

<sup>98</sup> 12 U.S.C. 3353(a).

<sup>99</sup> 12 U.S.C. 3353(f).

<sup>100</sup> One commenter, an AMC, highlighted a report by a Hawaii State auditor regarding a proposed bill in the Hawaii legislature that concerns the registration of AMCs. The commenter argued that this report provided evidence that Hawaii would not adopt an AMC law. The auditor's report, however, does not indicate that it would be inappropriate for a State to participate in the AMC regulatory system established under section 1124. Rather, the report opined that the particular proposed bill would not be the appropriate method of participation for various reasons, including that the regulation of AMCs should not be managed by the State real estate commission. See Auditor of the State of Hawaii Report 10-07 (Sept. 2010) at 4, Sunrise Analysis: Real Estate Appraisal Management Companies, (Sept. 2010) at 4, available at <http://files.hawaii.gov/auditor/Reports/2010/10-07.pdf>.

<sup>101</sup> The valuation independence provisions of TILA section 129E and its implementing regulations do not require use of AMCs. 15 U.S.C. 1639e, implemented at 12 CFR 226.42 (Board) and 12 CFR 1026.42 (Bureau).

<sup>96</sup> 12 U.S.C. 3353.

<sup>97</sup> 12 U.S.C. 3353.

<sup>102</sup> 12 U.S.C. 3353.

<sup>103</sup> 12 U.S.C. 3353(d).

<sup>104</sup> 12 U.S.C. 3353(d).

whether an AMC may be “included on the national registry” of AMCs.<sup>105</sup>

In addition, proposed § 34.215(b)—finalized at § 34.214(b)—provided that, for AMCs seeking to be registered in a State, each person who owns more than 10 percent of an AMC must be of good moral character, as determined by the State appraiser certifying and licensing agency, and must submit to a background investigation carried out by the State appraiser certifying and licensing agency. Under the proposal, this limitation would apply to Federally regulated AMCs only if they seek to register voluntarily with a State. Under the proposal, these threshold requirements concerning licensure would be ongoing obligations for State appraiser certifying and licensing agencies. As such, a State would be expected to review whether an AMC meets the proposed ownership limitations, as described in the statute and in proposed § 34.215 (finalized at § 34.214), at the time of registration of an AMC, and at the time of renewal of the AMC license each year, or more frequently as determined necessary by that State.

#### 1. Section 34.214 (a): Technical Versus Substantive Licensing Violations

Some commenters suggested that the Agencies consider circumstances in which an appraiser’s license lapsed or was revoked for technical reasons unrelated to the quality of appraisals performed by the appraiser. They asserted that being barred from owning an AMC eligible for registration in a State or included in the AMC National Registry in these cases is potentially unfair. One example of this is when an appraiser neglects to renew his or her appraiser’s license on time. Depending on the State law, an appraiser would typically be able to be reinstated, pending payment of certain penalties. In this situation, the lapse in the appraiser’s license is unrelated to fraud or a failure to perform an appraisal in compliance with USPAP.

The Agencies agree that non-substantive grounds for the revocation of an appraiser’s license should not be construed to be within the scope of the registration limitations in section 1124(d).<sup>106</sup> In connection with this, the Agencies agree that an appraiser who is subsequently reinstated by the State appraiser certifying and licensing agency should not be within the scope of the registration limitations. For example, if an appraiser’s license lapses for non-payment of fees, and the

appraiser is later reinstated by the State appraiser certifying and licensing agency after meeting his or her obligation, the appraiser should not be barred from owning an AMC. If, however, an appraiser’s license or certificate is revoked, for example, for violations of the TILA independence standards or for failure to comply with USPAP, an AMC owned wholly or in part by that appraiser should not be eligible to register in a State or appear on the AMC National Registry. For these reasons, the final rule clarifies that an appraiser is subject to the ownership ban if the revocation of the appraiser’s license or certification was for a substantive cause, as determined by the State certifying and licensing agency.

#### 2. Other Issues

Some commenters expressed concern that States may not be able to obtain the information to determine whether an appraiser license has been revoked in another State. One commenter requested guidance on how to approach the moral character registration requirement within a corporate structure. Specifically, the commenter inquired about whether a State must review issues related to moral character to owners beyond the AMC, for example to a holding company. Another commenter suggested that the Agencies define “good moral character” rather than leaving it to participating States to adopt their own definition.

With respect to the commenters’ questions concerning the details and logistics of a State’s investigation of an applicant for presence of the registration limitation factors, the Agencies believe that it is desirable to afford flexibility to the States, many of which currently perform background investigations in connection with various licensing regimes, to establish appropriate procedures and the scope of the background investigations to be performed by that particular State. The statute establishes the ASC as the agency that oversees the adequacy of State AMC registration and investigation procedures. Similarly, with respect to the comment suggesting the final rule define “good moral character” in a manner that all participating States would be required to adopt, the Agencies note that section 1124 provides for the good moral character limitation to be applied “as determined by the State.” Thus, consistent with the statute, the final rule defers to the participating States to make determinations as to the scope of the

good moral character requirement.<sup>107</sup> In overseeing implementation by participating States, the ASC potentially could provide input as well.

Finally, the Agencies are also clarifying in § 34.214(a) that the section regarding registration limitations applies to AMCs required to register with a State, not to Federally regulated AMCs (unless they voluntarily wish to register with a State). Accordingly, the title of this section has been revised from “Registration limitations” to “Ownership limitations for AMCs registering in a State.” As discussed in the section-by-section analysis of new § 34.215(b), below, for clarity the Agencies added a separate provision regarding limitations on Federally regulated AMCs being included on the AMC National Registry, also pursuant to section 1124(d).<sup>108</sup>

#### E. Section 34.215: Requirements for Federally Regulated AMCs

Section 1124(c) provides that AMCs that are owned and controlled subsidiaries of an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with a State.<sup>109</sup> These Federally regulated AMCs are, however, subject to the same minimum requirements as AMCs that are not regulated by a Federal financial institutions regulatory agency.

#### 1. Section 34.215(a): Requirements in Providing Services

Section 34.215(a) finalizes without change the proposed § 34.214(a) concerning requirements for Federally regulated AMCs. Pursuant to proposed § 34.214(a), Federally regulated AMCs were subject to the same substantive standards that were proposed for non-Federally regulated AMCs. Specifically, pursuant to § 34.214(a), Federally regulated AMCs were required to have systems in place to ensure that only State-certified or State-licensed appraisers perform appraisals for Federally related transactions; that appraisers with the requisite education, expertise, and experience necessary for the assignment are used; that appraisals comply with USPAP; and that the

<sup>107</sup> State appraiser boards also have experience applying the “good moral character” standard, which is a common element of appraiser licensure standards already. See, e.g., Virginia 18 VAC 130–20–30(1); Pennsylvania Code Ch. 36.12(a); Michigan Code Ch. 339.2610; Missouri Code Ch. 339.511(2); N.J. S.A. Title 45 Ch. 14F–10(b).

<sup>108</sup> 12 U.S.C. 3353(d).

<sup>109</sup> 12 U.S.C. 3353(c). However, nothing in the proposed rule would prohibit a Federally regulated AMC from registering with a State if the State permitted it to do so.

<sup>105</sup> 12 U.S.C. 3353(d).

<sup>106</sup> 12 U.S.C. 3353(d).

valuation independence requirements of TILA section 129E are met.<sup>110</sup>

## 2. Section 34.215(b): Ownership Limitations for Federally Regulated AMCs

Section 34.215(b) reflects a non-substantive revision to the proposal. This provision implements limitations on inclusion in the AMC National Registry for Federally regulated AMCs pursuant to section 1124(d) and reorganizes them into a separate section for Federally regulated AMCs.<sup>111</sup> The proposed rule folded the limitations on Federally regulated AMCs into proposed § 34.215 (Registration limitations), which also addressed limitations on AMCs that are required to register with a State.

For clarity, the final rule separates the ownership limitations on AMCs required to register with States (proposed § 32.215; finalized in § 34.214) from the ownership limitations on Federally regulated AMCs that can be included on the AMC National Registry (§ 34.215(b)). Specifically, § 34.215(b) states that a Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the State. Section 34.215(b) also provides that an AMC is not barred by § 34.215(b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest in the AMC has been reinstated by the State or States in which the appraiser was licensed or certified.

## 3. Section 34.215(c): Reporting Information for the AMC National Registry

As part of being included on the AMC National Registry, the proposed rule required Federally regulated AMCs to provide to each participating State in which the AMC operates the information required by the ASC for administration of the AMC National Registry. Specifically, under proposed § 34.214(b), Federally regulated AMCs would have been required to provide information relating to the determination of the AMC National Registry fee and the information needed to determine whether the ownership limitations under proposed § 34.215

(finalized as § 34.215(b), discussed above) apply. Finally, the proposed rule directed Federally regulated AMCs to contact the ASC concerning alternative means for submitting the information outlined in § 34.214(b), in the event a State did not convey the information.

The Agencies received comments concerning the requirement that States convey information on Federally regulated AMCs to the ASC, which many commenters addressed when responding to a specific question in the proposal concerning potential barriers to a State providing the necessary information to the ASC, as discussed below.

The Agencies asked for comment on whether there may be barriers to collecting information on Federally regulated AMCs for the ASC. (*See* Question 10 in the proposal.) A number of commenters expressed the view that the supervision and handling of Federally regulated AMCs should be done by the ASC, not by the States. Other commenters expressed concern that States do not have a way to identify a Federally regulated AMC. Another set of commenters suggested that States would have difficulty with collecting information concerning Federally regulated AMCs because they do not have a process for the collection of such information. A few other commenters argued that States do not have authority over Federally regulated AMCs, which would make it impossible to police the collection requirement. Some commenters suggested that requiring States to collect information on Federally regulated AMCs amounted to an unfunded mandate, particularly if State law prohibited an agency from collecting a fee from an entity it does not license or regulate. These commenters argued that States should be compensated for collecting information from Federally regulated AMCs.

The Agencies note that the proposed and final rules do not implement the statutory requirement for States to collect the AMC National Registry fee, nor do they determine the process for collection. The collection of the fee is provided for pursuant to FIRREA section 1109 and will be implemented by the ASC, not the Agencies as part of this joint rulemaking.<sup>112</sup> In addition, the Agencies note that the requirement for States to collect fees from Federally regulated AMCs is statutory.<sup>113</sup> Under FIRREA section 1109(a)(4)(B), participating States are required to

collect an annual ASC fee from each AMC that is registered with the States or operated as a subsidiary of a Federally regulated financial institution.<sup>114</sup>

In FIRREA section 1124(e), the Agencies are charged with jointly promulgating regulations for the reporting of the activities of AMCs to the ASC in determining the payment of the AMC National Registry fee.<sup>115</sup> The Agencies interpret FIRREA sections 1109(a)(4)(B) and 1124(e) together to require States to collect information related to the determination of the fee for Federally regulated AMCs operating in their States.<sup>116</sup> Therefore, in § 34.215(c), the Agencies are adopting the proposal to require Federally regulated AMCs to submit information required for the AMC National Registry to the States in which they operate without substantive change.

Specifically, new § 34.215(c) requires Federally regulated AMCs to report to the State or States in which they operate the information required to be submitted by the State to the ASC, pursuant to policies that will be developed and issued by the ASC regarding the determination of the AMC National Registry fee, including but not necessarily limited to information related to the ownership limitations in § 34.215(b). These ownership limitations relate to determining the AMC National Registry fee because the limitations determine whether an AMC is eligible to be included in the Registry in the first instance.

The Agencies understand commenters' concerns about States collecting information from Federally regulated AMCs and submitting it to the ASC. As discussed, the Agencies interpret the statute to require that participating States have a mechanism for collecting information from identified Federally regulated AMCs operating in their States and submitting it to the ASC. However, the Agencies emphasize that this final rule does not require States to identify Federally regulated AMCs operating in their States, nor are they responsible for supervising or enforcing a Federally regulated AMC's compliance with information submission requirements related to the AMC National Registry. Rather, the Federal agencies overseeing Federally regulated AMCs are responsible for supervising and enforcing the compliance of Federally regulated AMCs with these requirements, including whether the

<sup>110</sup> See section 129E of TILA, 15 U.S.C. 1639e (implemented at 12 CFR 1026.42).

<sup>111</sup> 12 U.S.C. 3353(d).

<sup>112</sup> 12 U.S.C. 3338.

<sup>113</sup> See section 1109(a)(4)(B), 12 U.S.C. 3338(a)(4)(B).

<sup>114</sup> 12 U.S.C. 3338(a)(4)(B).

<sup>115</sup> See FIRREA section 1124(e), 12 U.S.C. 3353(e).

<sup>116</sup> See 12 U.S.C. 3338(a)(4)(B), 3353(e).

AMC identifies itself to the State and submits required information. States are also not required to assess whether any licensing issues in that State of owners of a Federally regulated AMC disqualify the AMC from being on the AMC National Registry, pursuant to the ownership limitations in § 34.215(b). The final rule defers to the ASC to determine whether the cause of an appraiser license issue arose was “substantive.” The Agencies are sensitive to concerns raised about the cost to States of collecting and remitting information regarding Federally regulated AMCs. The final rule does not bar a State from collecting a fee from Federally regulated AMCs to offset the cost of collecting the AMC National Registry fee and the information related to the fee. In addition, pursuant to section 1109(b)(5), the ASC has the authority to provide grants to State appraiser certifying and licensing agencies to support the efforts of such agencies to comply with Title XI of FIRREA, including in connection with implementation of the AMC National Registry.<sup>117</sup> Finally, the Agencies consulted further with the ASC regarding the proposal to give Federally regulated AMCs the alternative to report information directly to the ASC, for example, when operating in a non-participating State that is not collecting information. Due to operational challenges raised by the ASC, the Agencies are removing this alternative from the final rule. However, the Agencies recognize that practical challenges may arise as the minimum requirements are adopted in States and reporting requirements take effect and will be monitoring these issues.

*F. Section 34.216: Information To Be Presented to the ASC by Participating States*

Section § 34.216 is adopted without change from proposed rule. Pursuant to § 34.216, States that establish AMC registration and supervision programs are required to submit to the ASC the information regarding AMCs required by ASC regulations and guidance. This provision implements the requirement in section 1124(e) for the Agencies to establish these reporting requirements.

The Agencies did not receive comments specifically relating to § 34.216; however, as discussed above in response to questions concerning potential barriers to State registration and supervision of AMCs, some commenters expressed concern regarding the costs of collecting information related to fees and the

registration limitations, as well as the logistics of doing so with respect to Federally regulated AMCs.<sup>118</sup> As discussed above in the section-by-section analysis of § 34.213, the Agencies are aware that there are States that currently charge AMCs a fee to offset administrative costs and could continue to do so. The Agencies also believe that cost concerns may be addressed by the ASC, through its authority to provide grants to States to assist States in complying with Title XI of FIRREA. The Agencies expect that the ASC will work with both the States and the Agencies to address logistical issues as the final rule is implemented.

*G. Integration of FDIC and OTS Rules on Appraisals*

The FDIC proposed to integrate its appraisal regulations for both nonmember banks and State savings associations. Specifically, the FDIC proposed to rescind 12 CFR part 390, subpart X (part 390, subpart X), of the former OTS regulation entitled “Appraisals.” The FDIC did not receive any comments specifically relating to the integration of the former OTS rules on appraisals. The final rule implements this authority by rescinding the former OTS regulatory provisions on appraisals pertaining to State savings associations, as these entities are now covered by the FDIC’s appraisal rules.

**IV. Statutory Implementation Period**

Pursuant to section 1124(f)(1), the limitation that applies to AMCs operating without registering with a participating State will apply as of 36 months from the effective date of this final rule.<sup>119</sup> As a result, States electing to participate have 36 months from August 10, 2015 to establish an AMC registration and supervision program that meets the minimum requirements in this final rule and register AMCs seeking to provide appraisal management services related to Federally related transactions in the State before this limitation begins to apply. Subject to the approval of the FFIEC, the ASC may extend this period by an additional 12 months if it makes a written finding that a State has made substantial progress towards implementing a registration and supervision program for AMCs that meets the standards in Title XI of FIRREA. The compliance date for the final rule for Federally regulated AMCs is 12 months after the effective date of

this final rule with respect to practice requirements in § 34.215(a). This 12-month compliance date will allow Federally regulated AMCs time to develop the processes and controls required by this final rule. The compliance date for AMCs that are regulated by States will be determined by each State.

**V. Regulatory Analysis**

*Paperwork Reduction Act*

Certain provisions of the final rule contain “information collection” requirements within the meaning of the Paperwork Reduction Act (PRA) of 1995 (44 U.S.C. 3501 *et seq.*). Under the PRA, the Agencies may not conduct or sponsor, and, notwithstanding any other provision of law, a person is not required to respond to, an information collection unless the information collection displays a valid Office of Management and Budget (OMB) control number. The information collection requirements contained in this final rule were submitted to OMB for review and approval at the proposed rule stage by the FDIC, FHFA, and OCC pursuant to section 3506 of the PRA and section 1320.11 of the OMB’s implementing regulations (5 CFR part 1320). OMB instructed the agencies to examine public comment in response to the proposed rule and describe in the supporting statement of their next collections any public comments received regarding the collection as well as why (or why it did not) incorporate the commenter’s recommendation. The Agencies received no public comments regarding the collection. The Board reviewed the proposed rule under the authority delegated to the Board by OMB.

The collection of information requirements in the final rule are found in §§ 34.212–34.216. This information is required to implement section 1473 of the Dodd-Frank Act.

*Title of Information Collection:* Minimum Requirements for Appraisal Management Companies.

*OMB Control Nos.:* The Agencies will be seeking new control numbers for these collections.

*Frequency of Response:* Event generated.

*Affected Public:* States; businesses or other for-profit and not-for-profit organizations.

*Abstract:*

*State Recordkeeping Requirements* States seeking to register AMCs must have an AMC registration and supervision program. Section 34.213(a) requires each participating State to establish and maintain within its

<sup>118</sup> The commenters, however, did not offer data on what volume or burden the collection of information and transmission process would be expected to pose.

<sup>119</sup> 12 U.S.C. 3353(f).

<sup>117</sup> 12 U.S.C. 3338(b)(5).



appraiser certifying and licensing agency a registration and supervision program with the legal authority and mechanisms to: (i) Review and approve or deny an application for initial registration; (ii) periodically review and renew, or deny renewal of, an AMC's registration; (iii) examine an AMC's books and records and require the submission of reports, information, and documents; (iv) verify an AMC's panel members' certifications or licenses; (v) investigate and assess potential law, regulation, or order violations; (vi) discipline, suspend, terminate, or deny registration renewals of, AMCs that violate laws, regulations, or orders; and (vii) report violations of appraisal-related laws, regulations, or orders, and disciplinary and enforcement actions to the ASC.

Section 34.213(b) requires each participating State to impose requirements on AMCs not owned and controlled by an insured depository institution and regulated by a Federal financial institutions regulatory agency to: (i) Register with and be subject to supervision by a State appraiser certifying and licensing agency in each State in which the AMC operates; (ii) engage only State-certified or State-licensed appraisers for Federally regulated transactions in conformity with any Federally regulated transaction regulations; (iii) establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type; (iv) direct the appraiser to perform the assignment in accordance with USPAP; and (v) establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with section 129E(a)-(i) of TILA.

#### State Reporting Burden

Section 34.216 requires that each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the ASC the information required to be submitted under this Subpart and any additional information required by the ASC concerning AMCs.

#### AMC Reporting Requirements

Section 34.215(c) requires that a Federally regulated AMC must report to the State or States in which it operates

the information required to be submitted by the State pursuant to the ASC's policies, including: (i) Information regarding the determination of the AMC National Registry fee; and (ii) the information listed in § 34.214.

Section 34.214 provides that an AMC may not be registered by a State or included on the AMC National Registry if such company is owned, directly or indirectly, by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State. Each person that owns more than 10 percent of an AMC shall submit to a background investigation carried out by the State appraiser certifying and licensing agency. While § 34.214 does not authorize States to conduct background investigations of Federally regulated AMCs, it would allow a State to do so if the Federally regulated AMC chooses to register voluntarily with the State.

#### AMC Recordkeeping Requirements

Section 34.212(b) provides that an appraiser in an AMC's network or panel is deemed to remain on the network or panel until: (i) the AMC sends a written notice to the appraiser removing the appraiser with an explanation; or (ii) receives a written notice from the appraiser asking to be removed or a notice of the death or incapacity of the appraiser. The AMC would retain these notices in its files.

##### *Burden Estimates:*

*Total Number of Respondents:* 500 AMCs, 55 States.

*Bureau:* Since the Bureau is merely adopting a cross-reference in Regulation Z to the OCC regulatory text, the Bureau is not imposing any new or additional information collection requirements on regulated entities. Therefore, the Bureau is not seeking OMB approval for the information collection requirements already accounted for by the other agencies' information collection requests submitted to OMB in association with this rule.

*FDIC Burden Total:* 1,545 hours.

*FHFA Burden Total:* 617 hours.

*OCC Burden Total:* 1,545 hours.

*Board Burden Total:* 1,545 hours.

*Total Burden:* 5,252 hours.

#### Regulatory Flexibility Act

OCC: The Regulatory Flexibility Act (RFA), 5 U.S.C. 601 *et seq.*, generally requires that, in connection with a rulemaking, an agency prepare and make available for public comment a regulatory flexibility analysis that describes the impact of the rule on small entities. However, the regulatory flexibility analysis otherwise required

under the RFA is not required if an agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined in regulations promulgated by the Small Business Administration (SBA) to include commercial banks and savings institutions, and trust companies, with assets of \$550 million or less and \$38.5 million or less, respectively) and publishes its certification and a brief explanatory statement in the **Federal Register** together with the rule.

The OCC currently supervises 1,492 insured depository institutions (1,051 commercial banks and 441 Federal savings associations) of which approximately 1,090 are small entities based on the SBA's definition of small entities for RFA purposes. The OCC classifies the economic impact of total costs on a small entity as significant if the total costs in a single year are greater than 5 percent of total salaries and benefits, or greater than 2.5 percent of total non-interest expense.

As discussed in the **SUPPLEMENTARY INFORMATION** above, section 1473 of the Dodd-Frank Act requires the Agencies to jointly prescribe regulations to implement the minimum requirements for State registration and supervision of AMCs. The final rule meets this obligation by requiring States that elect to register and supervise AMCs to impose certain requirements on AMCs. The final rule also requires participating States to have certain basic supervisory authorities, such as the ability to investigate complaints against AMCs, and take disciplinary action with respect to AMCs that violate applicable laws.

The OCC believes the final rule will not have a significant economic impact on a substantial number of small entities for several reasons. First, the final rule imposes requirements primarily on States, not on national banks or Federal savings associations. Second, to the extent that the final rule imposes burden on national banks or Federal savings associations that own and control an AMC, there are only two such AMCs, and these are owned by large national banks. For these reasons, the OCC believes that the final rule will not have an impact on a substantial number of OCC-supervised small entities. Therefore, the OCC certifies that the final rule would not have a significant economic impact on a substantial number of small entities.

*Board:* The RFA, 5 U.S.C. 601 *et seq.*, requires an agency to provide and make available for public comment a regulatory flexibility analysis that describes the impact of a proposed rule



on small entities. However, a regulatory flexibility analysis is not required, if the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities (defined in regulations of the SBA to include banking organizations (commercial banks, savings institutions, and trust companies)) with total assets of less than or equal to \$550 million and publishes its certification and a short explanatory statement in the **Federal Register** together with the rule.<sup>120</sup> Based on its analysis, and for the reasons stated below, the Board believes that the final rule will not have a significant economic impact on a substantial number of small entities.

The AMC Rule applies to States that elect to establish licensing and certifying authorities to regulate AMCs. In the Board's regulatory flexibility analysis for this Rule, the Board determined that approximately 32 entities would be subject to direct regulation and supervision by Federal financial institutions regulatory agencies. These entities would be subject to direct regulation and supervision under the Rule because the entities are Federally regulated AMCs. The number of these 32 entities that actually would be subject to regulation under the AMC Rule is currently unknown because some of the entities may have a network or panel of contract appraisers that is too small to satisfy a threshold requirement of the AMC Rule and therefore would be exempt from regulation and supervision under the AMC Rule.

Data currently available to the Board indicate that approximately five State member banks operate a Federally regulated AMC. Data available to the Board are not sufficient to estimate how many of the approximately five entities subject to Board regulation and supervision would be classified as "small entities."

Generally, the RFA requires an agency to perform a regulatory flexibility analysis of small entity impacts only when the agency's rule directly regulates the small entities. The impact of this final rule on small entities is indirect. This final rule does not impose directly any significant new recordkeeping, reporting, or compliance requirements on small entities, but instead requires participating States to impose certain requirements on AMCs. The final rule also requires participating States to have certain basic supervisory

capabilities, such as the ability to investigate complaints against AMCs, and take disciplinary action with respect to AMCs that violate applicable laws and regulations.

Moreover, while certain minimum requirements are imposed on participating States by the language of section 1473 of the Dodd-Frank Act, each State may establish requirements in addition to those required by section 1473. Furthermore, an entity with a network or panel of appraisers that does not meet the numerical test specified in section 1473 may *voluntarily* register with a participating state and the ASC, thus incurring some nominal expenses in establishing and maintaining the required registration information and meeting the minimum operational requirements. Because of these uncertainties, calculation of the impact of the final rule on the average Board-supervised institution or entity is uncertain, although the number of Board-supervised entities directly subject to supervision under the Rule is expected to be less than five.

Based on its analysis, and for the reasons stated above, the Board certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

**FDIC:** The RFA generally requires that, in connection with a rulemaking, an agency prepare and make available for public comment an initial regulatory flexibility analysis (IRFA) that describes the impact of the final rule on small entities.<sup>121</sup> A regulatory flexibility analysis is not required, however, if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities (defined in regulations promulgated by the SBA to include banking organizations with total assets of less than or equal to \$550 million) and publishes its certification and a short, explanatory statement in the **Federal Register** together with the final rule.

As of September 30, 2014, there were approximately 3,451 small FDIC-supervised institutions, which include 3,167 State nonmember banks and 284 State-chartered savings institutions. The FDIC analyzed the organizational structure information in the Board of Governors of the Federal Reserve System's National Information Center database. This analysis found that few FDIC-supervised institutions owned or controlled an entity that provides the types of appraisal management services specified in section 1473. Of these institutions, none oversees a network or panel of appraisers that meets the

statutory panel size threshold specified in section 1473 for an entity to be an AMC. Therefore, the final rule would not have any impact on any FDIC-supervised institutions. If any FDIC-supervised institution that owns or controls an entity with a network or panel of appraisers that does not meet the statutory panel size threshold specified in section 1473 *voluntarily* decides to register that entity with the States, then the institution may incur some nominal expenses in establishing and maintaining a process for providing the required registration information and meeting the minimum operational requirements.

In addition, the final rule implements the minimum requirements for States to register and supervise AMCs as required by section 1473 of the Dodd-Frank Act. The final rule meets this obligation by requiring States that elect to register and supervise AMCs to impose certain requirements on AMCs. The final rule also requires participating States to have certain basic supervisory authorities, such as the ability to investigate complaints against AMCs and take disciplinary action with respect to AMCs that violate applicable laws.

It is the opinion of the FDIC that the final rule will not have a significant economic impact on a substantial number of small entities that it regulates in light of the fact that no FDIC-supervised institutions own or control an entity with a network or panel of appraisers that meets the statutory panel size threshold specified in section 1473 for an entity to be an AMC. In addition, the final rule imposes requirements primarily on States and not on FDIC-supervised institutions. Accordingly, the FDIC certifies that the final rule would not have a significant economic impact on a substantial number of small entities. Thus, a regulatory flexibility analysis is not required.

**Bureau:** The RFA generally requires an agency to conduct an IRFA and a final regulatory flexibility analysis (FRFA) of any rule subject to notice-and-comment rulemaking requirements, unless the agency certifies that the rule will not have a significant economic impact on a substantial number of small entities.<sup>122</sup>

<sup>122</sup> For purposes of assessing the impacts of the proposed rule on small entities, "small entities" is defined in the RFA to include small businesses, small not-for-profit organizations, and small government jurisdictions. 5 U.S.C. 601(6). A "small business" is determined by application of SBA regulations and reference to the North American Industry Classification System (NAICS) classifications and size standards. 5 U.S.C. 601(3). A "small organization" is any "not-for-profit enterprise which is independently owned and

<sup>120</sup> U.S. Small Business Administration, Table of Small Business Size Standards Matched to North American Industry Classification System Codes, available at [https://www.sba.gov/sites/default/files/files/Size\\_Standards\\_Table.pdf](https://www.sba.gov/sites/default/files/files/Size_Standards_Table.pdf).

<sup>121</sup> See 5 U.S.C. 601 *et seq.*

An FRFA is not required because this rule will not have a significant economic impact on a substantial number of small entities.

This final rule implements the minimum requirements to be applied by participating States in the registration and supervision of AMCs, as well as requirements directly applicable to Federally regulated AMCs. The Bureau notes that the final rule does not impose requirements on AMCs (other than Federally regulated AMCs), but instead seeks to encourage States to adopt minimum requirements in their regulation of AMCs. Burden may be generated from the States' exercise of discretion to implement the final rule, based on the States having the option to decline to participate. The Bureau does not view this as burden resulting from the rule itself, however. Nonetheless, to inform the rulemaking and to inform the public, the Bureau exercised its discretion to analyze economic impacts that will be imposed on AMCs by States that implement final rule.<sup>123</sup> For this purpose, the Bureau assumed States that have not yet passed an AMC licensing and registration law (17 States, as of November 2014) would all elect to pass such a law and establish an AMC licensing and supervision program that satisfies the standards of the final rule. This assumption is taken to establish an outer bound. Because the final rule does not require States to adopt the minimum requirements in the final rule, however, it is possible that not all 17 States (as defined in the final rule) would do so.<sup>124</sup>

operated and is not dominant in its field." 5 U.S.C. 601(4). A "small governmental jurisdiction" is the government of a city, county, town, township, village, school district, or special district with a population of less than 50,000. 5 U.S.C. 601(5). Given this definition, participating States are not small governmental jurisdictions and the burden on them is not relevant to this analysis.

<sup>123</sup> The Bureau does not assume costs associated with the final rule's requirements to ensure compliance with USPAP and other regulations, because AMCs would be subject to these standards even without their being referenced in the final rule.

<sup>124</sup> A State could accept the consequences on AMCs' business in the State from not implementing the final rule. FIRREA section 1124(f) provides that three years after the final rule takes effect, AMCs cannot provide services in Federally related transactions unless and until a State has implemented the final rule. However, the Bureau understands that only a minority of mortgage transactions are "Federally related transactions" within the meaning of FIRREA. See, e.g., 12 CFR 225.62(f) (transaction must "[r]equire the services of an appraiser" to be federally related). But see *id.* at § 225.63(a)(1),(9),(10) (exemptions from FIRREA appraisal requirements for transactions of \$250,000 or less, transactions insured by or sold to a U.S. government agency, and transactions that conform to GSE appraisal standards). However, the Bureau believes all States will choose to participate. Several industry comments expressed concerns

Various commenters expressed their concerns with State and Federal fees that may be instituted in connection with AMC registration and supervision. This rule does not determine fee amounts for States to charge, require collection of registration fees by the ASC, or authorize the collection of such ASC fees. It instead provides minimum requirements for States to use to regulate AMCs within the State. How a State chooses to implement these requirements, including which if any new State fees to charge, is within the discretion of the States. With respect to the ASC registration fee, the Dodd-Frank Act grants authority to set that fee exclusively to the ASC.<sup>125</sup> Therefore, the Bureau does not consider any fees imposed on AMCs by the ASC (whether directly or through the States for forwarding to the ASC) as an impact of the final rule.

A national association commented explicitly on the fees that AMCs would pay and the fees' effect on consumers: "150+ – AMCs, \$2,500 average fee per State (includes application fee, surety bond fees, background checks, secretary of State application fees, administration fees, and etc.)

150 AMCs × \$2,500 × 50 States = \$18,750,000.00

150 AMCs × 2500 appraisers × \$50 ASC fee = \$18,750,000.00."

The Bureau's analysis differs from the commenter's in several ways. First, for the purposes of RFA, the Bureau is concerned only with smaller AMCs, and an AMC with 2,500 appraisers that operates in all 50 States is unlikely to be small under the SBA definition that would include only AMCs with yearly revenues below \$7,500,000. Second, the Bureau does not count as a burden imposed by the final rule those registration fees in States that already established AMC registration regimes

with the possible consequences if States did not participate. These comments did not establish that it was likely that States would not do so, however. Thus, the Bureau continues to rely on the assumption that the remaining States will choose to participate either within three years or soon thereafter. However, even if this is not the case, the transactions affected until a State did participate would be portfolio loans over \$250,000 that are not insured by either the Federal Housing Administration (FHA), the U.S. Department of Veterans Affairs (VA), or the United States Department of Agriculture Rural Housing Service (USDA RHS). These loans represent a small percentage of the market, and therefore inability by certain market participants (certain types of AMCs) to provide appraisal management services in these types of transactions in a non-participating State will not result in a significant economic impact on a substantial number of small entities.

<sup>125</sup> See 12 U.S.C. 3338. This provision in FIRREA is not part of the joint rulemaking authority in section 1124 that is the basis for the Agencies' issuance of this final rule.

before adoption of the final rule; thus the multiplier in the first calculation should be 17 rather than 50. Third, the Bureau assumes for its base calculations that only the minimum State rate is caused by the rule (Vermont's \$250 fee), thus the multiplier is \$250 instead of \$2,500. Finally, as mentioned above, the Bureau does not include the ASC fee or, in other words the third line overall (which in any event assumes a fee amount that the ASC has not yet established). Note that the Bureau's use of the minimum State rate for its base calculation of impacts does not imply that the Bureau suggests that the remaining 17 States adopt this rate.

Commenters also discussed the impact of the rule on States and the burden that may result with the implementation of the final rule. While the Bureau acknowledges these comments, for the purposes of making a determination under the RFA, the impact of the final rule on the States is not incorporated into the FRFA because States are not classified as small entities.

As discussed in the proposed rulemaking, State registration fees in States that have not yet passed an AMC licensing and registration law would constitute the primary economic impact of the final rule. As also noted in the proposed rule, such fees in States that have established such laws vary widely. Such State registration and renewal fees are not necessarily for the sole purpose of recovering costs of administering the minimum requirements under the final rule. States can impose charges for a variety of reasons, including to raise revenue (independent of the cost of the registration regime) or to fund the administration of a regime that exceeds the minimum requirements under the final rule. The Bureau believes that the fee charged by Vermont—\$125 for registration and \$250 for annual renewal—would be sufficient to recover the cost of implementing the final rule in a newly-participating State.<sup>126</sup> The Bureau therefore considered this fee in estimating the economic impact of the final rule in the 17 States that do not yet have AMC registration requirements. As discussed further below, however, the Bureau also considered more

<sup>126</sup> The application fee in Vermont is \$125. See [https://www.sec.state.vt.us/media/188701/amc\\_application.pdf](https://www.sec.state.vt.us/media/188701/amc_application.pdf). The annualized renewal fee is \$250 (\$500 for a two-year period). See <https://www.sec.state.vt.us/media/486847/Appraisal-Management-Company-Renewal-Form-077-2014.pdf>. In addition, while some States may elect to impose additional requirements relating to examination and inspection of their AMCs, the Bureau does not believe that the minimum requirements that States must provide would lead to significant costs for AMCs.

conservative estimates of the impact of the final rule using significantly higher fee amounts. The Bureau believes that the 38 States that already have AMC registration requirements would have to do minimal, if any, updating of the requirements due to this rule, as discussed in the preamble. Thus, the Bureau believes that the rule's indirect burden on the AMCs operating in these 38 States is negligible.

As noted in the section-by-section analysis, it is possible that an appraisal firm, which hires employees to perform appraisals, could also oversee more than 15 appraisers engaged as independent contractors in a State, or 25 or more appraisers in two or more States, in a given year. Comments did not establish that such firms—described in the section-by-section analysis as ‘hybrid firms’—currently exist to any meaningful extent. The Bureau believes that to the extent such firms do exist, they are either already included in what the Bureau has counted as an AMC, or the firm is unlikely to be considered “small” within the meaning of the RFA.

An additional requirement in the final rule is that the State AMC licensing programs have authority and mechanisms to examine books and records of the AMCs, to otherwise obtain information from the AMCs, and to discipline AMCs. The Bureau believes that existing State registration fees generally already account for the cost to the States of having such authority and mechanisms, and that the requirement in the final rule therefore would not lead to higher registration fees in any significant amount.<sup>127</sup> Accordingly, in the 17 States that would adopt new registration and renewal systems, the Bureau believes the renewal fee currently charged in Vermont would cover the State's cost associated with implementing this requirement.

The Bureau notes that the final rule is not prescriptive as to how or when the States must exercise the authority or mechanisms. Exercise of such authority and mechanisms is determined at the discretion of the States, subject to monitoring by the ASC for effectiveness in the judgment or discretion of the ASC. Accordingly, to the extent that State exercise of such authority and mechanisms leads to burden on small entities, such burden would be

attributable to such State implementation and/or ASC oversight expectations rather than to the final rule itself. Therefore, State statutes that implement this requirement relating to establishing examination authority and mechanisms are not expected to cause fee increases or new burden above the \$250 overall baseline that is assumed for purposes of this analysis.<sup>128</sup>

Similarly, the Bureau believes that other minimum requirements for AMCs under the final rule (verifying the use of licensed or certified status of appraisers, requiring that appraisers comply with USPAP, complying with any contractual review provisions, and establishing and complying with processes to ensure appraisers are qualified and independent and that the AMC acts in compliance with applicable valuation independence regulations), as well as the standard for removing appraisers from the appraiser panel, would not result in new burden on AMCs because these standards merely reinforce existing compliance requirements as well as industry practice.<sup>129</sup> The Bureau further notes that States have discretion to interpret the requirements to establish processes and controls to ensure compliance, subject to monitoring by the ASC for effectiveness in the judgment or discretion of the ASC. Accordingly, to the extent that State interpretations of such requirements leads to burden on small entities, such burden would be attributable to such State implementation and/or ASC oversight expectations rather than to the final rule itself.

Just as these conduct standards would not impose a significant burden on AMCs required to register at the State level, the Bureau does not believe they

would impose significant burdens on Federally regulated AMCs either. *See* Interagency Appraisal and Evaluation Guidelines, 75 FR 77450 (Dec. 10, 2010) (Interagency Guidelines). The Interagency Guidelines, part VI, already require Federal financial institutions, when obtaining required appraisals, to select appraisers who are certified or licensed, qualified, in compliance with USPAP, and independent. 75 FR at 77458. Federally regulated AMCs frequently perform appraisals for their affiliates. Therefore, it can be assumed that in delegating these functions to AMCs, these Federal financial institutions also delegated these requirements from part VI of the Interagency Guidelines to these AMCs.

To estimate the impact of the final rule on small AMCs, the Bureau conducted a survey. The Bureau called nine AMCs, selected randomly from a list of approximately 500 AMCs provided by industry trade associations. The AMCs were asked for certain basic data including the number of States in which they operate, their revenue (including the revenue from any non-appraisal business), and the number of appraisals that they performed in 2012.<sup>130</sup> The Bureau estimated the revenue to be the number of appraisals performed in 2012 multiplied by \$350—the average appraisal cost assumed in the Agencies' analysis under section 1022 of the Dodd-Frank Act in the 2013 Interagency Appraisals Rule. This revenue estimate is likely to be underestimated, given that several AMCs out of nine reported additional revenue that was not due to the residential appraisal business. Out of the nine AMCs, six had revenues of less than \$7,500,000 in 2012, and thus would be within the scope of the RFA analysis based upon SBA guidelines.<sup>131</sup> The Bureau computed the cost of registration and renewal fees in States that do not already have them, allocated these costs to individual AMCs based upon the number of States in which the AMC operated,<sup>132</sup> and computed the ratio of these allocated costs to the AMCs' revenues.

<sup>130</sup> One of the AMCs did not report its revenue.

<sup>131</sup> NAICS code 531320—Offices of Real Estate Appraisers—includes “appraisal services,” which we believe would include services provided by AMCs in the processing and review of appraisals. An alternative classification would be NAICS code 561110—Office Administrative Services. In any event, this code also has an SBA threshold of \$7,500,000.

<sup>132</sup> The Bureau assumed that an AMC that operated in  $x$  States needs to register in additional  $(17/55)*x$  States. This assumption results in a  $(17/55)*x*\$250$  State registration and renewal fee burden on an AMC operating in  $x$  States.

<sup>127</sup> *See, e.g.*, Vermont Statutes Title 26 section 3324 (requiring AMCs to “retain all records related to an appraisal, review, or consulting assignment for no less than five years . . . [and] with reasonable notice, a licensee or registrant shall produce any records governed by this section for inspection and copying by the board or its authorized agent.”).

<sup>128</sup> In addition, the Bureau does not believe that in States that add this requirement there will be any significant new burden on the AMCs. The Bureau believes that the AMCs already keep their books and records in order as a standard course of business practice, and thus the occasional State examiner visits should not impose any significant burden. In addition, the final rule requires only that the State have the authority and mechanism to request records and information. The final rule does not require that the State exercise this authority and any burdensome exercise of this authority would therefore not be caused by the final rule. Finally, to the extent State supervision programs do increase burden, the Bureau believes this burden would be within the sensitivity tolerances described in the footnote at the end of this section.

<sup>129</sup> These requirements also would not result in new burden on Federally regulated AMCs, for the same reason. Federally regulated AMCs do not have to comply with State registration and renewal requirements, which can entail fees. Conservatively, however, the Bureau applied the State fee burden to all of the small AMCs in its calculation method described herein. As a result, the estimated burden of State fees associated with the final rule may be over-estimated.

The Bureau acknowledges that requiring AMCs to send letters to the appraisers that the AMC decides to remove from its panel might add burden in States that do not already have registration requirements (which typically include notice provisions). The Bureau does not possess any evidence on the number of appraisers to whom an AMC would have to send these letters. According to the Bureau of Labor and Statistics' August 2014 preliminary numbers, 1.9 percent of the labor force in the real estate and rental and leasing industry was either laid off or discharged in the most recent month. Thus, the Bureau estimates that an AMC will dismiss approximately a quarter of appraisers from its panel in any given year. The Bureau assumes that each AMC will have several standardized letters explaining the reason for dismissal: for example, changing economic conditions or the appraiser's violation of USPAP or work performance issues. Each AMC might incur a minimal one-time cost to draft these letters, with some industry associations potentially providing templates. After this minimal one-time cost is incurred, the ongoing cost would include a minimal adjustment of the letter based on the appraiser's particular circumstances and the actual printing and mailing cost. These letters also could be sent in batches, periodically, such as on an annual basis. Thus, for the purposes of this analysis, the Bureau implicitly accounts for these costs in the sensitivity analyses below (which use a State fee of \$5,150 and include a \$300 administrative expense).

The Bureau then fit the received ratios using three different distributions: normal, generalized extreme value, and logistic. The three different distributions were used because no a priori assumptions regarding how these ratios are distributed can be made. The three distributions mentioned above are commonly used by empirical researchers to fit observed values. Considering the costs imposed by the States as a result of the final rule, the Bureau believes that less than 1 percent of the small entities would experience a cost of over 1 percent of their revenue, using either the normal, or the logistic, or the generalized extreme value distributions.<sup>133</sup> The Bureau also notes

that because the sample did not include any AMCs that were either too small (for example, with 15 or fewer appraisers in one State) or that were Federally regulated AMCs, these estimates are likely overstated.

#### Certification

Accordingly, the Bureau Director, by signing below, certifies that this final rule would not have a significant economic impact on a substantial number of small entities.

**FHFA:** The RFA (5 U.S.C. 601 *et seq.*) requires an agency to analyze a proposed regulation's impact on small entities if the final rule is expected to have a significant economic impact on a substantial number of small entities.<sup>134</sup> A regulatory flexibility analysis is not required if the agency certifies that the final rule will not have a significant economic impact on a substantial number of small entities and publishes its certification and a short statement in the **Federal Register** together with the final rule.

The rule implements section 1124 of FIRREA and establishes minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. FHFA has considered the impact of this regulation and determined that it is not likely to have a significant economic impact on a substantial number of small entities because States and FHFA's regulated entities—Fannie Mae, Freddie Mac, and the Federal Home Loan Banks—are not small entities for purposes of the RFA. See 5 U.S.C. 601(6).

**NCUA:** The RFA<sup>135</sup> requires NCUA to provide a regulatory flexibility analysis to certify that a rulemaking will not have a significant economic impact on a substantial number of small entities (defined for purposes of the RFA to include credit unions with assets less

than \$50 million) and publish its certification and a short explanatory statement in the **Federal Register** with the final rule.<sup>136</sup> As explained above, the requirements of this rule would only apply directly to AMC subsidiaries owned and controlled by an insured depository institution, or an insured credit union, and regulated by a Federal financial institutions regulatory agency. NCUA, unlike the other banking agencies to this rulemaking, does not directly oversee or regulate any subsidiaries owned and controlled by credit unions, including AMC subsidiaries. Rather, NCUA's regulations permit Federal credit unions to invest in or lend only to CUSOs that conform to specific requirements outlined in part 712 of the NCUA's regulations. Because NCUA does not directly regulate or oversee CUSOs owned by State or Federally chartered credit unions, NCUA is not adopting regulatory text or any requirements through this rulemaking that would directly affect small entities. Accordingly, the NCUA Board certifies the rule will not have a significant economic impact on a substantial number of small entities.

#### *Unfunded Mandates Reform Act of 1995 Determination*

**OCC:** The OCC has analyzed the final rule under the factors in the Unfunded Mandates Reform Act of 1995 (UMRA) (2 U.S.C. 1532). Under this analysis, the OCC considered whether the final rule includes Federal mandates that may result in the expenditure by State, local, and tribal governments, in the aggregate, or by the private sector, of \$100 million or more in any one year (adjusted annually for inflation). For the following reasons, the OCC finds that the final rule does not trigger the \$100 million UMRA threshold. First, the mandates in the final rule apply only to those States that choose to establish an AMC registration system. Second, the costs specifically related to requirements set forth in law are excluded from expenditures under the UMRA. Although the OCC estimates that expenditures by State governments could be \$82 million in one year, the UMRA cost estimate for the final rule is zero, given that the final rule's mandates are set forth in section 1473. For this reason, and for the other reasons cited above, the OCC has determined that this final rule will not result in expenditures by State, local, and tribal governments, or the private sector, of \$100 million or more in any one year. Accordingly, this

<sup>133</sup> The Bureau notes that the percentage of small institutions for which the estimated burden of the final rule would amount to over 3 percent of the revenue would remain under 1 percent even if the Bureau had used the following alternative assumptions: (1) \$5,150 as the assumed burden of the proposed rule for states that adopt new registration regimes—the highest among the existing state registration fees (in Minnesota, per

[http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-9313&CT\\_URI=tcm:27-117-32](http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-9313&CT_URI=tcm:27-117-32)), and assumed this same amount as the annual renewal fee (even though the Minnesota renewal fee is only \$2,650, per [http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-9313&CT\\_URI=tcm:27-117-32](http://mn.gov/elicense/licenses/licensedetail.jsp?URI=tcm:29-9313&CT_URI=tcm:27-117-32)); and (2) an additional annual labor cost of \$300 for any possible associated burden of (a) filling out registration and renewal forms in those states (assuming an AMC operates in approximately 20 states on average, such that 6.26 of those states adopt new AMC licensing programs) and any additional burden related to notices from small AMCs removing appraisers from their panels in those states. The percentages of institutions for which this cost would amount to over 1 percent of the revenue changed, respectively, to 26 percent, 18 percent, and 15 percent of the small institutions affected, according to the normal, generalized extreme value, and logistic distributions.

<sup>134</sup> 5 U.S.C. 605(b).

<sup>135</sup> 5 U.S.C. 601 *et seq.*

<sup>136</sup> 78 FR 4032 (Jan. 18, 2013).

final rule is not subject to section 202 of the UMRA.

## List of Subjects

### 12 CFR Part 34

Appraisal, Appraiser, Banks, Banking, Consumer protection, Credit, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

### 12 CFR Part 208

Accounting, Agriculture, Banks, Banking, Confidential business information, Consumer protection, Crime, Currency, Insurance, Investments, Mortgages, Reporting and recordkeeping requirements, Securities.

### 12 CFR Part 225

Administrative practice and procedure, Banks, Banking, Federal Reserve System, Holding companies, Reporting and recordkeeping requirements, Securities.

### 12 CFR Part 323

Banks, Banking, Mortgages, Reporting and recordkeeping requirements, Savings associations.

### 12 CFR Part 1026

Advertising, Appraisal, Appraiser, Banks, Banking, Consumer protection, Credit, Credit unions, Mortgages, National banks, Reporting and recordkeeping requirements, Savings associations, Truth in lending.

### 12 CFR Part 1222

Appraisals, Government sponsored enterprises, Mortgages.

## Department of the Treasury

### Office of the Comptroller of the Currency

#### Authority and Issuance

For the reasons set forth in the preamble, the OCC is amending 12 CFR part 34 as follows:

## PART 34—REAL ESTATE LENDING AND APPRAISALS

- 1. The authority citation for part 34 is revised to read as follows:

**Authority:** 12 U.S.C. 1 *et seq.*, 25b, 29, 93a, 371, 1462a, 1463, 1464, 1465, 1701j–3, 1828(o), 3331 *et seq.*, 5101 *et seq.*, and 5412(b)(2)(B) and 15 U.S.C. 1639h.

- 2. Subpart H to part 34 is added to read as follows:

### Subpart H—Appraisal Management Company Minimum Requirements

Sec.

34.210 Authority, purpose, and scope.

34.211 Definitions.

34.212 Appraiser panel—annual size calculation.

34.213 Appraisal management company registration.

34.214 Ownership limitations for State-registered appraisal management companies.

34.215 Requirements for Federally regulated appraisal management companies.

34.216 Information to be presented to the Appraisal Subcommittee by participating States.

#### § 34.210 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Office of the Comptroller of the Currency under 12 U.S.C. 93a and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203, 124 Stat. 1376 (2010)), 12 U.S.C. 3331 *et seq.*

(b) *Purpose.* The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353.

(c) *Scope.* This subpart applies to States and to appraisal management companies (AMCs) providing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(d) *Rule of construction.* Nothing in this subpart should be construed to prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines<sup>3</sup> or other relevant agency guidance that cautions banks, bank holding companies, Federal savings associations, state savings associations, and credit unions, as applicable, that each such entity is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the financial institution.

#### § 34.211 Definitions.

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c)(1) *Appraisal management company* (AMC) means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a given 12-month period, as defined in § 34.212(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 34.212;

(2) An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

(d) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(e) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this subpart if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(f) *Appraisal Subcommittee* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

<sup>3</sup> See <http://www.occ.gov/news-issuances/bulletins/2010/bulletin-2010-42.html>.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the requirements of 12 CFR 1026.32) more than 5 times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one "principal" dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to

sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

#### **§ 34.212 Appraiser panel—annual size calculation.**

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 34.211(c)(1)(iii)—

(a) An appraiser is deemed part of the AMC's appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with covered transactions.

(b) An appraiser who is deemed part of the AMC's appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC's appraiser panel pursuant to paragraph (b) of this section, but the

AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC's appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

#### **§ 34.213 Appraisal management company registration.**

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 34.214 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC's application for initial registration;

(2) Review and renew or review and deny an AMC's registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC's appraiser panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally related transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably

designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a) through (i) of the Truth in Lending Act, 15 U.S.C. 1639e(a) through (i), and regulations thereunder.

**§ 34.214 Ownership limitations for State-registered appraisal management companies.**

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to § 34.213 shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to § 34.213 is not barred by paragraph (a)(1) of this section from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

**§ 34.215 Requirements for Federally regulated appraisal management companies.**

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant

relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 34.213(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the Appraisal Subcommittee.

(2) A Federally regulated AMC is not barred by this paragraph (b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State to the Appraisal Subcommittee, pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in this section, as applicable.

**§ 34.216 Information to be presented to the Appraisal Subcommittee by participating States.**

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

**Board of Governors of the Federal Reserve System**

For the reasons set forth in the preamble, the Board amends 12 CFR parts 208 and 225, as follows:

**PART 208—MEMBERSHIP OF STATE BANKING INSTITUTIONS IN THE FEDERAL RESERVE SYSTEM (REGULATION H)**

■ 3. The authority citation for part 208 is revised to read as follows:

**Authority:** 12 U.S.C. 24, 36, 92a, 93a, 248(a), 248(c), 321–338a, 371d, 461, 481–486, 601, 611, 1814, 1816, 1818, 1820(d)(9), 1833(j), 1828(o), 1831, 1831o, 1831p–1, 1831r–1, 1831w, 1831x, 1835a, 1882, 2901–

2907, 3105, 3310, 3331–3351, 3353, and 3905–3909; 15 U.S.C. 78b, 78l(b), 78l(i), 780–4(c)(5), 78q, 78q–1, 78w, 1681s, 1681w, 6801 and 6805; 31 U.S.C. 5318; 42 U.S.C. 4012a, 4104b, 4106, and 4128.

■ 4. Revise the heading of subpart E to read as follows:

**Subpart E—Real Estate Lending, Appraisal Standards, and Minimum Requirements for Appraisal Management Companies**

■ 5. Section 208.50 is revised to read as follows:

**§ 208.50 Authority, purpose, and scope.**

(a) *Authority.* Subpart E of Regulation H (12 CFR part 208, subpart E) is issued by the Board of Governors of the Federal Reserve System pursuant to section 304 of the Federal Deposit Insurance Corporation Improvement Act of 1991, (12 U.S.C. 1828(o)), Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act, (12 U.S.C. 3331–3351), and section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, (12 U.S.C. 3353).

(b) *Purpose and scope.* This subpart prescribes standards for real estate lending to be used by state member banks in adopting internal real estate lending policies. The standards applicable to appraisals rendered in connection with Federally related transactions entered into by member banks and the minimum requirements for appraisal management companies are set forth in 12 CFR part 225, subparts G and M respectively (Regulation Y).

**PART 225—BANK HOLDING COMPANIES AND CHANGE IN BANK CONTROL (REGULATION Y)**

■ 6. The authority citation for part 225 is revised to read as follows:

**Authority:** 12 U.S.C. 1844(b), 3106 and 3108, 1817(j)(13), 1818(b), 1831i, 1972, 3310, 3331–3351 and 3353; 12 U.S.C. 3901, *et seq.*; and 12 U.S.C. 1841, *et seq.*

■ 7. Subpart M is added to part 225 to read as follows:

**Subpart M—Minimum Requirements for Appraisal Management Companies**

Sec.

225.190 Authority, purpose, and scope.

225.191 Definitions.

225.192 Appraiser panel—annual size calculation.

225.193 Appraisal management company registration.

225.194 Ownership limitations for State-registered appraisal management companies.

225.195 Requirements for Federally regulated appraisal management companies.



225.196 Information to be presented to the Appraisal Subcommittee by participating States.

**§ 225.190 Authority, purpose, and scope.**

(a) *Authority.* This subpart is issued by the Board of Governors of the Federal Reserve System (the Board) pursuant to title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) (Pub. L. 101-73, 103 Stat. 183 (1989)), 12 U.S.C. 3310, 3331-3351, section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, 12 U.S.C. 3353, and section 5(b) of the Bank Holding Company Act, 12 U.S.C. 1844(b).

(b) *Purpose and scope.* (1) The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353. Title XI provides protection for Federal financial and public policy interests in real estate related transactions by requiring real estate appraisals used in connection with Federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been demonstrated and whose professional conduct will be subject to effective supervision. This subpart implements the requirements of title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act and applies to all Federally related transactions and to States and to appraisal management companies (AMCs) performing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(2) This subpart:

(i) Identifies which real estate related financial transactions require the services of an appraiser.

(ii) Prescribes which categories of Federally related transactions shall be appraised by a State-certified appraiser and which by a State-licensed appraiser;

(iii) Prescribes minimum standards for the performance of real estate appraisals in connection with Federal related transactions under the jurisdiction of the Board;

(iv) Prescribes minimum requirements to be applied by participating States in the registration and supervision of AMCs; and

(v) Prescribes minimum requirements to be applied by participating States to report certain information concerning AMCs registered with the States to a national registry of AMCs.

(c) *Rule of construction.* Nothing in this subpart should be construed to

prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines<sup>1</sup> or other relevant agency guidance that cautions banks and bank holding companies, that each organization is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the creditor.

**§ 225.191 Definitions.**

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c) *Appraisal Foundation* means the Appraisal Foundation established on November 30, 1987, as a not-for-profit corporation under the laws of Illinois.

(d)(1) *Appraisal management company (AMC)* means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a 12-month period, as defined in § 225.192(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 225.192;

(2) An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

(e) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and

secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(f) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this part if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the requirements of 12 CFR 1026.32) more than 5 times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit,

<sup>1</sup> See, Agencies issue final appraisal and evaluation guidelines, <http://www.federalreserve.gov/newsevents/press/bcreg/20101202a.htm>.



cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one “principal” dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer’s principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

#### **§ 225.192 Appraiser panel—annual size calculation.**

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 225.191(d)(1)(iii)—

(a) An appraiser is deemed part of the AMC’s appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC’s consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with a covered transaction.

(b) An appraiser who is deemed part of the AMC’s appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC’s appraiser panel pursuant to paragraph (b) of this section, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC’s removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC’s appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC’s appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

#### **§ 225.193 Appraisal management company registration.**

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 225.194 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC’s application for initial registration;

(2) Review and renew or review and deny an AMC’s registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC’s appraiser panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC’s violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC’s operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally related transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

#### **§ 225.194 Ownership limitations for State-registered appraisal management companies.**

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to § 225.193 shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to § 225.193 is not barred by paragraph (a)(1) of this section from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

**§ 225.195 Requirements for Federally regulated appraisal management companies.**

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 225.193(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

(2) A Federally regulated AMC is not barred by this paragraph (b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State to the Appraisal Subcommittee pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in this section.

**§ 225.196 Information to be presented to the Appraisal Subcommittee by participating States.**

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

**Federal Deposit Insurance Corporation**

*Authority and Issuance*

For the reasons set forth in the preamble, the FDIC amends 12 CFR parts 323 and 390 as follows:

**PART 323—APPRAISALS**

■ 8. Revise the authority citation for part 323 to read as follows:

**Authority:** 12 U.S.C. 1818, 1819 [“Seventh” and “Tenth”] and 3331 *et seq.*

■ 9. Add a heading for new subpart A to read as follows:

**Subpart A—Appraisals Generally**

§§ 323.1 through 323.7—[Designated as subpart A]

■ 10. Designate §§ 323.1 through 323.7 as new subpart A.

§§ 323.1, 323.3, 323.4, and 323.5—[Amended]

■ 11. Amend §§ 323.1, 323.3, 323.4, and 323.5 by removing “part” and adding “subpart” in its place in each instance in which it appears.

■ 12. Add subpart B to part 323 to read as follows:

**Subpart B—Appraisal Management Company Minimum Requirements**

Sec.

323.8 Authority, purpose, and scope.

323.9 Definitions.

323.10 Appraiser panel—annual size calculation.

323.11 Appraisal management company registration.

323.12 Ownership limitations for State-registered appraisal management companies.

323.13 Requirements for Federally regulated appraisal management companies.

323.14 Information to be presented to the Appraisal Subcommittee by participating States.

**§ 323.8 Authority, purpose, and scope.**

(a) *Authority.* This subpart is issued pursuant to 12 U.S.C. 1818, 1819 [“Seventh” and “Tenth”] and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-

Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203, 124 Stat. 1376 (2010)), 12 U.S.C. 3331 *et seq.*

(b) *Purpose.* The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353.

(c) *Scope.* This subpart applies to States and to appraisal management companies (AMCs) providing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(d) *Rule of construction.* Nothing in this subpart should be construed to prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines<sup>1</sup> or other relevant agency guidance that cautions banks, bank holding companies, Federal savings associations, state savings association, and credit unions, as applicable, that each such entity is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the financial institution.

**§ 323.9 Definitions.**

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c)(1) *Appraisal management company* (AMC) means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a given 12-month period, as defined in § 323.10(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 323.12;

<sup>1</sup> <https://www.fdic.gov/regulations/laws/rules/5000-4800.html>.

(2) An AMC does not include a department or division of an entity that provides appraisal management services only to that entity.

(d) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(e) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this subpart if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(f) *Appraisal Subcommittee* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the

requirements of 12 CFR 1026.32) more than 5 times for transactions secured by a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one "principal" dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories

of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

#### **§ 323.10 Appraiser panel—annual size calculation.**

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 323.9(c)(1)(iii)—

(a) An appraiser is deemed part of the AMC's appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with a covered transaction.

(b) An appraiser who is deemed part of the AMC's appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC's appraiser panel pursuant to paragraph (b) of this section, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC's appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

#### **§ 323.11 Appraisal management company registration.**

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 323.12 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC's application for initial registration;

(2) Review and renew or review and deny an AMC's registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC's appraiser panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institution regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally regulated transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

#### **§ 323.12 Ownership limitations for State-registered appraisal management companies.**

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to this section shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to this section is not barred by § 323.11(a)(1) from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

#### **§ 323.13 Requirements for Federally regulated appraisal management companies.**

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 323.11(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

(2) A Federally regulated AMC is not barred by § 323.12(b) from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or

States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in § 323.12, as applicable.

#### **§ 323.14 Information to be presented to the Appraisal Subcommittee by participating States.**

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

### **PART 390—REGULATIONS TRANSFERRED FROM THE OFFICE OF THRIFT SUPERVISION**

■ 13. The authority citation for part 390 is revised to read as follows:

**Authority:** 12 U.S.C. 1819.

Subpart A also issued under 12 U.S.C. 1820.

Subpart B also issued under 12 U.S.C. 1818.

Subpart C also issued under 5 U.S.C. 504; 554–557; 12 U.S.C. 1464; 1467; 1468; 1817; 1818; 1820; 1829; 3349, 4717; 15 U.S.C. 78l; 78o–5; 78u–2; 28 U.S.C. 2461 note; 31 U.S.C. 5321; 42 U.S.C. 4012a.

Subpart D also issued under 12 U.S.C. 1817; 1818; 1820; 15 U.S.C. 78l.

Subpart E also issued under 12 U.S.C. 1813; 1831m; 15 U.S.C. 78.

Subpart F also issued under 5 U.S.C. 552; 559; 12 U.S.C. 2901 *et seq.*

Subpart G also issued under 12 U.S.C. 2810 *et seq.*, 2901 *et seq.*; 15 U.S.C. 1691; 42 U.S.C. 1981, 1982, 3601–3619.

Subpart I also issued under 12 U.S.C. 1831x.

Subpart J also issued under 12 U.S.C. 1831p–1.

Subpart K also issued under 12 U.S.C. 1817; 1818; 15 U.S.C. 78c; 78l.

Subpart L also issued under 12 U.S.C. 1831p–1.

Subpart M also issued under 12 U.S.C. 1818.

Subpart N also issued under 12 U.S.C. 1821.

Subpart O also issued under 12 U.S.C. 1828.

Subpart P also issued under 12 U.S.C. 1470; 1831e; 1831n; 1831p–1; 3339.

Subpart Q also issued under 12 U.S.C. 1462; 1462a; 1463; 1464.

Subpart R also issued under 12 U.S.C. 1463; 1464; 1831m; 1831n; 1831p–1.

Subpart S also issued under 12 U.S.C. 1462; 1462a; 1463; 1464; 1468a; 1817; 1820; 1828; 1831e; 1831o; 1831p–1; 1881–1884; 3207; 3339; 15 U.S.C. 78b; 78l; 78m; 78n; 78p; 78q; 78w; 31 U.S.C. 5318; 42 U.S.C. 4106.

Subpart T also issued under 12 U.S.C. 1462a; 1463; 1464; 15 U.S.C. 78c; 78l; 78m; 78n; 78w.

Subpart U also issued under 12 U.S.C. 1462a; 1463; 1464; 15 U.S.C. 78c; 78l; 78m; 78n; 78p; 78w; 78d–1; 7241; 7242; 7243; 7244; 7261; 7264; 7265.

Subpart V also issued under 12 U.S.C. 3201–3208.

Subpart W also issued under 12 U.S.C. 1462a; 1463; 1464; 15 U.S.C. 78c; 78l; 78m; 78n; 78p; 78w.

Subpart Y also issued under 12 U.S.C. 1831o.

Subpart Z also issued under 12 U.S.C. 1462; 1462a; 1463; 1464; 1828 (note).

#### Subpart X—[Removed and Reserved]

■ 14. Remove and reserve subpart X consisting of §§ 390.440 through 390.447.

#### Bureau of Consumer Financial Protection

##### Authority and Issuance

For the reasons stated above, the Bureau amends Regulation Z, 12 CFR part 1026, as follows:

#### PART 1026—TRUTH IN LENDING (REGULATION Z)

■ 15. The authority citation for part 1026 is revised to read as follows:

**Authority:** 12 U.S.C. 2601, 2603–2605, 2607, 2609, 2617, 3353, 5511, 5512, 5532, 5581; 15 U.S.C. 1601 *et seq.*

##### Subpart A—General

■ 16. Section 1026.1 is amended by revising paragraph (a) to read as follows:

##### § 1026.1 Authority, purpose, coverage, organization, enforcement, and liability.

(a) *Authority.* This part, known as Regulation Z, is issued by the Bureau of Consumer Financial Protection to implement the Federal Truth in Lending Act, which is contained in title I of the Consumer Credit Protection Act, as amended (15 U.S.C. 1601 *et seq.*). This part also implements title XII, section 1204 of the Competitive Equality Banking Act of 1987 (Pub. L. 100–86, 101 Stat. 552). Furthermore, this part implements certain provisions of the Real Estate Settlement Procedures Act of 1974, as amended (12 U.S.C. 2601 *et seq.*). In addition, this part implements certain provisions of the Financial Institutions Reform, Recovery, and Enforcement Act, as amended (12 U.S.C.

3331 *et seq.*). The Bureau's information-collection requirements contained in this part have been approved by the Office of Management and Budget (OMB) under the provisions of 44 U.S.C. 3501 *et seq.* and have been assigned OMB No. 3170–0015 (Truth in Lending).

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#### Subpart E—Special Rules for Certain Home Mortgage Transactions

■ 17. Section 1026.42 is amended by adding paragraph (h) to read as follows:

##### § 1026.42 Valuation independence.

\* \* \* \* \*

(h) The Bureau issued a joint rule to implement the appraisal management company minimum requirements in the Financial Institutions Reform, Recovery, and Enforcement Act, as amended by section 1473 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. *See* 12 CFR part 34.

#### Federal Housing Finance Agency

##### Authority and Issuance

For the reasons set forth in the **SUPPLEMENTARY INFORMATION**, FHFA amends 12 CFR part 1222, as follows:

#### PART 1222—APPRAISALS

■ 18. The authority citation for part 1222 is revised to read as follows:

**Authority:** 12 U.S.C. 4501 *et seq.*, 12 U.S.C. 4526 and 15 U.S.C. 1639h.

■ 19. Add subpart B to part 1222 to read as follows:

#### Subpart B—Appraisal Management Company Minimum Requirements

Sec.

1222.20 Authority, purpose, and scope.

1222.21 Definitions.

1222.22 Appraiser panel—annual size calculation.

1222.23 Appraisal management company registration.

1222.24 Ownership limitations for State-registered appraisal management companies.

1222.25 Requirements for Federally regulated appraisal management companies.

1222.26 Information to be presented to the Appraisal Subcommittee by participating States.

##### § 1222.20 Authority, purpose, and scope.

(a) *Authority.* This subpart is issued by the Federal Housing Finance Agency pursuant to 12 U.S.C. 4501 *et seq.*, 12 U.S.C. 4526, and Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) (Pub. L. 111–203,

124 Stat. 1376 (2010)), 12 U.S.C. 3331 *et seq.*

(b) *Purpose.* The purpose of this subpart is to implement sections 1109, 1117, 1121, and 1124 of FIRREA Title XI, 12 U.S.C. 3338, 3346, 3350, and 3353.

(c) *Scope.* This subpart applies to States and to appraisal management companies (AMCs) providing appraisal management services in connection with consumer credit transactions secured by a consumer's principal dwelling or securitizations of those transactions.

(d) *Rule of construction.* Nothing in this subpart should be construed to prevent a State from establishing requirements in addition to those in this subpart. In addition, nothing in this subpart should be construed to alter guidance in, and applicability of, the Interagency Appraisal and Evaluation Guidelines<sup>1</sup> or other relevant agency guidance that cautions banks, bank holding companies, Federal savings associations, state savings associations, and credit unions, as applicable, that each such entity is accountable for overseeing the activities of third-party service providers and ensuring that any services provided by a third party comply with applicable laws, regulations, and supervisory guidance applicable directly to the financial institution.

##### § 1222.21 Definitions.

For purposes of this subpart:

(a) *Affiliate* has the meaning provided in 12 U.S.C. 1841.

(b) *AMC National Registry* means the registry of State-registered AMCs and Federally regulated AMCs maintained by the Appraisal Subcommittee.

(c)(1) *Appraisal management company* (AMC) means a person that:

(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates;

(ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and

(iii) Within a given 12-month period, as defined in § 1222.22(d), oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States, as described in § 1222.22;

(2) An AMC does not include a department or division of an entity that

<sup>1</sup> 75 FR 77450 (December 10, 2010).

provides appraisal management services only to that entity.

(d) *Appraisal management services* means one or more of the following:

(1) Recruiting, selecting, and retaining appraisers;

(2) Contracting with State-certified or State-licensed appraisers to perform appraisal assignments;

(3) Managing the process of having an appraisal performed, including providing administrative services such as receiving appraisal orders and appraisal reports, submitting completed appraisal reports to creditors and secondary market participants, collecting fees from creditors and secondary market participants for services provided, and paying appraisers for services performed; and

(4) Reviewing and verifying the work of appraisers.

(e) *Appraiser panel* means a network, list or roster of licensed or certified appraisers approved by an AMC to perform appraisals as independent contractors for the AMC. Appraisers on an AMC's "appraiser panel" under this part include both appraisers accepted by the AMC for consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions and appraisers engaged by the AMC to perform one or more appraisals in covered transactions or for secondary mortgage market participants in connection with covered transactions. An appraiser is an independent contractor for purposes of this subpart if the appraiser is treated as an independent contractor by the AMC for purposes of Federal income taxation.

(f) *Appraisal Subcommittee* means the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.

(g) *Consumer credit* means credit offered or extended to a consumer primarily for personal, family, or household purposes.

(h) *Covered transaction* means any consumer credit transaction secured by the consumer's principal dwelling.

(i) *Creditor* means:

(1) A person who regularly extends consumer credit that is subject to a finance charge or is payable by written agreement in more than four installments (not including a down payment), and to whom the obligation is initially payable, either on the face of the note or contract, or by agreement when there is no note or contract.

(2) A person regularly extends consumer credit if the person extended credit (other than credit subject to the requirements of 12 CFR 1026.32) more than 5 times for transactions secured by

a dwelling in the preceding calendar year. If a person did not meet these numerical standards in the preceding calendar year, the numerical standards shall be applied to the current calendar year. A person regularly extends consumer credit if, in any 12-month period, the person originates more than one credit extension that is subject to the requirements of 12 CFR 1026.32 or one or more such credit extensions through a mortgage broker.

(j) *Dwelling* means:

(1) A residential structure that contains one to four units, whether or not that structure is attached to real property. The term includes an individual condominium unit, cooperative unit, mobile home, and trailer, if it is used as a residence.

(2) A consumer can have only one "principal" dwelling at a time. Thus, a vacation or other second home would not be a principal dwelling. However, if a consumer buys or builds a new dwelling that will become the consumer's principal dwelling within a year or upon the completion of construction, the new dwelling is considered the principal dwelling for purposes of this section.

(k) *Federally regulated AMC* means an AMC that is owned and controlled by an insured depository institution, as defined in 12 U.S.C. 1813 and that is regulated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, or the Federal Deposit Insurance Corporation.

(l) *Federally related transaction regulations* means regulations established by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, or the National Credit Union Administration, pursuant to sections 1112, 1113, and 1114 of FIRREA Title XI, 12 U.S.C. 3341–3343.

(m) *Person* means a natural person or an organization, including a corporation, partnership, proprietorship, association, cooperative, estate, trust, or government unit.

(n) *Secondary mortgage market participant* means a guarantor or insurer of mortgage-backed securities, or an underwriter or issuer of mortgage-backed securities. Secondary mortgage market participant only includes an individual investor in a mortgage-backed security if that investor also serves in the capacity of a guarantor, insurer, underwriter, or issuer for the mortgage-backed security.

(o) *States* mean the 50 States and the District of Columbia and the territories

of Guam, Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

(p) *Uniform Standards of Professional Appraisal Practice* (USPAP) means the appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation.

#### **§ 1222.22 Appraiser panel—annual size calculation.**

For purposes of determining whether, within a 12-month period, an AMC oversees an appraiser panel of more than 15 State-certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States pursuant to § 1222.21(c)(1)(iii)—

(a) An appraiser is deemed part of the AMC's appraiser panel as of the earliest date on which the AMC:

(1) Accepts the appraiser for the AMC's consideration for future appraisal assignments in covered transactions or for secondary mortgage market participants in connection with covered transactions; or

(2) Engages the appraiser to perform one or more appraisals on behalf of a creditor for a covered transaction or secondary mortgage market participant in connection with covered transactions.

(b) An appraiser who is deemed part of the AMC's appraiser panel pursuant to paragraph (a) of this section is deemed to remain on the panel until the date on which the AMC:

(1) Sends written notice to the appraiser removing the appraiser from the appraiser panel, with an explanation of its action; or

(2) Receives written notice from the appraiser asking to be removed from the appraiser panel or notice of the death or incapacity of the appraiser.

(c) If an appraiser is removed from an AMC's appraiser panel pursuant to paragraph (b) of this section, but the AMC subsequently accepts the appraiser for consideration for future assignments or engages the appraiser at any time during the twelve months after the AMC's removal, the removal will be deemed not to have occurred, and the appraiser will be deemed to have been part of the AMC's appraiser panel without interruption.

(d) The period for purposes of counting appraisers on an AMC's appraiser panel may be the calendar year or a 12-month period established by law or rule of each State with which the AMC is required to register.

#### **§ 1222.23 Appraisal management company registration.**

Each State electing to register AMCs pursuant to paragraph (b)(1) of this section must:

(a) Establish and maintain within the State appraiser certifying and licensing agency a licensing program that is subject to the limitations set forth in § 1222.24 and with the legal authority and mechanisms to:

(1) Review and approve or deny an AMC's application for initial registration;

(2) Review and renew or review and deny an AMC's registration periodically;

(3) Examine the books and records of an AMC operating in the State and require the AMC to submit reports, information, and documents;

(4) Verify that the appraisers on the AMC's panel hold valid State certifications or licenses, as applicable;

(5) Conduct investigations of AMCs to assess potential violations of applicable appraisal-related laws, regulations, or orders;

(6) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates applicable appraisal-related laws, regulations, or orders; and

(7) Report an AMC's violation of applicable appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the Appraisal Subcommittee.

(b) Impose requirements on AMCs that are not owned and controlled by an insured depository institution and not regulated by a Federal financial institutions regulatory agency to:

(1) Register with and be subject to supervision by the State appraiser certifying and licensing agency;

(2) Engage only State-certified or State-licensed appraisers for Federally related transactions in conformity with any Federally related transaction regulations;

(3) Establish and comply with processes and controls reasonably designed to ensure that the AMC, in engaging an appraiser, selects an appraiser who is independent of the transaction and who has the requisite education, expertise, and experience necessary to competently complete the appraisal assignment for the particular market and property type;

(4) Direct the appraiser to perform the assignment in accordance with USPAP; and

(5) Establish and comply with processes and controls reasonably designed to ensure that the AMC conducts its appraisal management services in accordance with the requirements of section 129E(a)–(i) of

the Truth in Lending Act, 15 U.S.C. 1639e(a)–(i), and regulations thereunder.

**§ 1222.24 Ownership limitations for State-registered appraisal management companies.**

(a) *Appraiser certification or licensing of owners.* (1) An AMC subject to State registration pursuant to § 1222.23 shall not be registered by a State or included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the appropriate State appraiser certifying and licensing agency.

(2) An AMC subject to State registration pursuant to § 1222.23 is not barred by paragraph (a)(1) of this section from being registered by a State or included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for a substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(b) *Good moral character of owners.* An AMC shall not be registered by a State if any person that owns more than 10 percent of the AMC—

(1) Is determined by the State appraiser certifying and licensing agency not to have good moral character; or

(2) Fails to submit to a background investigation carried out by the State appraiser certifying and licensing agency.

**§ 1222.25 Requirements for Federally regulated appraisal management companies.**

(a) *Requirements in providing services.* To provide appraisal management services for a creditor or secondary mortgage market participant relating to a covered transaction, a Federally regulated AMC must comply with the requirements in § 1222.23(b)(2) through (5).

(b) *Ownership limitations.* (1) A Federally regulated AMC shall not be included on the AMC National Registry if such AMC, in whole or in part, directly or indirectly, is owned by any person who has had an appraiser license or certificate refused, denied, cancelled, surrendered in lieu of revocation, or revoked in any State for a substantive cause, as determined by the ASC.

(2) A Federally regulated AMC is not barred pursuant to paragraph (b)(1) of this section from being included on the AMC National Registry if the license or certificate of the appraiser with an ownership interest was not revoked for substantive cause and has been reinstated by the State or States in which the appraiser was licensed or certified.

(c) *Reporting information for the AMC National Registry.* A Federally regulated AMC must report to the State or States in which it operates the information required to be submitted by the State to the Appraisal Subcommittee pursuant to the Appraisal Subcommittee's policies regarding the determination of the AMC National Registry fee, including but not necessarily limited to the collection of information related to the limitations set forth in this section, as applicable.

**§ 1222.26 Information to be presented to the Appraisal Subcommittee by participating States.**

Each State electing to register AMCs for purposes of permitting AMCs to provide appraisal management services relating to covered transactions in the State must submit to the Appraisal Subcommittee the information required to be submitted by Appraisal Subcommittee regulations or guidance concerning AMCs that operate in the State.

Dated: April 21, 2015.

**Thomas J. Curry,**

*Comptroller of the Currency.*

By order of the Board of Governors of the Federal Reserve System, April 29, 2015

**Robert deV. Frierson,**

*Secretary of the Board.*

Dated: April 21, 2015.

**Robert E. Feldman,**

*Executive Secretary.*

By order of the Board of Directors.

Federal Deposit Insurance Corporation.

Dated: April 14, 2015.

**Richard Cordray,**

*Director, Bureau of Consumer Financial Protection.*

Dated: March 23, 2015.

**Melvin L. Watt,**

*Director, Federal Housing Finance Agency.*

In concurrence:

Dated: April 22, 2015.

**Gerard Poliquin,**

*Secretary of the Board, NCUA.*

[FR Doc. 2015–12719 Filed 6–8–15; 8:45 am]

BILLING CODE 4810–33–P; 6210–01–P; 6714–01–P; 7535–01–P; 4810–AM–P; 8070–01–P

## Continued AARO Conference Summary





# Action Plan to Advance Property Appraisal and Valuation Equity

Closing the Racial Wealth Gap by Addressing Mis-valuations for Families and Communities of Color

MARCH 2022







*“Affirmatively advancing equity, civil rights, racial justice, and equal opportunity is the responsibility of the whole of our Government. Because advancing equity requires a systematic approach to embedding fairness in decision-making processes, executive departments and agencies must recognize and work to redress inequities in their policies and programs that serve as barriers to equal opportunity.”*

PRESIDENT JOSEPH R. BIDEN, JR.

Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government

# PAVE Task Force Agencies and Offices

The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) is composed of thirteen federal agencies and offices. PAVE is co-led by the U.S. Department of Housing and Urban Development (Secretary Marcia L. Fudge) and the White House Domestic Policy Council (White House Domestic Policy Advisor Susan Rice).



U.S. Department of  
Housing and Urban  
Development



White House Domestic  
Policy Council



Appraisal  
Subcommittee



Federal Reserve  
Board



Consumer Financial  
Protection Bureau



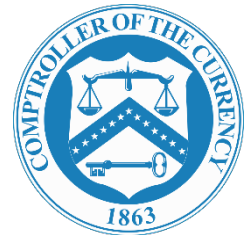
Federal Deposit  
Insurance Corporation



Federal Housing  
Finance Agency



National Credit Union  
Administration



Comptroller of  
the Currency



U.S. Department  
of Agriculture



U.S. Department  
of Justice



U.S. Department  
of Labor



U.S. Department of  
Veterans Affairs

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# Executive Summary

FOR MANY AMERICANS, the dream of homeownership and the long-term financial security this investment represents is a dream deferred or unrealized. Homeownership is often hindered by inequities within current home lending and appraisal processes, which research shows disproportionately impact people in communities of color.

Though this broken system was created decades ago, perhaps the biggest drivers of the racial and ethnic wealth gap today are the racial and ethnic disparities in rates of homeownership and in the financial returns associated with owning a home.

Today, the median white family holds eight times the wealth of the typical Black family and five times the wealth of the typical Latino family.

On June 1, 2021—the centennial of the Tulsa Race Massacre—President Biden announced the creation of an interagency initiative, the PAVE Task Force (“the Task Force”). Co-chaired by U.S. Department of Housing and Urban Development Secretary Marcia Fudge and White House Domestic Policy Advisor Susan Rice, the Task Force was directed to *evaluate the causes, extent, and consequences of appraisal bias and to establish a transformative set of recommendations to root out racial and ethnic bias in home valuations*. The 13 member



Tulsa Race Massacre of 1921

agencies and offices of the Task Force engaged philanthropic organizations, academics, civil rights leaders, housing industry stakeholders, and everyday Americans who currently own, or aspire to own, a home. The Task Force heard their stories, perspectives, and ideas. As a result of this engagement, the member agencies of the Task Force committed to a set of actions to help ensure that every American has a chance to build generational wealth through homeownership.

“Just imagine if instead of denying millions of Americans the ability to own their own home and build generational wealth, we made it possible for them to buy a home and build equity into that...home and provide for their families.”

President Joseph R. Biden , Jr.

This *Action Plan to Advance Property Appraisal and Valuation Equity (PAVE)* (“the Action Plan”) is the blueprint for how all Americans can benefit fairly from the equity built through homeownership.

Specifically, this Action Plan:

1. Outlines the historical role of racism in the valuation of residential property;
2. Examines the various forms of bias that can appear in residential property valuation practices; and
3. Describes affirmative steps that federal agencies will take to advance equity in the appraisal process, and outlines further recommendations that government and industry stakeholders can initiate.

The federal agency commitments outlined in this Action Plan *represent the first steps of the Task Force* to

ensure that every American has the same opportunity to build wealth through homeownership.

### The impact of inequitable property valuation

Throughout the 20<sup>th</sup> century, people of color were denied equitable access to housing as federal, state, and local governments systematically implemented discriminatory policies that led to housing segregation. *These policies contributed to a gap between the values of homes in communities of color and predominantly white neighborhoods.* Despite the passage of civil rights laws, most notably the Fair Housing Act, that were designed to ensure equal opportunity for home ownership, market value disparities persist and are a significant factor in today's sprawling racial wealth gap.<sup>1</sup>

### The purpose and importance of appraisals

An appraisal is a critical element of homebuying and lending processes as it establishes the value of the property as the collateral for a home loan. The difference between a property's value and the homeowner's loan amount generally represents the homeowner's home equity. *One of the core benefits of homeownership is that a homeowner can build wealth by leveraging and growing that home equity.* Greater home equity makes it less likely that homeowners will fail to repay a mortgage if they experience financial hardship. Therefore, the property valuation is a critical input to the risk evaluations that surround the lending process.

Home loan lenders hire appraisers specifically to provide independent, fair, and objective estimates of the market value of a property so that lenders can accurately evaluate risk. Most commonly, appraisers estimate the value of a home by comparing it to similar, recently sold properties in comparable neighborhoods. An appraiser's opinion of value is very dependent on that appraiser's selection of comparable properties and the adjustments and weighting the appraiser applies to those selections. This decision has subjective elements that

## The Home Appraisal Process

Appraisers commonly inspect the following aspects of a home to estimate its value.



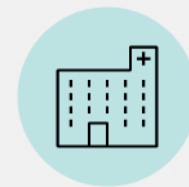
Overall condition of the house



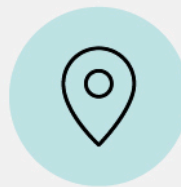
Square footage and lot size



Built-ins and additions



Surrounding amenities



Location of the home



Features of the home

depend on the expertise of the appraiser and the appraiser's familiarity with the neighborhood, resulting in a natural imprecision of the appraiser's estimate of the home's value.

### New studies validate appraisal bias in the U.S. housing market

Researchers have observed a market value gap between majority-Black and majority-white neighborhoods for decades. On average, homes in majority-Black neighborhoods are valued at less than half of those in neighborhoods with few or no Black residents. Statistical analyses show that accounting for neighborhood and property characteristics and amenities—such as the age of the property or its proximity to public

transportation—does not explain the entire disparity.<sup>2</sup> Recent research has identified appraisals as one of the drivers of the gap.

New research from Freddie Mac (2021) using census data finds 12.5 percent of appraisals for home purchases in majority-Black neighborhoods and 15.4 percent in majority-Latino neighborhoods result in a value below the contract price (the amount a buyer is willing to pay for the property), compared to only 7.4 percent of appraisals in predominantly white neighborhoods.<sup>3</sup> This research corroborates prior observations that a neighborhood's average appraised property value tends to decrease as the share of historically marginalized populations increases.<sup>4</sup>

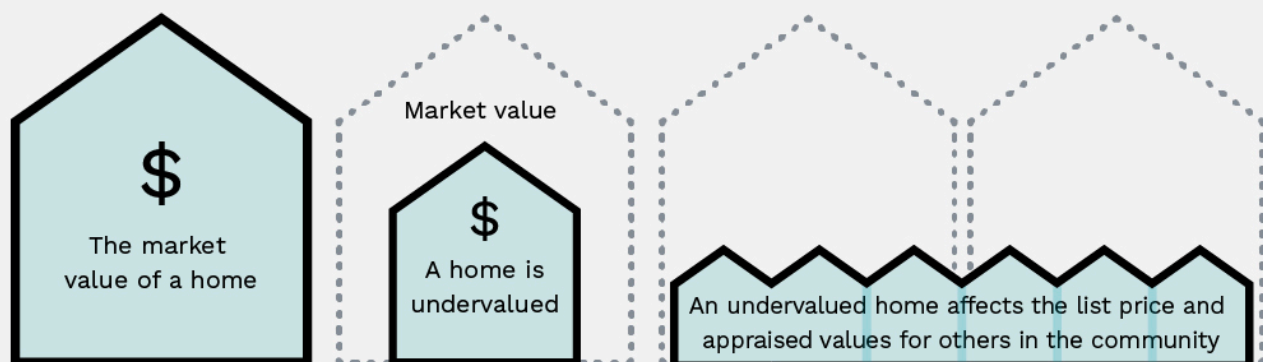
Very recently, a study of appraisal commentary (the free-form narrative section of an appraisal report, reflecting the appraiser's reasoning for the property valuation opinion) revealed that appraisers sometimes make racial and ethnic references.<sup>5</sup> For example, the study found that one appraiser wrote that a majority-white area was “not especially-diverse ethnically,” and another appraiser noted that residents of a “predominantly Hispanic” neighborhood have “assimilated their cultural heritage” into the neighborhood.

## The impact of undervaluation for home-buyers, sellers, and communities

An appraisal that is below the contract price in a home sale can sometimes result in a higher required down payment for a home buyer. This unexpected, out-of-pocket increase can often cause a sale to fall through,<sup>6</sup> *potentially preventing a prospective buyer from purchasing a home*. It can also result in a downward price renegotiation, helping the buyer, but reducing the seller's financial gains, which may in turn hinder that family in purchasing their next home. A low valuation in a refinance transaction can be similarly damaging to a homeowner, reducing the cash-out available and in some cases affecting the refinance interest rate and mortgage insurance premiums the homeowner pays, which can result in substantial costs over time.

*A widespread pattern of undervaluation in communities of color can impact an entire neighborhood.* Each instance of a lower purchase price becomes a candidate for the next appraiser to choose as a comparable sale for the next appraisal in the community, carrying the impact of the lower value forward. Over time, even a slight imbalance of undervaluation can have a significant effect on the property values in a

### Compounding Effects of Undervaluations



Over time, homeowners in the neighborhood experience less gain of home equity wealth when they sell or refinance their home. Depressed property values can increase the likelihood of low valuations on future sales.

community, and hence on the accumulated wealth of homeowners in that community. This effect can hinder families in that community from leveraging equity to pay for college, pay for repairs, or use as a buffer during a financial hardship. Reduced property values can also diminish the property tax revenue that funds the maintenance and improvement of community schools and amenities.

### Which laws enforce appraisal equity?

Home appraisals, a critical component of the homebuying and lending processes, *fall within the scope of fair housing and fair lending laws.*

Congress enacted the landmark Fair Housing Act in 1968 to lift barriers that created separate and unequal neighborhoods on the basis of race, color, religion, and national origin. Subsequent amendments to the Fair Housing Act also prohibit discrimination on the basis of sex (which includes sexual orientation and gender identity), disability, and familial status. Similarly, the Equal Credit Opportunity Act (ECOA) prohibits discrimination by creditors on the basis of race, color, religion, national origin, sex, marital status, age, or whether all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act, including ECOA.

Despite the enactment of these laws, longstanding structural barriers have continued to serve as an impediment to homeownership. More than 50 years since the Fair Housing Act's passage, the racial homeownership gap is wider than ever: in 2021, the Black homeownership rate reached only 44 percent, while the white homeownership rate reached 74 percent.<sup>7</sup> According to recent studies, eliminating racial disparities in rates of homeownership would shrink the wealth gap between Black

and white households by 31 percent and between Latino and white households by 28 percent.<sup>8</sup> *Eliminating racial disparities in the amount of wealth families gain from owning a home would narrow the wealth gap by an additional 16 percent between Black and white households and by an additional 41 percent between Latino and white households.*<sup>9</sup>

Homeownership means more than shelter for many Americans; it is often their most important investment. Part of the dream of owning a home is that it presents an opportunity to not just “get by,” but to one day achieve a return on investment. *The President's formation of the Task Force was inspired by the moral imperative to fix inequitable policies and practices and, above all, by his commitment to provide every American with a fair shot at wealth and prosperity.*

“*I live in an all-Black community. My lot and house are bigger, yet my home is valued at \$25,000 less than the house two doors from me, which is an all-white community. The Biden-Harris Administration acknowledges that the communities of color like mine have lost billions of dollars solely through the appraisal process. We're committed to taking meaningful action to increase homeownership and generational wealth for all.*”

HUD Secretary Marcia L. Fudge

This document is intended as an action plan, not a report of high-level recommendations. *The Task Force focused on identifying concrete actions that agencies have committed to take to eliminate bias and advance equity in home appraisals.*



# Agency Actions to Advance Valuation Equity

## Strengthening guardrails against unlawful discrimination in all stages of residential valuation

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- 1.1 Clarify the application of the Fair Housing Act and ECOA to the appraisal industry to ensure appraisers have clear guidance on antidiscrimination obligations under current federal laws.
- 1.2 Update agencies' and Government Sponsored Enterprises' appraisal-specific policies and guidance to reflect how nondiscrimination requirements apply to appraisers within these agencies' and Enterprises' programs.
- 1.3 Issue guidance and implement new policies to improve the processes by which a valuation may be reconsidered if the initial value is lower than expected.
- 1.4 Strengthen the standard appraisal dataset and data collection forms to reduce opportunities for appraisers to apply subjective criteria.
- 1.5 Address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs).
- 1.6 Develop a legislative proposal that modernizes the governance structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards and appraiser qualification criteria, and to advance diversity in the profession.

## Enhancing fair housing / fair lending enforcement and driving accountability in the industry

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- 2.1 Strengthen coordination among supervisory and enforcement agencies to identify discrimination in appraisals and other valuation processes.
- 2.2 Revise existing agreements between agencies involved in the enforcement of and compliance with fair lending and fair housing laws, as necessary, to increase collaboration among the agencies regarding appraisal discrimination.
- 2.3 Expand regulatory agency examination procedures of mortgage lenders to include identification of patterns of appraisal bias.

## Building a well-trained, accessible, and diverse appraiser workforce

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- 3.1 Update appraiser qualification criteria related to appraiser education, experience, and examination requirements to lower barriers to entry in the appraiser profession.
- 3.2 Increase engagement with states' appraisal regulatory agencies to help remove barriers to entry and advance diversity in the appraiser workforce.

- 3.3** Require appraisal anti-bias, fair housing, and fair lending training for all appraisers who conduct appraisals for federal programs and work with the appraisal industry to require such trainings for all appraisers.

### **Empowering consumers to take action**

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- 4.1** Update and clarify government resources for consumers who believe they may have experienced appraisal bias.
- 4.2** Incorporate appraisal bias information into first-time homebuyer education courses.
- 4.3** Train housing counselors to empower them to assist potential victims of appraisal bias as part of pre- and post-purchase homeownership counseling.
- 4.4** Provide funding opportunities for testing, education, and outreach pertaining to appraisal bias and discrimination.
- 4.5** Execute a coordinated public awareness campaign to inform consumers of their rights, as well as to disseminate the new resources that will be available to them.
- 4.6** Inform Federal Housing Administration (FHA) borrowers about the process to request a reconsideration of a valuation when the initial valuation is lower than expected.

### **Giving researchers and enforcement agencies better data to study and monitor valuation bias**

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- 5.1** Develop data-sharing arrangements among all relevant government agencies and pursue joint strategies to make appraisal-related data more widely available, foster federal research, and better enable enforcement related to appraisal bias.
- 5.2** Launch a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy and enforcement priorities.
- 5.3** Define metrics that can help to identify and measure patterns of mis-valuation in the property valuation process.

## Assessing additional policy and research efforts to ensure more equitable valuation

The Task Force identified several additional policy initiatives that may have the potential to make a significant difference in ensuring fair and accurate home valuations for all communities. These policy ideas require in-depth evaluation and research, greater input from stakeholders, and further exploration. The Task Force is committed to doing this work. In the coming months the Task Force will assess:

- Expanded use of alternatives to traditional appraisals as a means of reducing the prevalence and impact of appraisal bias.
- Use of value estimate ranges instead of an exact amount as a means of reducing the impact of racial or ethnic bias in appraisals.
- The potential use of alternatives and modifications to the sales comparison approach that may yield more accurate and equitable home valuation.
- Public sharing of aggregated historical appraisal data to foster development of unbiased valuation methods.

Given the historical and continued impact of federal policies that enabled the persistent mis-valuation of properties in communities of color, the Task Force has carefully crafted a set of commitments that will further valuation equity within the



housing market. This commitment is ongoing. The Task Force is indebted to the countless stakeholders who shared their stories and ideas. Additional policy and research efforts will continue to benefit from a diversity of voices working together toward the common goal of ensuring that the American Dream of homeownership is attainable for all.

# Action Plan To Advance Property Appraisal And Valuation Equity

DIVERSE AND INCLUSIVE COMMUNITIES strengthen our democracy, yet the legacy of residential segregation remains ever-present in American society. While federal housing policies and programs historically expanded homeownership for some families of color, many others were still excluded.<sup>10</sup> These policies also contributed to lending discrimination practices, such as mortgage redlining.<sup>a</sup>

Today, access to housing and wealth through homeownership in the U.S. varies greatly by race and ethnicity; a contributing factor to this is the persistent mis-valuation of homes for families and communities of color.<sup>11</sup> In 2021, the homeownership rate for non-Hispanic white families was 74 percent, compared to 44 percent for Black families and 48 percent for Latino families.<sup>12</sup> On June 1, 2021, President Biden announced the creation of an Interagency Task Force on Property Appraisals and Valuation Equity (PAVE) (“the Task Force”) to combat inequity in home appraisals.

## The Task Force’s systematic approach

Over the past 180 days, the Task Force has undertaken a collaborative and comprehensive approach toward identifying actions to address appraisal bias. *This approach involved extensive consultation with subject matter experts and leaders across industry, academia, trade and civil rights groups, and government.*

During the Task Force’s literature review and efforts to validate the contributing factors of appraisal bias, Task Force members held numerous listening sessions, engaging with more than 150 independent appraisers, appraisal management companies (AMCs), lenders, advocacy groups, and philanthropy organizations.

## American Homeowners by Race and Ethnicity



**44%**  
**Black households**  
own their homes.



**48%**  
**Latino households**  
own their homes.



**74%**  
**White households**  
own their homes.

The Task Force also received stakeholder proposals and recommendations around issues of:

- Reconsiderations of Value (ROVs);
- Automated Valuation Models (AVMs);
- Technology innovations;
- Training;
- Data;
- Proposed solutions to increase diversity and access to the profession; and
- Other areas relating to advancing equity in valuations.

These stakeholder recommendations informed the agency commitments contained in this Action Plan. The Task Force hopes that these commitments will enable continued dialogue and collaboration with key

<sup>a</sup> In this Action Plan we define redlining as a slight modification to the Federal Financial Institutions Examination Council’s (FFIEC’s) definition, namely as “a form of illegal [discrimination] in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located.” (adapted from FFIEC, *Interagency Fair Lending Examination Procedures*, 2009, <https://www.ffiec.gov/pdf/fairlend.pdf>).

stakeholders in the appraisal and housing industry, advocates, consumers, and local communities.

## How to read this Action Plan

This Action Plan: 1) describes the extent, causes, and consequences of mis-valuing residential properties; and 2) outlines a set of commitments to address the mis-valuing of properties. It provides a clear-eyed assessment of steps the Federal Government is committing to take in the short run to advance appraisal equity. *As such, the Action Plan is limited, with few exceptions, to actions that can be undertaken by federal agencies using existing authorities.*

The Action Plan also identifies a limited number of legislative proposals to further advance valuation equity. The independent agencies within the Task Force have not necessarily endorsed these legislative proposals at this time. The work of the Task Force supports the President’s “Executive Order on Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” which states that the Federal Government “...*should pursue a comprehensive approach to advancing equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality.*”<sup>13</sup>

Additionally, it responds to the President’s January 26, 2021 “Memorandum on Redressing Our Nation’s and the Federal Government’s History of Discriminatory Housing Practices and Policies,” which describes how “...a racial gap in homeownership” and the “...persistent undervaluation of properties owned by families of color” have inhibited equal opportunity and wealth-building opportunities.<sup>14</sup>

## Definitions

For the purposes of this Action Plan, the Task Force defines “valuation equity” as a condition in which a residential property is equally likely to be accurately valued regardless of the race, ethnicity, national origin, or other protected characteristics of its residents or composition of its neighborhood.

This Action Plan often uses the term “racial and ethnic bias,” as described in the President’s “Memorandum on Redressing Our Nation’s and the Federal Government’s History of Discriminatory Housing Practices and Policies,” to refer to bias based on race, ethnicity, or national origin.

“From Day One, the Biden-Harris Administration has put advancing equity and racial justice at the center of our work. By taking steps to eliminate bias in home valuations, this Action Plan will help us narrow the racial wealth gap and deliver a more equitable future for all Americans.”

White House Domestic Policy Advisor Susan Rice

This Action Plan uses the term “valuation bias” to refer to bias based on race, ethnicity, or national origin in the residential valuation process performed as part of mortgage origination, regardless of the valuation method. The Action Plan uses the term “appraisal bias” to mean the same in the context of appraisals specifically (that is, an opinion of value rendered by a professional appraiser for residential real estate).

## Scope

This Action Plan limited its scope to issues in the appraisal industry and does not attempt to address all forms of racial and ethnic bias in the housing market. The context of this Action Plan does not include appraisals performed to value non-residential real estate and personal property, nor does it encompass appraisals or other valuations performed for reasons other than support of mortgage lending.<sup>b</sup>

Additionally, the Task Force identified several key topics that could not be fully addressed within the Task Force’s 180-day initial lifespan. This Action Plan identifies and discusses those topics as areas for the next phase of the Task Force’s work.

<sup>b</sup> While this Action Plan focuses on residential appraisals, ECOA covers all lending, including commercial lending, and many of the principles and objectives highlighted in the report apply equally to commercial appraisals.



# The History and Impact of Persistent Mis-Valuations

## The homeownership gap and why it matters

SEVENTY-FOUR PERCENT of white American households own their homes, compared to only 48 percent of Latino American households and 44 percent of Black American households.<sup>15</sup> The number of Black homeowners would need to increase by 5 million for the Black homeownership rate to reach that of white Americans.



Much of the gap in rates of homeownership can be traced to socio-economic factors that differ on average between Black and white homeowners<sup>16</sup>, *but Black Americans who do own homes hold less home equity, on average, than white homeowners.*<sup>17</sup> An uneven recovery from the 2008 housing crisis cemented these differences: houses in majority-white neighborhoods regained value more quickly than those in comparable Black and Latino neighborhoods.<sup>18</sup> Property characteristics and measures of neighborhood amenities may explain some of the gap in home values. However, a disparity persists even after adjusting for those factors.<sup>19</sup>

This gap is likely due to several factors, including:

- Direct impacts of residential segregation;
- Differences in neighborhood-level socio-economic factors that impact demand, that themselves may be remnants of past segregation; and

- An apparent pattern of racial and ethnic bias in appraisals.

The data show that a pattern of racial disparity in appraised values exists and that the discrepancy cannot be fully explained by other factors.<sup>20 21 22</sup>

## History of valuation bias in the U.S. housing market

### The origins of bias in the appraisal industry

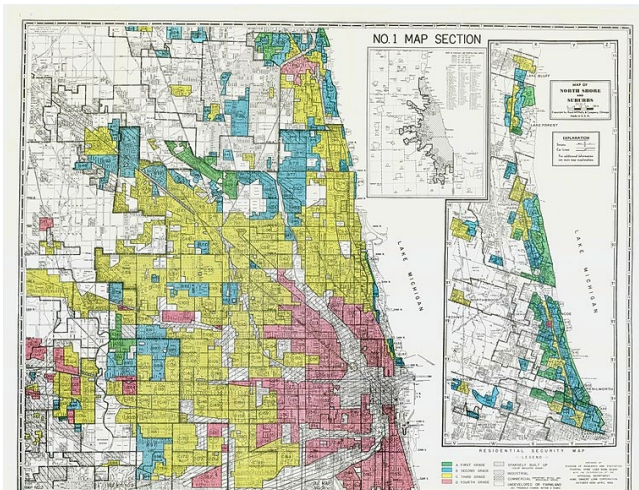
When the appraisal industry took shape in the 1930s, racism was embedded and commonplace. For example, one of the foundational documents of property appraisal practices, Frederick Babcock's influential 1931 manual "The Valuation of Real Estate," hypothesizes that neighborhood decline results inevitably from occupation by "...the poorest, most incompetent, and least desirable groups in the city," and describes how "...racial heritage and tendencies seem to be of paramount importance" in influencing property values. These perspectives toward property value influenced the mortgage underwriting of the Home Owners Loan Corporation (HOLC) and the Federal Housing Administration (FHA).

### Role of HOLC in increasing valuation bias

Congress created HOLC in 1933 to refinance distressed mortgages from the Great Depression. Since these loans were based on the value of a home, the Federal Government created standards for property valuation. HOLC sought to broaden borrower eligibility and encourage lender participation, and hence generally encouraged overvaluation in its valuation guidelines.<sup>23</sup> However, HOLC's policies classified some neighborhoods as bearing higher collateral risk.

HOLC's City Survey Program created residential security maps in which it assigned urban neighborhoods a ranking from A-rated ("best") (shaded in green) to D-rated ("hazardous") (shaded in red), as a guide to help the lending industry evaluate risk. Lenders considered areas classified as "hazardous" as bearing high financial risk and would often refuse to make loans collateralized by properties in those areas.

*Studies have shown that these "redlined" D-rated neighborhoods had a strong association with racial composition.* Historian Kenneth Jackson stated that "Black neighborhoods were invariably rated 'D,' as were any areas characterized by poor maintenance, poverty, or vandalism."<sup>24</sup> Recent research has questioned whether the HOLC's maps were responsible for changes in lending patterns or whether they codified the practice of racialized valuation that already existed.<sup>25</sup> Regardless, on average, home values in communities of color lagged those in white neighborhoods.



HOLC Residential Security Map for Chicago, IL. Areas marked in red were denied home mortgage loans by lenders due to their perceived credit risk.

## The role of FHA in increasing valuation bias

Similar to HOLC, FHA's policies also included a neighborhood risk rating methodology, which it incorporated into its underwriting manual. FHA's underwriting manual spoke to the risk of neighborhoods declining in value due to "adverse influences." The FHA underwriting manual from 1936 stated, "Usually the protection against adverse influences afforded by these means include prevention of the infiltration of business and industrial uses, lower-class occupancy, and *inharmonious racial groups*"<sup>26</sup> (emphasis added).

To avoid these "adverse influences," FHA's underwriting guidance encouraged lenders to consider restrictive covenants and zoning mechanisms as positive factors. Appraisers absorbed these race-based risk assumptions into their valuation practices. This contributed to the exclusion of Black neighborhoods from certain mortgage products. These practices limited Black households' access to homeownership.

In response, predatory agents sold Black households "FHA approved" dilapidated homes at inflated prices.<sup>27 28</sup> Meanwhile, white borrowers with access to suburban housing benefited from access to mortgages with lower down payments and longer amortization schedules.<sup>29</sup>

## Enactment of the Fair Housing Act and ECOA

The 1960s saw many discriminatory federal housing policies begin to be dismantled.<sup>c</sup> The Fair Housing Act of 1968 made it unlawful to discriminate against any person because of race, color, religion, or national origin in the provision of housing or in housing-related transactions. In 1974, Congress amended the Fair Housing Act to prohibit discrimination on the basis of sex. In 1988, it was amended to include disability and familial

<sup>c</sup> For example, Executive Order 11062 (November 1962) prohibited discrimination in the sale, leasing, rental, or other disposition of properties owned or operated by the Federal Government or provided with federal funds.

status as protected characteristics.<sup>30</sup> The Fair Housing Act also requires that all federal programs relating to housing and urban development be administered in a manner that affirmatively furthers fair housing.

Additionally, Congress enacted ECOA in 1974 to require that all individuals have an equal opportunity to obtain loans and other types of credit from financial institutions and lenders.

*Yet, as initially enacted, the Fair Housing Act did not explicitly include property appraisals.* As a result, the appraisal industry continued to use neighborhood demographics in property valuations. The Department of Justice (DOJ) sued four professional appraisal organizations in 1976, alleging they had “engaged in unlawful discriminatory practices by promulgating standards which have caused appraisers and lenders to treat race and national origin as negative factors in determining the value of dwellings and in evaluating the soundness of home loans.” DOJ also alleged that they had failed to “take adequate steps to correct the continuing effect of past discrimination and ensure non-discrimination by appraisers and lenders.”<sup>31</sup>

The resulting settlement required the defendants to adopt policy statements that clarified that the practice of treating race, ethnicity, or religion as a negative factor in real estate appraisals was unlawful. When Congress amended the Fair Housing Act in 1988, it *explicitly included appraising of residential real property* as a covered residential real estate-related transaction.<sup>32</sup>

### Appraisals in the U.S. housing market

An appraiser’s role is to provide an independent, objective, and unbiased opinion of the estimated market value of a residential property. Appraisers prepare appraisal reports for several reasons; this Action Plan primarily focuses on appraisals performed in support of mortgage lending. Appraisals are not the sole method of valuing residential

## The Fair Housing Act

The Fair Housing Act prohibits discrimination in the sale, rental, and financing of housing based on race, color, national origin, religion, sex, familial status, and disability.



**1968**

The Fair Housing Act is enacted **to lift barriers** that created separate and unequal neighborhoods on the basis of race, color, religion, and national origin.



**1974**

Congress amends **to prohibit discrimination based on sex.**



**1988**

Congress amends **to explicitly include appraisals.**

## Equal Credit Opportunity Act

Congress enacts ECOA in 1974 to promote the availability of credit to applicants without regard to race, color, national origin, sex, marital status, or age.

properties, but they are required in most purchase transactions, as well as in many refinance transactions. In mortgage lending appraisals, the borrower typically pays for the appraisal, but the lender is typically the appraiser’s client and is the intended user of the appraisal report.

The appraiser conducts the appraisal to both the standards of the Uniform Standards of Professional Appraisal Practice (USPAP) and to the requirements of the lender, which is in turn fulfilling its obligations to the ultimate holder of credit risk (e.g., the Government Sponsored Enterprises, Fannie Mae and Freddie Mac (“Enterprises”); or FHA, the U.S. Department of Veterans Affairs



(VA), or the U.S. Department of Agriculture (USDA), in many cases). Of note, in appraisals for VA loans, VA makes appraisal assignments on a rotational basis to VA fee-panel appraisers, so the process differs slightly.

In mortgage lending, *it is critical that the lender understands the value of the property collateralizing the mortgage loan*. The difference between the property value and the loan amount is a close proxy for the homeowner's home equity. Lenders calculate a metric called the loan-to-value (LTV) ratio to capture the impact of home equity as one of the dimensions of credit risk (credit risk is the risk of a lender taking losses if a borrower defaults on a mortgage). A borrower's home equity is predictive of both a borrower's likelihood of defaulting on the loan and the credit losses associated with the default.

All else equal, if a homeowner is facing financial hardship, but possesses significant home equity, the homeowner has both the motivation to avoid losing his or her home equity and options to avoid a default. Hence, an accurate property valuation is vital information for the holder of credit risk on a mortgage.

In a home purchase transaction, the mortgage appraisal also has value for the buyer, as the appraiser's opinion can also be a safeguard for the buyer against overpaying.



Appraisers traditionally estimate value by three approaches: sales comparison, cost, and income. The sales comparison approach is the primary practice for residential properties, in part due to guidance from the Enterprises and government insuring or guaranteeing agencies such as the U.S. Department of Housing and Urban Development (HUD), VA, and USDA. Under the sales comparison approach, the appraiser identifies recent nearby property sales with similar characteristics (comparable properties, or “comps”). The appraiser then adjusts the comp sales prices for observable differences in property characteristics, weighted by the appraiser's discretion, and then aggregates this to formulate a justifiable valuation for the subject property.

The appraiser uses his or her discretion in choosing and adjusting comps, and in weighting each comp sale's contributions to the value estimate. The appraisal's final value estimate—the appraiser's opinion of value—is sensitive to the appraiser's comp choices. An appraiser's decisions here are informed by his or her expertise and familiarity with the neighborhood and region, a competency that USPAP requires appraisers to demonstrate. Because of the importance of the appraiser's professional expertise, *there is a natural imprecision in the appraiser's valuation estimate* and a natural sensitivity to the subjective elements of the appraisal.

The degree of subjectivity embedded in an appraiser's work means that an appraiser can reasonably justify a range of values. For purposes of supporting lending, an appraiser uses his or her expert discretion to choose a single point value. In a purchase transaction with a contract price against which to compare, appraisal point value estimates can therefore reasonably land above or below the contract price.

## Evidence of mis-valuations

### Overvaluation and why it matters

When a property in a purchase transaction is appraised at more than a reasonable estimation of its

fair market value, it is an overvaluation. In purchase transactions, the appraised value is heavily swayed by the anchor of the contract price between the buyer and seller. Therefore, most purchase appraisals result in values that meet, or slightly exceed, the contract price, but may still be reasonable.

A recent study using Fannie Mae data found that 92.1 percent of appraised values on purchase transactions were equal to or above the contract price.<sup>33</sup> While most of these were within a reasonable range of the contract price, studies have shown that appraisals are likely affected by a form of upward confirmation bias that results from an incentive inherent to purchase appraisals.

As one report notes, when a buyer, seller, lender, and appraiser all have distinct financial interests in a sale and “[t]he appraiser understands the financial implications of having no transactions and, at the same time, wants repeat business via referrals...[t]he way to ensure the deal is to appraise slightly high.”<sup>34</sup> Other studies have borne out the prevalence of valuations above contract price in purchase appraisals and the reasons for it.<sup>35</sup> Some of the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act<sup>36</sup> (Dodd-Frank Act or Dodd-Frank) were written with an intention to mitigate this long-studied phenomenon.

Prior to 2008, systemic overvaluation helped support the rapid increase in home prices that set the conditions for the financial crisis.<sup>37</sup> In the wake of the crisis, the Enterprises implemented the Home Valuation Code of Conduct (HVCC), later replaced by portions of Dodd-Frank, in part to remove as much of the overvaluation incentive as possible by creating a degree of independence between the appraiser and the lender.

Even today, valuations above contract price are common.<sup>38</sup> Valuations above contract price in purchase transactions rarely cause problems with the purchase itself, but to the extent that they support a transaction out of line with market value, they may result in the



credit-risk holder undervaluing its risk, and may speed up irrational inflation of property values.

### Undervaluation and why it matters

While overvaluations introduce their own issues, recent studies have focused on *undervaluation patterns as creating a more harmful outcome for Black and other historically marginalized homebuyers*. While purchase transaction appraisals lower than contract price are not common, they appear to be *less* common in majority-white neighborhoods than they are in Black and Latino neighborhoods.<sup>39</sup>

For the purposes of this Action Plan, the Task Force will use the term undervaluation to refer to valuation estimates less than a reasonable estimation of market value, understanding that there is imprecision in that term. In purchase appraisals, when a property appraises at less than the contract price, it may be the sign of an undervaluation. A purchase appraisal below contract price is not necessarily inaccurate or harmful. In fact, an appraiser’s well-considered valuation that is less than a contract price can serve precisely as the control that appraisers are hired to provide. A fully justifiable valuation less than contract price can benefit both the buyer (who may then be prevented from overpaying) and the credit risk holder.

*Yet, an unfair or inaccurate undervaluation in a purchase transaction can be harmful to multiple parties.*<sup>40</sup>

<sup>41</sup> If an appraisal “comes in low,” the seller is not obligated to accept a lower contract price in response to the appraisal.

Especially in a seller’s market, the seller may be willing to bet that another bidder’s appraisal will “come in higher.” In those cases, the original buyer’s lender often cannot justify increasing the loan beyond underwriting guidelines, and hence may ask the buyer to come up with additional funding to make the deal work. Obtaining more funding can be difficult for many borrowers, especially borrowers of color, whose median wealth lags that of white borrowers.<sup>d</sup>

As a result, a below-contract purchase appraisal increases the likelihood by 7 percent that a property sale will be delayed or not completed.<sup>42</sup> This may harm both the buyer and the seller, as the buyer is unable to purchase the home, and the seller is unable to realize potential gains from the sale.

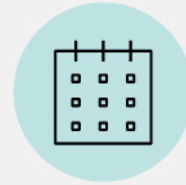
An undervaluation can also impact whether a borrower has to pay a mortgage insurance premium and the amount of that premium—costs which could significantly increase a borrower’s total monthly housing expenses. If a low valuation causes a borrower to have to cover the difference between the contract price and the appraised value, this could reduce the borrower’s down payment to the point where it prompts a private mortgage insurance (PMI) cost.

Alternatively, it is possible that the seller accepts a lower sales price supported by the lower appraisal. Studies have found that this is the most likely outcome of a valuation less than contract price.<sup>43</sup> While this outcome is helpful to the buyer, *it limits the seller’s realized home equity gains and therefore impacts the seller’s wealth.*

## Why do Borrowers Refinance their Homes?



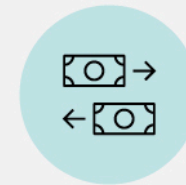
Lower monthly payments or interest rates



Shorten the term of the mortgage



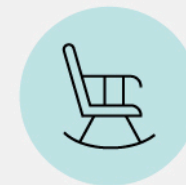
Pay for home repairs



Buffer during financial hardship



College payments



Retirement

In a refinance transaction, there is no immediate contract price informing the appraisal. However, the appraiser’s valuation still matters to all parties. A low valuation in a refinance transaction can result in the lender lowering the amounts available to borrow, or charging higher points or a higher interest rate as compensation for the apparent greater credit risk. In some cases, it can result in the borrower not being eligible for the refinance. In the common case where borrowers are seeking to access some of their realized home equity via a

<sup>d</sup> VA recognizes that low valuations can be harmful to veteran homebuyers, but uniquely features a procedure called Tidewater by which the veteran, lender, and agents are alerted if an appraiser needs additional information to support a contract price, allowing these parties a window of opportunity that could help the appraiser form a more accurate opinion of value. However, Tidewater is unique to VA because of the nature of its loan guaranty program as a benefit for veterans.



cash out refinance, a low valuation can reduce the amount of equity available to the borrower. For refinancing homeowners paying PMI, the home's valuation can also impact whether the homeowner will be eligible to drop the PMI coverage, thus avoiding a costly monthly premium.

*An individual undervaluation in a purchase transaction can affect valuations throughout the subject property's neighborhood* when it results in a renegotiation of the contract price. This lower contract price and sale then becomes a strong candidate for the next appraiser to choose the lower-priced sale as a comparable sale when appraising other homes in the same neighborhood.

When a neighborhood exhibits a pattern of low appraisals, the cumulative effect is a dampening of home values in that neighborhood, thus reducing the realized wealth of all of the neighborhood's homeowners. Compounded over time, even a slight imbalance of undervaluation can have a significant

effect on the accumulated wealth of the homeowners of a community.

An undervaluation in a refinance does not generally have the same influence because it does not result in a publicly transparent transaction. An appraisal above contract price in a purchase transaction does not exhibit an opposite positive effect because it does not prompt a contract price renegotiation.

### **Patterns of racial disparities in mis-valuations**

A recent study found evidence that purchase appraisals are more likely to be below contract price in communities of color. Using data from 2015 through 2020, Freddie Mac demonstrated in a 2021 study that 7.4 percent of appraisals in purchase transactions for properties in majority-white census tracts came in below contract price, compared to 12.5 percent of those in majority-Black neighborhoods and 15.4 percent in majority-Latino neighborhoods.<sup>44</sup>



If these results are indicative of past patterns, then *this would have a long-term depressive effect on home prices in Black and Latino neighborhoods*. In turn, this would have contributed to at least some of the racial gap in home equity wealth. Notably, the Freddie Mac study examines the prevalence of low valuations in neighborhoods and communities of color, but not the size or impact of those low valuations. However, prior evidence suggests that patterns of undervaluation, whether racially biased or not, can harm both buyers and existing homeowners who seek to sell or refinance.<sup>45</sup>

Undervaluation patterns in neighborhoods are not always directly traceable to racial and ethnic bias in individual appraisals. Housing markets with more distressed properties, fewer transactions, or rapid house price growth are correlated with undervaluation. Similarly, one-bedroom, older, and lower-valued properties are correlated with underappraisals.<sup>46</sup>

In purchase transaction cases where an appraiser has a large selection of similar and recent comps from which to choose, appraisers tend to choose comps and make comp weighting adjustments that reinforce the contract price.<sup>47</sup> Past research has demonstrated that Black and Latino neighborhoods are more likely to be “thin” markets with fewer closely-comparable properties. As a result, those markets are particularly sensitive to the subjectivity inherent in the sales comparison approach to appraisals.<sup>48 49</sup> In other words, Black and Latino neighborhoods can be more exposed to the subjective aspect of appraisals. *This sets the conditions for a magnified impact of racial and ethnic bias.*

More recent research suggests that appraisers’ comp selection for properties in Black neighborhoods may subtly differ from that for properties in white neighborhoods. Freddie Mac’s 2021 study found a statistically significant difference in the geographic distance between subject properties and their chosen comps when comparing subject properties in majority-Black and -Latino versus

majority-white neighborhoods. Appraisers appeared to choose comps for Black and Latino neighborhood properties in a narrower geographic range, in both urban and suburban areas.<sup>50</sup> This requires further study, but may show that appraisers choose comps differently for properties in Black and Latino neighborhoods.

Very recent research examined appraisals in refinance transactions by comparing appraisal valuations with those predicted by AVMs. The study found that appraised values in majority-Black neighborhoods are more likely to exceed AVM predictions by more than 10 percent in cases where the homeowner is white, and that this pattern is strongest in several southern states.<sup>51</sup>

The same study examined the drivers of the valuation differences and found differences in appraisers’ comp selection decisions between appraisals where the property’s homeowner was white and cases where the property’s homeowner was Black.

Past studies have pointed out the amount of discretion appraisers have in comp selection and have made the case that implicit perceptions of neighborhoods’ racial and ethnic characteristics—themselves influenced by the historical inequalities discussed above—may affect appraisers’ comp selection and weighting decisions.<sup>52</sup>

Another study presented evidence that, after adjusting for property characteristics and measures of



neighborhood amenities that differ between Black and white neighborhoods, an unexplained valuation gap persists.<sup>53</sup> Still, other studies have attempted to check appraisal accuracy in refinances and reverse mortgages where no sales are available, but only very recent studies have examined potential racial and ethnic bias in these transactions.<sup>54 55 56 57</sup>

### The impact of mis-valuations on families and communities of color

Accounting for the breadth of the literature, evidence suggests that racial and ethnic bias has been a contributing factor to the depressed values that appraisers in purchase transactions assign to properties in majority-Black and -Latino neighborhoods. Evidence also suggests that racial and ethnic bias affects refinance valuations as well.<sup>58</sup> Via this mechanism, *Black homeowners today are losing wealth-building potential* in part because of the perpetuation of historical discrimination and segregation.<sup>59</sup>

Property appraisals used in real estate transactions and mortgage lending are not the only valuations that may be vulnerable to racial and ethnic bias. Many jurisdictions generate revenue through a property tax that is based on a home's assessed value.

As with property appraisals, there is a legacy of racial discrimination in property tax assessments, though it is driven by different factors than those of residential lending valuations. This effect has taken the form of systemic relative overassessment

of Black-owned properties and neighborhoods for taxation, and therefore relatively higher tax burdens.<sup>60 61 62 63</sup>

The increased costs of higher tax burdens may be capitalized into lower sales prices. This may result in lower market value in historically marginalized neighborhoods, thus piling on to the apparent impact of racial and ethnic bias in mortgage transaction valuations. The Task Force has focused on appraisals performed in support of residential lending, but is aware that appraisals are not the only form of property valuation that affect communities of color.





# Early Progress Toward Transformation

SINCE THE INITIAL MEETING of the Task Force in August 2021, member agencies immediately engaged in exploring opportunities to advance equity. Task Force member agencies have taken the following actions prior to the issuance of this Action Plan:

## **Emphasized fair housing compliance for the FHA Appraisal Roster**

After the inception of the Task Force, HUD issued Mortgagee Letter (ML) 21-27 on November 17, 2021, <sup>64</sup> clarifying existing nondiscrimination requirements and the application of the Fair Housing Act to appraisers on the FHA Appraiser Roster. Specifically, this ML updated HUD Handbook 4000.1, Section I.B.1.d.i, Appraisers Post-Approval Requirements, to emphasize compliance with all applicable laws, including the Fair Housing Act and all other federal, state, and local antidiscrimination laws. It also added clarifying language to Section II.A.3.a.v, Quality of Appraisal, to emphasize the requirement for the mortgagee to ensure the appraisal complies with all such laws. Lastly, the ML restructured Section II.D.2, General Appraiser Requirements, into subsections to include and clarify guidance specific to nondiscrimination and compliance with FHA guidelines and appraiser conduct.

## **Initiated a review of equity in appraisal professional standards and qualifications for the appraisal industry**

The Appraisal Subcommittee (ASC) released an independent comprehensive legal and policy review of the USPAP and the *Real Property Appraiser Qualification Criteria*, as established by The Appraisal Foundation's (TAF's) Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB) respectively, as well as the 15-Hour National USPAP and 7-Hour National USPAP Update Courses required to attain and maintain licensure as an appraiser. The ASC will evaluate the study and use it to improve the appraisal regulatory system to promote fairness, equity, objectivity, and diversity in appraisals and the training and credentialing of appraisers.

## **Assisted banks in providing fair, unbiased services to communities of color**

The Office of the Comptroller of the Currency (OCC) launched Project Roundtable for Economic Access and Change (REACH), a consortium of leaders from the banking industry and civil rights organizations. Project REACH is working to facilitate improvements in the home appraisal and property valuation process, making sure that banks have the valuation information and data they need to underwrite their loans and manage their risks, and that the process is fair, objective, and free from bias. <sup>65</sup> Since its formation, Project REACH has initiated a number of working groups and projects aimed at addressing the racial wealth gap in homeownership, including targeted regional initiatives to expand homeownership for borrowers of color. For example, its Minority Depository Institution Pledge brought together over 20 banks “to invest in and support minority depository institutions to help them expand financial and capital access and narrow the racial wealth gap in the communities they serve.” <sup>66</sup>

### **Enhanced enforcement and data sharing through coordination**

In August 2021, HUD and the Federal Housing Finance Agency (FHFA) entered into a collaborative agreement to foster fair housing and fair lending coordination. Under this memorandum of understanding (MOU), the two agencies will focus on enhancing their enforcement of the Fair Housing Act, which HUD is primarily charged with administering and enforcing, and their oversight of the Enterprises and the Federal Home Loan Banks (collectively, the regulated entities), all of which FHFA regulates. The MOU will strengthen the agencies' ability to enforce fair housing and fair lending requirements, including those within the appraisal process, by promoting information sharing, coordination on investigations, compliance reviews, and the ongoing monitoring of the Enterprises.

### **Supported the enhancement of guidance related to appraisal bias**

In December 2020, FHFA issued a Request for Input (RFI) on appraisal-related policies, practices, and processes to gather input on how the Enterprises can improve the appraisal process. After reviewing data, appraisals, and other property valuations, FHFA publicly shared examples of the findings from this review, including references to race and ethnicity in the "Neighborhood Description" and other free-form text fields in the appraisal form. In November 2021, FHFA approved Fannie Mae's clarification to the Appraisals section of its Selling Guide to expressly prohibit purchase of mortgages based on valuations referencing or based on a protected class under the Fair Housing Act. Fannie Mae also added to its list of prohibited phrases in appraisals, identifying subjective statements that may be associated with bias. FHFA has also made it a requirement for the Enterprises to take additional steps to address appraisal bias in the 2022 Scorecard, which provides further incentive for change as the Scorecard is used to evaluate performance, influencing compensation for Fannie Mae and Freddie Mac executives. Finally, FHFA issued advisory bulletin (AB) 2021-04: Enterprise Fair Lending and Fair Housing Compliance, which established a supervisory expectation that the Enterprises not rely on discriminatory appraisals.

### **Expanded pandemic-era appraisal options that may reduce opportunities for bias**

In October 2021, FHFA announced that both Enterprises will incorporate "desktop appraisals" into their Selling Guides for many new purchase loans starting in March 2022. In March 2020, FHA also temporarily permitted optional "desktop appraisals"<sup>67</sup> in response to the COVID-19 pandemic. Desktop appraisals allow an appraiser to conduct an appraisal remotely, without a physical inspection of the property, which could limit the potential for racial or ethnic bias to impact the valuation. FHFA's decision was the result of a thorough review of data collected from use of the loan flexibilities, as well as input received from its RFI and a public listening session on appraisal-related policies, practices, and processes.

### **Advanced equity in the appraiser workforce through scholarships and other diversity, equity, and inclusion initiatives**

Over the past several years, the Enterprises have partnered with the National Urban League and the Appraisal Institute on the Appraiser Diversity Initiative (ADI), an initiative to attract new entrants to the residential appraisal field. ADI is intended to foster diversity and overcome barriers to



entry by expanding outreach and awareness of appraisal and valuation equity initiatives. ADI offers workshops to inform aspiring appraisers about the requirements to become an appraiser and the career opportunities available. ADI also offers scholarships to aspiring appraisers to assist with the appraiser education, training, and experience requirements. Additionally, ADI's industry partners, including lenders and mortgage advisors, help facilitate appraiser-supervisor relationships with appraiser trainees to help lower barriers to entry for the profession.



### **Encouraged the appraisal industry to align its antidiscrimination standards with those of federal law**

On February 4, 2022, the Consumer Financial Protection Bureau (CFPB), the Federal Reserve Board (FRB), OCC, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), HUD, FHFA, and DOJ sent a comment letter to TAF regarding the current draft of the 2023 Edition of USPAP standards, advocating for consistency with all applicable nondiscrimination standards provided in federal law. USPAP provides that “[a]n appraiser must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.” The Fair Housing Act and ECOA together prohibit all discrimination in home appraisals based on race or other protected characteristics, not just “unsupported” conclusions based on protected characteristics. The letter also reemphasized the fact that the provisions of the Fair Housing Act and ECOA that prohibit discrimination extend to appraisals.



### **Clarified that the Fair Housing Act prohibits discrimination in appraisals**

On February 14, 2022, DOJ filed a statement of interest to make clear that the Fair Housing Act prohibits discrimination in home appraisals. The statement relates to a motion to dismiss filed in *Austin, et al. v. Miller, et al.* (N.D. Cal.), a private lawsuit alleging that the defendants violated the Fair Housing Act by discriminating on the basis of race in a home appraisal. After the defendants' appraisal, the plaintiffs – a Black couple – erased all evidence of race from their home and had a white friend pose as the homeowner for a second appraisal, which set the home's value at nearly \$500,000 more. The statement of interest explains that appraisers may be liable under the Fair Housing Act, highlights the United States' commitment to combat appraisal discrimination, provides an overview of the Fair Housing Act's broad purpose and remedial intent, and addresses the pleading standard for Fair Housing Act claims.

# Task Force Commitments

The Task Force has grouped its commitments into the following categories:



Strengthening guardrails against unlawful discrimination in all stages of residential valuation



Enhancing fair housing / fair lending enforcement and driving accountability in the industry



Building a well-trained, accessible, and diverse appraiser workforce



Empowering consumers to take action



Giving researchers and enforcement agencies better data to study and monitor valuation bias

Additionally, the Task Force has identified several areas which require more analysis than the Task Force's 180-day timeline allowed, but which have the potential to make a significant difference in ensuring fair and accurate home valuations for all communities. This Action Plan discusses those areas following the discussion of the above commitments.

The Task Force believes that *these actions will substantially reduce the prevalence and impact of racial and ethnic bias in residential property valuation.*



## 1. Strengthening guardrails against unlawful discrimination in all stages of residential valuation

Regulators, and agencies with regulatory responsibilities, play a critical role in advancing appraisal equity by providing supervision, regulation, and oversight over key actors in the mortgage and appraisal industry. Federal banking supervisory agencies and regulators represented within the Task Force exercise broad oversight and compliance authority over the lending practices of:

- National- and state-chartered mortgage lenders;
- Non-depository mortgage originators and servicers;
- Federal Home Loan Banks; and
- Fannie Mae and Freddie Mac.

The Fair Housing Act not only covers the lending practices of these entities but also directly covers actors in the appraisal industry, including appraisers and AMCs. Nearly all segments of the residential home lending market are regulated or influenced by one or more Task Force member agencies, including:

- Conventional loans purchased by the Enterprises (FHFA);
- Loans insured or guaranteed by HUD, VA, and USDA;
- Other loan products (e.g., jumbo loans, etc.) originated by depositories (FRB, FDIC, OCC, NCUA, CFPB); and
- CFPB authorities with respect to consumer lending.

Task Force agencies generally exercise oversight and compliance authority through:

- The issuance of guidance and regulations;
- Examination of banking and lending practices;
- Administrative or other legal enforcement actions and penalties for non-compliance; and
- Consumer outreach and education.

As part of its mission to address discrimination in the appraisal industry, the Task Force evaluated regulatory action that may be undertaken to better address racial and ethnic bias in home valuations. It also defined a set of commitments to improve effective oversight for property valuation by both government entities and industry stakeholders.

#### Action 1.1

### **Clarify the application of the Fair Housing Act and ECOA to the appraisal industry to ensure appraisers have clear guidance on antidiscrimination obligations under current federal laws.**

Although FHA recently issued guidance on the application of the Fair Housing Act to appraisers on the FHA Appraiser Roster, there is no federal guidance dedicated to the broad application of the Fair Housing Act and ECOA to the appraisal industry as a whole. In the absence of this guidance, the appraisal industry lacks clarity around its antidiscrimination obligations under current federal laws.

#### **Actions:**

- CFPB, DOJ, VA, and HUD will issue guidance on the Fair Housing Act's and ECOA's application to the appraisal industry.

#### Action 1.2

### **Update agencies' and Enterprises' appraisal-specific policies and guidance to reflect how nondiscrimination requirements apply to appraisers within these agencies' and Enterprises' programs.**

Consistent with the Fair Housing Act and ECOA, the federal financial regulators, HUD, USDA, VA, and the Enterprises, have policies that prohibit discrimination and require all participants to comply with the Fair Housing Act and ECOA. However, not all have specific guidance directed to appraisers or regulated institutions' use of appraisals.

As a result, appraisers working within guidelines of insuring agency or Enterprise programs might not understand how they are expected to apply the Fair Housing Act and ECOA to those programs. Likewise, appraisers performing work for financial institutions under the purview of regulatory or other agencies might not understand how they are expected to apply the same laws, specific to those institutions.

#### **Actions:**

- NCUA, FRB, FDIC, OCC, HUD, USDA, VA, and FHFA will ensure that appraisers or regulated institutions' use of appraisals are directly included in supervisory Fair Housing Act and ECOA compliance requirements, and are considered in every review of relevant existing and future policies and guidance.

**Issue guidance and implement new policies to improve the processes by which a valuation may be reconsidered if the initial valuation is lower than expected.**

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A reconsideration of value (ROV) may be requested by consumers to reassess the analysis and conclusions of their initial appraisal when provided with additional information that may affect the value conclusion. Consumers can provide information to a lender during an ROV request that includes additional comparable property information and additional information pertaining to characteristics of the subject property, such as square footage. An ROV offers consumers who suspect that their appraisal may have been influenced by racial or ethnic bias an avenue by which they might be able to request a different valuation that results in a better outcome.

In 2018, TAF issued a white paper recognizing the lack of consistent, industrywide policies and guidelines related to the ROV process and identifying a need for greater awareness of the ROV process and consistency in methods. More recently, a HUD investigation and conciliation pursuant to the Fair Housing Act emphasized the need for lenders to have clear, robust ROV processes—a need also highlighted by multiple recent news stories.

Under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the prudential regulators (NCUA, OCC, FDIC, and FRB) currently require depository lenders to review appraisals conducted on their behalf and ensure that they comply with USPAP. Today, USPAP standards do not specifically address how ROVs can be considered in appraisal review processes. Title XI also provides that an agency “may require compliance with additional [appraisal] standards if it makes a determination in writing that such additional standards are required in order to properly carry out its statutory responsibilities.”

However, most of the federal financial regulators and agencies with regulatory responsibility currently do not offer guidance on ROV processes. Prudential regulators are exploring ways to utilize their ability to supervise lenders and lender appraisal practices to help ensure that valuations are free of bias and that reconsideration options are available as necessary.

**Actions:**

- HUD will require FHA lenders to track usage and outcomes of ROVs and to report this data to FHA via FHA systems, leveraging insight from VA’s existing ROV process where helpful, so that HUD can better identify patterns of ROV usage and evaluate the impact ROVs might have on possible discrimination.
- NCUA, FDIC, OCC, and FRB will issue guidance regarding ROVs. Issues that the agencies will consider addressing in the guidance would include examples of effective practices in using ROVs, and whether there are any measures that lenders can take to encourage greater use of ROVs. Prudential regulators will also review authorities and determine the potential for rulemaking related to ROV processes, as rulemaking would drive additional accountability beyond that of guidance.

**Strengthen the standard appraisal dataset and data collection forms to reduce opportunities for appraisers to apply subjective criteria.**

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Lenders must submit appraisals as a part of mortgage loans sold to Fannie Mae and Freddie Mac. Lenders submit appraisals electronically and in compliance with the Uniform Appraisal Dataset (UAD) and the related Uniform Residential Appraisal Report (URAR) form, which standardize definitions, requirements, and responses for appraisals. The UAD and URAR are also used to inform the Enterprises' AVMs. FHFA is currently guiding a UAD and Forms Redesign Initiative for the industry.

In 2021, FHFA conducted a review of historical appraisals<sup>68</sup> that revealed many overt and indirect references to race, ethnicity, and other prohibited traits in certain commentary fields. FHFA's analysis suggests that in certain instances, race and ethnicity can factor into an appraiser's opinion of value. FHFA released examples of its findings to the public, specifically in appraisers' commentary about neighborhoods' impact on home values, including references to:

- Neighborhood amenities geared to a racial, ethnic, or religious group;
- Neighborhoods' historical immigration and demographic transition patterns;
- Languages spoken in an area; and
- Racial and ethnic makeup as part of neighborhood descriptions.

Currently, the form reminds the appraiser that race and the racial composition of the neighborhood are not appraisal factors, and the appraiser must certify that race and other protected classes didn't factor into the valuation opinion. However, this recent FHFA analysis has found evidence that racial and ethnic factors can sometimes still be mentioned within the free-form commentary fields of the form. As the Enterprises are modernizing the form and the associated dataset, they should strengthen the form so that there is less opportunity for appraisers to apply subjective (and therefore potentially biased) criteria, while protecting the ability of the appraiser to value investments in the property and other intangibles that cannot be perfectly captured via quantitative fields. Less reliance on free-form text will also allow other stakeholders (such as lenders and AMCs) to better recognize instances where the appraisal does not adhere to discrimination prohibitions.

Additionally, the data collected on the existing form and related dataset may fall short of giving researchers the complete picture they need to resolve unanswered questions about appraisal bias and to calculate accurate metrics to measure bias. For example, some studies identified what appear to be mis-valuations but lacked the data to investigate the fundamental drivers of the mis-valuations.

Additionally, research into certain geographies (such as rural areas) has been stymied by a lack of rich, available data applicable to those areas. It is likely there are additional data elements that can be collected and disseminated, which will help researchers identify potential racial and ethnic bias, as well as help regulators and other agencies better monitor compliance with fair lending laws.

### **Actions:**

- FHFA will ensure the redesigned UAD and URAR capture more objective data points and lessen reliance on free-form commentary, to reduce opportunities for subjective commentary by appraisers.
- FHFA will direct the Enterprises to update the URAR to increase the prominence of the nondiscrimination certification.
- FHFA will direct the Enterprises to update the URAR Form to strengthen the language of the form's Appraiser's Certification line item #17, in which the appraiser certifies that his or her opinion was not based on discrimination.
- The Task Force will examine additional elements in the URAR that may have a connection to discrimination in appraisals and will make recommendations to FHFA for potential modification:
  - Designation of Declining Market Areas: An appraiser's designation of a market's property valuation trends as "declining" on the URAR can potentially result in disparities in appraisals and valuations. The Task Force will evaluate how appraisers designate markets as declining, in both urban and rural settings, to ensure that the designation is used in unbiased and nondiscriminatory ways.
  - Designation of Uniform Neighborhood Boundaries: Currently, appraisers have a lot of discretion in determining neighborhood boundaries, which can impact the comparable sales that an appraiser uses. The Task Force will further explore whether designating uniform neighborhood boundaries could minimize discretion and ambiguity in the appraisal process and potentially reduce opportunities for bias without impeding an appraiser's ability to accurately capture all the factors that inform the opinion of value. The Task Force recognizes that neighborhood boundaries are not necessarily equally clear in rural versus urban and suburban areas, and therefore any resulting guidelines will have to avoid being overly deterministic.
- If there are research questions that are not fully answerable with the data currently available and some gaps can be filled through changes to the data collected on each appraisal, Task Force agencies will provide a list of data elements for FHFA to consider incorporating into its URAR and UAD redesign efforts to address discrimination.

#### **Action 1.5**

### **Address potential bias in the use of technology-based valuation tools through rulemaking related to Automated Valuation Models (AVMs).**

The Task Force's purview focused on appraisals, but its evaluation of government responses has included consideration of appraisal alternatives such as AVMs. The Dodd-Frank Act required regulators of mortgage financing to promulgate a rule that establishes quality control standards for AVMs. Dodd-Frank defined AVMs as "any computerized model used by mortgage originators and secondary market issuers to determine the collateral worth of a mortgage secured by a

consumer's principal dwelling.”<sup>69</sup> These models typically build on the sales comparison approach used in appraisals, but the selection, adjustment, and weighting are often based on statistical correlations among previous transactions, producing an estimate for a property in average condition, often without observing the condition of the property being appraised.

While AVMs have the potential, if properly used, to reduce human bias and improve consistency in decision-making, they are not immune from the risk of discrimination. For example, the models may rely upon biased data that could replicate past discrimination or even data that could include protected characteristics, such as race, or very close proxies for them. Moreover, if an algorithm were to generate discriminatory results, the harm could be widespread because of an AVM's scale.

**Actions:**

- Agencies participating in AVM rulemaking commit to address potential bias by including a nondiscrimination quality control standard in the proposed rule.

**Action 1.6**

**Develop a legislative proposal that modernizes the governance structure of the appraisal industry to improve transparency and public participation in the establishment of appraisal standards and appraiser qualification criteria, and to advance diversity in the profession.**

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Title XI of FIRREA established the present-day appraisal regulatory system, including authorization for TAF to establish minimum appraiser qualification criteria and uniform standards for the appraisal practice. TAF is a private organization, and the criteria and standards that TAF establishes have a material impact on the financial services industry, consumers, and regulators. The ASC has monitor and review authority over the practices, procedures, activities, and organizational structure of TAF, but no enforcement authority. Today, TAF establishes these standards and appraiser qualification criteria through a limited-exposure draft process. As compared to the Federal Register notice and comment process, this minimizes broader participation from stakeholders, including residential and commercial lending regulators, and in particular, those overseeing fair housing and fair lending, during the development of industry-wide appraisal standards and appraiser qualification criteria.

**Actions:**

- In consultation with Congress, Task Force agencies will pursue legislation to modernize the governance structure charged with setting and enforcing the standards and qualifications criteria. The Task Force believes the existing governance structure needs to be fundamentally reassessed to meaningfully advance equity in the industry. This may include, at minimum: introducing new mechanisms for review that would screen for equity impacts in proposed residential appraisal standards and appraiser qualification criteria; and proposing process changes pursuant to Administrative Procedure Act (APA) rulemaking procedures, allowing more diverse groups beyond the appraisal industry to comment and influence the final form of the criteria.





## 2. Enhancing fair housing / fair lending enforcement and driving accountability in the industry

The current federal enforcement landscape governing the lending and appraisal industry is complex and fractured, spanning at least six executive and independent agencies. Like real estate brokers, agents, and mortgage lenders, home appraisers must comply with the Fair Housing Act, which prohibits housing and lending discrimination based on race or color, religion, sex, national origin, familial status, or disability. Creditors must also comply with ECOA, which bars discrimination on a prohibited basis in any aspect of a credit transaction.

While the exact number of instances of valuation bias is difficult to assess, recent media accounts, coupled with data and history regarding lending and appraisal practices, reflect a persistent mis-valuation and undervaluation of properties experienced by borrowers and communities of color. Various federal, state, and local agencies process allegations related to appraisal bias, contributing to consumers' uncertainty on where they should seek relief. For consumers, there remains a lack of awareness on where to seek relief.

The Task Force's review of valuation-related authorities illuminates the need for a cohesive, consistent regulatory framework that streamlines and strengthens fair housing and fair lending enforcement. This will increase accountability across the industry to address valuation-related bias. In some cases, statutory changes may be required. For example, the Task Force recommends legislation to amend Title XI of FIRREA to expand the list of agencies with enforcement authority over appraisal requirements. Title XI of FIRREA grants enforcement authority to specified financial institutions' regulatory agencies to ensure that appraisals are performed to certain standards, but some agencies (such as FHFA) that were created after enactment of FIRREA are not included. This legislative change to include in FIRREA all agencies with appraisal oversight responsibility will improve agencies' ability to protect against racial and ethnic bias in appraisals performed for loans underwritten by those agencies' regulated entities.

### Action 2.1

#### **Strengthen coordination among supervisory and enforcement agencies to identify discrimination in appraisals and other valuation processes.**

Without a clear set of practices, policy standards, or procedures to guide the identification and addressing of appraisal bias, there is potential for inconsistent practices across federal enforcement and supervisory agencies. These inconsistencies could impede elimination of racial and ethnic bias by, for example, creating uncertainty and confusion within the lending and appraisal industries about expectations around discrimination complaint referrals.

In addition, without clarity into what patterns may indicate the presence of racial or ethnic bias, agencies with visibility into data may not always know what to look for in referring potentially actionable cases to the appropriate enforcement agency. As a result, actionable instances of bias may be escaping appropriate investigation.



### **Actions:**

- Task Force agencies will collaborate to align investigative protocols with respect to allegations of racial and ethnic bias in the valuation process. This includes identifying gaps in current methods, practices, data, and standards used by enforcement agencies when investigating complaints of alleged racial and ethnic bias in valuation processes.
- Task Force agencies responsible for enforcement of anti-discrimination laws in mortgage transactions will collaborate to: a) develop approaches to data analysis that identify discrimination, and b) identify case studies illustrating facts that agencies have found to support taking action on valuation discrimination.

#### **Action 2.2**

### **Revise existing agreements between agencies involved in the enforcement of and compliance with fair lending and fair housing laws, as necessary, to increase collaboration among the agencies regarding appraisal discrimination.**

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Today, each enforcement agency has access to only a partial picture of appraisal data, active enforcement actions, and complaint information across the U.S. housing market. To coordinate approaches in combatting discrimination in appraisals, agencies must be able to effectively and efficiently share information to gain insights into possible discrimination in valuations.

### **Actions:**

- The federal banking supervisory agencies, CFPB, DOJ, HUD, VA, NCUA, and FHFA, will determine whether modifications to existing MOUs or development of new MOUs are needed to improve information sharing to address appraisal discrimination.

#### **Action 2.3**

### **Expand regulatory agency examination procedures of mortgage lenders to include identification of patterns of appraisal bias.**

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Regulatory agency examiners conduct reviews of real estate-related credit transactions, which may include a review of appraisals, to determine compliance with USPAP standards, federal non-discrimination law, and reasonableness of opinion of value. During the reviews, examiners typically review a sample of transactions; however, the examination procedures may not be tailored to best identify patterns of appraisal bias.

### **Actions:**

- NCUA, OCC, FDIC, FRB, and CFPB will, as needed, devise and implement changes to how examinations of mortgage lenders under their purview are conducted, develop examination aides and appropriate examination manual changes, and train staff on enhanced examination and data collection procedures. For example, examinations can: look for evidence that a mortgage lender's compliance management programs are considering appraisal bias as a risk, collect

additional information on appraisal attributes, and tailor exam aides to evaluate irregularities in appraisals documented in a loan file.

- NCUA, OCC, FDIC, FRB, and CFPB will conduct annual data analysis and reviews of their examinations, as needed, to improve their examinations' effectiveness in identifying patterns of bias in valuations.



### 3. Building a well-trained, accessible, and diverse appraiser workforce

The cost and burden of becoming an appraiser is extremely high, contributing to appraiser shortages and making it more difficult for underrepresented groups—including people of color and women—to access the profession. According to the Department of Labor's (DOL) Bureau of Labor Statistics (BLS), the appraiser/assessor profession is 97.7 percent white, and women comprise only 30.4 percent of the workforce, making appraisers perhaps one of the least diverse professions in the country.<sup>70</sup>

The AQB establishes the real property appraiser qualification criteria, including education, experience, and examination requirements. A summary of these requirements can be found in *Table 1*.

*Table 1: AQB-Established Appraiser Qualification Requirements*

Appraiser Classification	College Degree Requirement	Education Hours	Experience Requirement	Exam
Licensed Residential Appraiser	None	150 hours	1,000 hours in no fewer than six months	Licensed Residential Real Property Appraiser Exam
Certified Residential Appraiser	<ul style="list-style-type: none"> <li>• Bachelor's degree, OR</li> <li>• Associate's degree in a focused field of study, OR</li> <li>• 30 college semester credit hours in specified topics, OR</li> <li>• 30 semester credit hours of CLEP exams in specified topics</li> </ul>	200 hours	1,500 hours in no fewer than 12 months	Certified Residential Real Property Appraiser Exam
Certified General Appraiser	<ul style="list-style-type: none"> <li>• Bachelor's degree</li> </ul>	300 hours	3,000 hours in no fewer than 18 months; 1,500 hours must be in non-residential work	Certified Real Property Appraiser General Exam

Based on these criteria, it can take an individual several years to become a Certified General Appraiser, a longer timeline than is required in many other professional fields. Those seeking to become an appraiser must train under a Supervisor Appraiser who is responsible for overseeing their training, education, and experience. This presents a major barrier to entry for aspiring appraisers, especially for people of color and others without a previous connection to the profession. Finding a supervisor can be difficult, as there is no formal process to help aspiring appraisers find a willing supervisor, and there is little incentive for

established appraisers to take on an unpaid role. TAF's Practical Applications of Real Estate Appraisal (PAREA) could provide an alternative to the traditional supervisor-trainee model.

Appraisers are typically classified as independent contractors, which often requires them to self-fund training and professional development opportunities. New trainees are often dependent upon friends and family-based networks to support their training requirements and professional development. This approach contributes to inequitable outcomes in highly race- and sex-segregated occupations. Employment-based models, which offer more paid training and professional development, have more tools to diversify professions.

The Task Force will work to lower barriers to entry in the appraiser workforce, to include proposing changes to the AQB criteria and engagement with state appraisal regulatory agencies to identify leading practices that could be scaled nationally to advance equity in the appraiser workforce. In some cases, statutory changes may be required. For example, the Task Force recommends that Congress consider legislation to allow licensed appraisers (which have less rigorous college degree, education, and experience requirements than Certified Residential or Certified General Appraisers) to be placed on the FHA Appraiser Roster. Appraisers must appear on the FHA Appraiser Roster to conduct appraisals for FHA-insured mortgages, but the criteria for entry onto the roster are stricter than those of most other industry participants. According to HUD data, since 2008, when legislation was enacted to limit participation on the roster to Certified Residential or Certified General Appraisers, the percentage of Black appraisers on the roster has declined by nearly 23 percent over the same time frame that the overall roster declined by only 7 percent, contributing to the lack of diversity in the profession.

#### Action 3.1

### **Update appraiser qualification criteria related to appraiser education, experience, and examination requirements to lower barriers to entry in the appraiser profession.**

The lack of diversity within the appraiser workforce can contribute to patterns of mis-valuation in communities of color. Efforts to diversify the industry face numerous barriers. The credentialing requirements to become an appraiser are extensive, including a four-year college degree for certain certifications, additional educational requirements, and up to 3,000 hours of sometimes unpaid experience to be completed as a trainee under the guidance of a supervisor.

The experience requirements have proven to be especially problematic. Given that supervisors are not compensated for such work but sometimes must be on site while trainees work and are potentially training future competition, established appraisers have little incentive to take on trainees outside of their friends and family-based networks. This has resulted in limited opportunities for new entrants to the occupation to complete the mandatory training requirements. Even when a trainee can find a supervisor, the ability to complete the requirement is limited to those who can afford to do so. These requirements present significant barriers to entry for underrepresented and disadvantaged groups, including people of color.

#### **Actions:**

- Task Force agencies will send a joint letter to TAF's AQB and release a joint statement, requesting consideration of the following changes to appraiser qualification criteria:

- *Reduce or eliminate AQB experience requirements.* Lowering the minimum requirements set by the AQB could remove unnecessary barriers to entry that add considerable time and expense to the process of becoming an appraiser, particularly for women and people of color.
- *Provide additional justification for the college degree requirement for the Certified Residential Appraiser and Certified General Appraiser classifications or eliminate it entirely.* There is little existing support that a college degree makes appraisers more ethical, accurate, or credible. Alternatively, if evidence is developed supporting a college degree requirement, automatically qualifying relevant real estate programs from accredited Institutions of Higher Education as fulfilling the credentialing requirements to sit for an exam will expand access and pathways to the profession. Currently, no degree programs fully satisfy the AQB's education requirements for certification—even post-secondary degrees.
- *Develop a comprehensive exam as an alternative path to credentialing.* Once passed, it would earn the individual a credential, which states would have the opportunity, at their discretion, to accept in lieu of some or all additional requirements. This model has had success in other professions (e.g., accountants).

#### Action 3.2

### **Increase engagement with states' appraisal regulatory agencies to help remove barriers to entry and advance diversity in the appraiser workforce.**

AQB criteria operate as a “floor,” above which states may introduce additional requirements. In addition to the extensive education, experience, and examination requirements put forward by the AQB, several states have in place additional requirements that must be completed in order to become an appraiser.

Title XI of FIRREA requires the ASC to make grants to the states in accordance with policies developed by the ASC in support of state enforcement activities, in addition to other areas. The ASC provides grant funds for the development and support of state appraiser regulatory programs.

Several states are using innovative models to reduce barriers and advance equity in their workforces. South Dakota State University (SDSU) has developed a program that allows aspiring appraisers to satisfy all education and experience requirements while completing a bachelor's degree. Mississippi is launching a nine-month program that allows participants to complete the education and experience requirements to become a licensed residential appraiser, with a plan to provide stipends to participants in the condensed program. Georgia allows for appraisers hired by the Department of the Interior (DOI) to fulfill experience requirements while employed with DOI, providing guaranteed access to a supervisor and stable income for trainees. These programs are recruiting participants from underserved areas of their states, including communities of color, to address significant workforce shortages.

### **Actions:**

- The PAVE Task Force website will publish or link to requirements for all state-level appraiser certifications, including those from states with requirements above those put forward by the AQB – thereby increasing transparency and driving state action, as appropriate.
- ASC staff will engage with each State Appraiser Regulatory Program in an annual session focused on advancing equity in each respective Program. Topics may include: reviewing state appraiser qualifications to identify and eliminate burdensome requirements; creating employment opportunities within State Boards and personnel for people of color, women, veterans, persons with disabilities, and other underrepresented populations; and developing innovative alternatives to the supervisor-trainee appraiser model.
- The ASC will make available \$3.3 million in grants to states annually in Fiscal Years 2022 and 2023 to support innovative approaches at the state level to advance more equitable state appraiser certification and licensing systems. This may include: alternatives to the supervisor-trainee model, improving the supervisor-trainee process by introducing incentives or alternate ways for appraisers to become supervisors, new training that improves the effectiveness of supervisors, and education modules that shorten the timeline for becoming a licensed or certified appraiser.
- The ASC will conduct a technical assistance initiative to help states understand the flexibilities they possess and work with them to establish alternative pathways.
  - This could include reminding states that there is flexibility with AQB experience requirements and that states have the authority to recognize college degrees and workforce training programs as fully satisfying the educational requirements in their state.
  - ASC staff will engage, and will encourage state agencies to engage, Tribes, Tribal Colleges, veterans groups, Historically Black Colleges and Universities (HBCUs), Minority-Serving Institutions (MSIs), and community colleges on developing the next generation of appraisers.
- The Task Force will seek to expand the use of paid trainee models, such as the DOI example mentioned above, to help remove barriers to entry and advance equity in the appraiser workforce.
- As another example of a paid trainee model, DOL and the ASC will seek to develop Registered Apprenticeship programs as an alternative pathway to an appraiser credential. They will also seek to establish a Registered Apprenticeship for federally-employed appraisers, like those employed by DOI, to allow agencies to provide paid on-the-job training while the apprentices attend courses.

#### Action 3.3

**Require appraisal anti-bias, fair housing, and fair lending training for all appraisers who conduct appraisals for federal programs and work with the appraisal industry to require such trainings for all appraisers.**

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The AQB's *Real Property Appraiser Qualification Criteria* currently provides, but does not require, fair housing and appraisal bias education for new applicants. Similarly, the existing required training for appraisers on the FHA Appraiser Roster and VA Appraiser Panel does not include components covering diversity, equity, inclusion, or the application of the Fair Housing Act to the appraisal industry. As a result, the existence and quality of these educational offerings vary significantly across states.

#### **Actions:**

- HUD, USDA, and VA will propose rules to develop and require appraisal bias, fair housing, and fair lending training for the current appraiser workforce supporting their agencies' programs and appraisers applying to support their agencies' programs.
- The Task Force recommends that TAF update AQB criteria to include appraisal bias and fair housing training in the *Real Property Appraiser Qualification Criteria* as a requirement for all aspiring and licensed/certified appraisers, as well as during the recertification process.



## **4. Empowering consumers to take action**

A critical component in addressing the impact of potential bias during the appraisal process is educating consumers and communities on their rights. However, consumers are typically unfamiliar with the appraisal process and are unaware of their rights in the process of buying, selling, or refinancing their homes. Empowering consumers with this knowledge, as well as providing them with centralized resources for reporting suspected violations, can help ensure that consumers can defend their rights during the appraisal process. The Task Force has identified new and existing resources that can be leveraged to both increase consumer education on this topic and better centralize available resources for consumers and communities.

#### Action 4.1

**Update and clarify government resources for consumers who believe they may have experienced appraisal bias.**

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Pursuant to Dodd-Frank, the ASC operates a hotline to refer complaints about non-compliance with USPAP or appraiser independence standards from homebuyers, lenders, appraisers, and others to the appropriate regulator. In instances of alleged appraisal bias, the hotline merely provides general information on where one may seek relief at the federal and state level; however, it currently does not provide referrals to applicable enforcement agencies, based on the nature of the complaint.

In addition, government websites that are in place to provide resources to consumers are not properly educating consumers on appraisal bias. For example, HelpWithMyBank.gov is an official OCC website that provides information and assistance for customers of national banks and federal savings associations. The website allows consumers to file, check the status of, and appeal the final disposition of banking-related complaints, including appraisal complaints. The current website contains limited explanatory information regarding appraisals and does not address possible discrimination in appraisals.

**Actions:**

- The ASC will develop a strategy to expand the hotline to provide a referral for potential victims of appraisal discrimination, to include HUD's Office of Fair Housing and Equal Opportunity (FHEO) and CFPB for individual complainants; the Civil Rights Division of DOJ and HUD-FHEO for pattern or practice complaints; and appropriate state agencies for individual, pattern or practice complaints. The ASC will share hotline data with these agencies, as appropriate, and will update the hotline website to include information pertaining to fair housing and lending laws and how they pertain to appraisals and appraisers.
- CFPB will encourage lenders to provide borrowers with information on the available means to reconsider valuations (e.g., appraisals, AVMs) that borrowers believe to be inaccurate. For example, such information might potentially be included together with copies of valuations provided to borrowers as required by the ECOA valuation rule.
- OCC and FDIC will update frequently asked questions on their websites (e.g., OCC's Help-withmybank.gov) to address additional appraisal-related issues so that consumers can learn more about appraisals, recourse options, and available resources.

Action 4.2

**Incorporate appraisal bias information into first-time homebuyer education courses.**

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Many homebuyer programs designed to assist low-and moderate-income purchasers and homebuyers of color require first-time homebuyer education courses. These courses provide an opportunity to educate underserved communities about issues of appraisal bias and the rights of potential victims of appraisal bias. Today, homebuyer courses can be improved to: educate consumers more explicitly on appraisals, help them identify mis-valuations, and provide resources to file a fair housing complaint or dispute an appraisal.

**Actions:**

- The Task Force recommends that the National Industry Standards for Homeownership Education and Counseling update its Pre-Purchase Education Standard Homeownership Education Content to include information pertaining to appraisal bias and consumers' rights to dispute a potentially biased appraisal.
- HUD's Office of Housing Counseling (OHC), in conjunction with HUD-FHEO, will draft an appraisal bias training module for first-time homebuyer education providers to use during the course of first-time homebuyer education classes.



- HUD-FHEO will create educational materials explaining appraisal bias and advising consumers of their rights to dispute biased appraisals through the ROV process and file administrative complaints, to be distributed to attendees of first-time homebuyer education courses; this information will also be posted on HUD's website.

#### Action 4.3

### **Train housing counselors to empower them to assist potential victims of appraisal bias as part of pre- and post-purchase homeownership counseling.**

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Homeownership counseling is offered to consumers by HUD-Approved housing counseling agencies to help consumers make informed decisions throughout the homeownership or life of loan process, including purchase, mortgage application, servicing, refinance, and sales. HUD-Certified Housing Counselors receive ongoing training and continuing education to ensure best-in-class services to assist clients facing a variety of home buying- and homeownership-related issues. HUD-OHC, HUD-FHEO, and their grantees have an opportunity to provide training to counselors to effectively provide counseling services to clients who are experiencing problems with appraisals/valuation, including appraisal bias and discrimination.

#### **Actions:**

- HUD-OHC and HUD-FHEO will create a training rubric for OHC and its grantees to train counselors on appraisal-related issues, including appraisal bias, ROVs, and how to identify comparable sales. Additionally, HUD-OHC will incorporate questions pertaining to appraisal discrimination and its remedies into its pool of questions for the Housing Counseling Certification Examination.
- HUD-OHC, in conjunction with its Housing Counseling Training grantees and the sponsors of the National Industry Standards for Homeownership Education and Counseling, will establish best practices and update the guidelines for quality homeownership and counseling services to incorporate emerging best practices and guidance related to appraisal equity.

#### Action 4.4

### **Provide funding opportunities for testing, education, and outreach pertaining to appraisal bias and discrimination.**

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HUD funds 120 local fair housing nonprofits throughout the country through FHEO's Fair Housing Initiatives Program (FHIP). Of the \$47.4 million awarded in 2021, \$10.7 million was awarded for Education and Outreach Initiative (EOI) grants to organizations that educate consumers and housing providers about the Fair Housing Act. Recipients have primarily utilized these grant funds to expand community-based fair housing educational campaigns, as outlined in the FHIP Notice of Funding Availability.



**Actions:**

- HUD-FHEO will update the HUD FHIP Notice of Funding Opportunity Application and Award Policies and Procedures Guide and issue other guidance to clarify that FHIP EOI grants may be used to increase knowledge and awareness of appraisal bias and discrimination, and that Private Enforcement Initiative (PEI) grants can be used to conduct testing related to appraisal bias and discrimination. It will also engage with existing FHIP grantees to encourage outreach to targeted communities, lenders, and industry partners around remedies for appraisal bias.

**Action 4.5****Execute a coordinated public awareness campaign to inform consumers of their rights, as well as to disseminate the new resources that will be available to them.**

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In support of the Action Plan, the Task Force has developed an external communications strategy, designed to increase public awareness of appraisal bias and improve resources available to act against inequity in the appraisal process. This strategy, informed by stakeholders and executed by Task Force agencies, will educate consumers on the causes, consequences, and extent of appraisal inequity; inform consumers of pending policy and programmatic changes, as identified in the Action Plan, to help address appraisal inequity; and direct consumers to industry, philanthropic, or regulatory resources where they can learn more on this issue and report any instances of suspected appraisal bias.

**Actions:**

- HUD, in partnership with the other Task Force agencies, will continue to develop PAVE.hud.gov to serve as a central source of information for general audiences and interested stakeholders who want to learn more about appraisal and valuation equity, including their rights under the Fair Housing Act.
- The Task Force agencies will produce easy-to-understand, accessible informational materials, in multiple languages as needed, for consumers who want to understand their rights and how to navigate relevant changes to the appraisal industry.

#### Action 4.6

### **Inform FHA borrowers about the process to request a reconsideration of a valuation when the initial valuation is lower than expected.**

Generally, FHA has ROV guidance but the processes for borrower disputes are lender-specific, and to maintain appraiser independence, borrowers do not have an ability to engage with an appraiser to request an ROV. Rather, they must ask the lender to make the ROV request, and there are no industry-wide notices provided to borrowers informing them of their ability to request an ROV. Consumers who are purchasing or refinancing a home are often unaware of their options when they receive a valuation that is lower than expected. As a result, consumers who believe racial or ethnic bias may have influenced their appraisal may miss an opportunity to challenge the appraisal and provide data that can support a more beneficial valuation.

#### **Actions:**

- HUD will update FHA policy to notify borrowers, before loan closing, of their ability to speak with their lender to request an ROV. FHA has a specific opportunity to provide borrowers more information about the ROV process in a way that may help borrowers of color who believe their appraisal may have been influenced by racial or ethnic bias. Policy within the FHA's single-family mortgage insurance program has an outsized impact on borrowers of color. In Fiscal Year 2021, people of color comprised more than 40 percent of all FHA-insured mortgages. More specifically, FHA served double the percentage of Black and Latino borrowers when compared to those served through other mortgage originations.<sup>71</sup>



### **5. Giving researchers and enforcement agencies better data to study and monitor valuation bias**

High-quality data is essential to high-quality identification and analysis of possible appraisal bias. Some government agencies have data sources that can support analysis of possible appraisal bias; yet, the Task Force has identified instances where potentially-useful datasets exist that have not been shared between agencies for research, enforcement, and compliance. For example, the ASC houses the National Registry of Appraisers and AMCs and related appraiser license information, but other agencies cannot use that data to trace individual appraisers across state lines. CFPB maintains Home Mortgage Disclosure Act (HMDA) data for mortgage loan originations, which could be better leveraged by all interested agencies. CFPB also makes its consumer complaint database, which can include consumer complaints about appraisals, available to the other Task Force agencies. FHA, VA, and USDA possess detailed appraisal data on the loans they insure, with differing degrees of accessibility. FHFA regulates the Enterprises, each of which possess detailed historical appraisal data in the form of UAD for the loans that have been underwritten with the help of their tools. Yet, for the most part, appraisal-related data is not shared amongst the agencies that possess it.

This lack of access to complete data has been a hindrance to research on appraisal disparities and on the impact of racial and ethnic bias in appraisals, both amongst federal researchers and investigators, and in

the private sector and academia. It has also prevented federal agencies from establishing metrics that can be used to identify appraisal bias where it occurs.

Action 5.1

**Develop data-sharing arrangements among all relevant government agencies and pursue joint strategies to make appraisal-related data more widely available, foster federal research, and better enable enforcement related to appraisal bias.**

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Agencies (e.g., FHFA, HUD/FHA, VA, and USDA) own and/or have access to historical appraisal data specific to their programs, but each lacks visibility into the breadth of appraisal data from other agencies' programs. Some sharing of this data amongst government agencies already occurs; for example, CFPB has offered other agencies access to its consumer complaint database that receives appraisal-related complaints. However, a more permanent and comprehensive framework for sharing data between all agencies would improve the Federal Government's ability to analyze the vast quantity of federally-managed appraisal- and valuation-related data for racial and ethnic bias.

Because appraisers evaluate properties under multiple programs, and properties over time can collateralize loans from multiple programs, an agency can gain greater insight from historical appraisal data that has been aggregated across programs than it can from examining the data from only its own program. Appraisers and AMCs often serve both FHA's Appraiser Roster and VA's Appraiser Panel. Today, these agencies—along with USDA, which utilizes FHA's Appraiser Roster—have no mechanism to share data on appraiser performance, including metrics on requests for ROVs, or the percentage of appraisals that deviate from or match the contracted sale price. Agencies should gain access to this data to track appraiser performance over time, hold appraisers accountable, and understand if issues of bias or misconduct may be taking place across all federal home loans.

Traditional interagency federal data sharing requires each investigating agency to acquire disparate data from several agencies in several disparate formats; then clean, parse and load that data; merge or join the disparate forms of the data; and logically model the data into a structure appropriate for the research at hand. While such an approach has the advantage of providing multiple perspectives on a given issue, potentially involving different populations and/or different points in time, it may lead to unnecessary duplication of effort.

Centralizing these functions and creating a populated shared federal database readily accessible to federal agencies could accelerate the analysis needed to fully study, understand, and address appraisal bias. A centralized historical appraisal database has the potential to foster more informed development of policies and practices to mitigate bias in the homebuying process, and serve as a foundation for potential enforcement actions, the potential development of new evaluation metrics, and analysis of different—and potentially more equitable—valuation strategies.

### **Actions:**

- Agencies that possess specific data relevant to research and enforcement related to appraisal bias will take action, consistent with law, to make their data available to other federal agencies with interest in the topic, including the following specific agency actions:
  - The ASC will develop a strategy to collect and share its data with other agencies in furtherance of the goals of the Task Force.
  - FHFA has begun sharing historical appraisal data with federal agencies to further appraisal bias research and enforcement.
  - To the extent permitted by law, HUD, VA, and USDA will share a meaningful subset of their respective historical appraisal databases of UAD data, which they have collected into the FHA, VA Loan Guaranty, and Rural Development programs, respectively, subject to applicable privacy, security, and other statutory or regulatory considerations, with other federal agencies (e.g., FHFA, DOJ, OCC, CFPB, FRB, and FDIC).
  - VA, HUD, and USDA will agree upon a common dataset that can be used to track appraiser performance. Agencies will use this data to track appraiser performance over time, hold appraisers accountable, and understand if issues of bias may be taking place across federal home loans. Agencies will also make select performance data available to appraisers, so that they can improve their performance and approach to appraising properties without bias.
- Task Force agencies will pursue development of a shared federal database of historical appraisal data to foster federal research and enforcement related to appraisal bias:
  - Agencies possessing candidate data for inclusion in a shared federal database (ASC, CFPB, FHFA, HUD, VA, and USDA representatives) will examine the legal and operational feasibility of sharing the data into such a database. This examination will include evaluating the operational considerations of such a database (e.g., budget, legal, security, governance requirements, etc.) critical to standing up a working and accessible database.
  - Regulatory agencies (OCC, FDIC, FRB, NCUA, and CFPB), that possess extensive experience safeguarding financially sensitive federal data, will share with the PAVE Task Force best practices and lessons learned for handling data of this nature, to help inform the Task Force's recommended operational solution.

**Launch a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy and enforcement priorities.**

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The extent and impact of racial and ethnic bias in appraisals is not fully known. For example, the prevalence of undervaluation in Black and Latino neighborhoods has been easier to study on purchase transactions than it has on refinances, because purchase transactions feature a listing, contract, or purchase price that can be used to compare the appraisal. As another example, for both purchases and refinances, it is easier to detect patterns that may indicate racial and ethnic bias in areas where the high volume of sales provides ample recently-sold comparable properties; in rural areas, fewer comparable properties exist, thereby making it more difficult to detect undervaluation. Related, valuation of manufactured housing, and possible racial or ethnic disparities therein, has not been studied as much as that of traditional homes. New research of understudied appraisal circumstances, such as for refinances and for all appraisals in rural areas, is needed to assess how policy can address possible racial and ethnic bias. For valuations on a broader level, the prevalence of possible racial and ethnic bias in AVMs has not been studied as closely as that in appraisals. More research is needed to determine if AVMs might perpetuate past mis-valuation patterns.

**Actions:**

- The Task Force will launch the PAVE Research Working Group, a standing interagency effort to identify and fill gaps in the current state of research and help inform future policy, enforcement, and compliance priorities. The Working Group, comprised of OCC, HUD, FRB, FDIC, CFPB, DOJ, FHFA, ASC, NCUA, VA, and USDA representatives, will engage with stakeholders both within and outside government to develop a research agenda that could supplement work already being undertaken by the agencies, including assessing possible bias in AVMs, considering limitations in the ability to detect bias in rural areas, evaluating possible bias in the valuation of manufactured homes, and assessing how bias affects neighborhood-level valuations versus how bias affects valuations of individual homes.
- The Working Group will compile research questions that are not fully answerable with the data currently available. If some gaps can be filled through changes to the data collected on each appraisal, these agencies will provide a list of data elements for FHFA to consider incorporating into its URAR and UAD redesign efforts to address discrimination.

**Define metrics that can help to identify and measure patterns of mis-valuation in the property valuation process.**

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In the current literature on appraisal bias, some studies examine the share of purchase loans in which an appraisal comes in lower than a property's contract price, while others look at the magnitude of possible undervaluation relative to certain AVMs. Studies differ in how to categorize neighborhoods by racial composition, and there is not consensus on the definition of neighborhood boundaries, nor on the appropriate level of granularity at which to look for possible bias patterns. Additionally, refinances have not been studied as extensively as purchases: mis-valuations in refinance transactions are more difficult to study because there is not a listing, contract, or purchase price against which to compare the appraisal.

The Task Force recognizes the need to define a set of metrics which can be consistently used to:

- a) Identify individual properties—before valuations take place—that have a high risk of being impacted by bias (regardless of the method of valuation);
- b) Identify individual valuations, after a valuation has taken place (regardless of the method of valuation), that have a high risk of having been skewed by racial and ethnic bias;
- c) Identify appraisers who exhibit patterns of valuation that appear to be impacted by racial and ethnic bias;
- d) Identify neighborhoods that appear to be consistently undervalued in the valuation process associated with lending (including rural areas that can be more difficult to value); and
- e) Identify broader patterns of possible mis-valuation that would be of interest to lenders, federal agencies, and others.

The Task Force recognizes that different stakeholders will need different metrics for specific purposes, yet there also is value in federal agencies sharing a mutual understanding of the strengths and weaknesses of a range of useful metrics. The Task Force's interaction with industry has revealed a widespread willingness to solve the problem, but without a more comprehensive understanding of the strengths and weakness of the existing metrics, measuring progress may be challenging. To that end, the Task Force will conduct additional analysis and research to inform the robustness of the existing metrics, as well as the development or enhancement of new and existing metrics.

**Actions:**

- The member agencies of the PAVE Research Working Group will pursue defining new metrics that can be used to identify and measure patterns of mis-valuation.



## Assessing additional policy and research efforts to ensure more equitable valuation

In performing its work, the Task Force recognized several initiatives and areas of research and analysis that could not be completed in the Task Force's initial 180-day timeline, but that have the potential to make a significant difference in ensuring fair and accurate home valuations for all communities.

The Task Force recognizes that these areas require in-depth evaluation and/or research, greater input from stakeholders, and further exploration of implications before any policy recommendations can be put forth. However, the Task Force is committed to continuing its study of these potentially impactful areas. The Task Force has also identified shortcomings in the current body of literature around valuation bias and plans to continue to establish an agenda for a coherent cross-agency research strategy to close the information gaps. Such gaps limit full understanding of the prevalence of racial and ethnic bias in property valuations and the appropriate metrics to monitor and mitigate it.

In the coming months, the Task Force agencies will initiate assessments of:

### 1. Expanded use of alternatives to traditional appraisals as a means of reducing the prevalence and impact of appraisal bias.

The Task Force agencies will research the soundness, prudence, and feasibility of expanded use of alternatives to traditional appraisals, and will identify and propose, as appropriate, additional regulatory and policy changes needed to ensure that expanded use of alternatives to traditional appraisals results in a reduction in the frequency and impact of racial and ethnic bias in valuations. Some lenders already use alternatives such as hybrid appraisals, desktop appraisals, AVMs, and other alternative methods of valuation.

Studies differ on whether AVMs reduce the influence of racial and ethnic bias; some researchers have observed that AVMs are less accurate in Black neighborhoods.<sup>72</sup> Similarly, desktop appraisals avoid an appraiser's visit to the home and would appear to eliminate that possible driver of bias, but data remains inconclusive as to whether desktop appraisals value Black and Latino properties differently than traditional appraisals. Related, appraisal waiver options have been in place for several years in certain programs. Appraisal waivers protect against immediate appraisal bias, but the estimated valuations that influence eligibility for some of the waiver programs may still reflect past bias. The Task Force agencies will further study whether increased usage of these alternatives could have the result of reducing the prevalence of bias.<sup>e</sup>

### 2. Range-of-value estimates instead of point estimates as a means of reducing the impact of racial or ethnic bias in appraisals.

Some researchers have suggested that, rather than approaching valuation to land on a specific point value estimate, valuations may be better served by aiming for an estimated range of values. Research studying patterns of low valuations on purchase appraisals in Black and Latino communities<sup>73</sup> has addressed the frequency of low valuations, but not the magnitude; many instances of low valuation may result in value estimates that still fall within a reasonable range of values approximately centered on the contract price. If appraisal customers could accept such a range of values as a valuation opinion, rather than requiring a point value, some researchers have speculated that it might have the effect of muting the *impact* of the racial and ethnic bias in residential appraisals, particularly in undervaluations. Buyers would be less likely to be asked to provide more cash, and purchase deals would be less likely to be scuttled.

<sup>e</sup> The Task Force recognizes that the use of alternative valuation methods may be practically limited by statute and by existing rules governing which federally-related real estate transactions require evaluations vs. appraisals.



The Task Force agencies will further study the utility of implementing a range of value estimate approach, including potential benefits and drawbacks. In evaluating this approach, the Task Force agencies should consider what underwriting rules or program eligibility decisions currently rely on a precise loan-to-value ratio; such rules and decisions might need to be adjusted under a range of value approach. The Task Force agencies should also consider the process appraisers would use for determining range of values and metrics to evaluate whether such an approach makes a difference, as well as any potential disproportionate positive or negative impacts.

### **3. The potential use of alternatives and modifications to the sales comparison approach that may yield more accurate and equitable home valuation.**

Most appraisals rely on the sales comparison approach, where the appraiser draws price data from the sale of comparable properties in comparable markets. Its use is required or encouraged by HUD, VA, USDA, and the Enterprises. The sales comparison approach requires appraisers to exercise significant discretion in their valuations. The reliance on sales comparisons within the appraisal process—and the discretion associated with it—may contribute to the undervaluation of properties in certain neighborhoods by effectively carrying forward historic bias into current-day property valuations.

The Task Force proposes reviewing the efficacy of the sales comparison approach to valuation, examining whether alternative approaches to appraisal valuation could reduce racial disparities, and examining whether guardrails can be placed on the execution of the sales comparison approach to protect against the perpetuation of past mis-valuation.

### **4. Public sharing of a subset of historical appraisal data to foster development of unbiased valuation methods.**

The Enterprises and government mortgage loan insurance and guaranty agencies all possess a large array of historical appraisal data in the form of collections of UAD, which each agency uses to evaluate the credit risk of the loans they purchase, guarantee, or insure. This data, when appropriately modified to protect homeowner privacy, has the potential to inform better-understood valuations and mitigate racial and ethnic bias in valuations. The Task Force acknowledges that if this data were to be publicly available lacking appropriate privacy protections, its availability could risk aggravating discriminatory practices.

Stakeholders have repeatedly mentioned the public value of these sets of appraisal data. Just as federal researchers can benefit from sharing appraisal data with each other, such data can also be of use to non-federal researchers examining valuation bias (e.g., to identify potential discriminatory actors). Appraisers themselves might be well-served by having a view of a subject property's past appraisals or of historical appraisal patterns in a specific neighborhood or market. Rich appraisal data could also be useful for other publicly beneficial purposes, such as supporting local tax assessment—better public data may help assessors more accurately reflect property and neighborhood amenities<sup>74</sup> and therefore address racial and ethnic bias in property tax assessment, as well. Additionally, such data could help ensure more accurate, unbiased AVMs, especially in geographies that have proven harder to value, such as rural areas.

The Task Force agencies will closely examine the considerations that need to be addressed to work toward public sharing of a subset of historical appraisal data, including that collected by the Enterprises, and by HUD, VA, and USDA. These considerations include the legal analysis of possible limitations to public disclosure per the Privacy Act of 1974, statutes specific to protecting veterans' data, third-party usage, data privacy, and practical constraints.



# What Comes Next?

In addition to the agency commitments outlined in this Action Plan, the Task Force intends to continue its work and engagement to analyze and formalize long-term, transformational policy solutions, and to continue the momentum on several of the actions it has identified to date.

After publication of this Action Plan, the Task Force will formalize a long-term research and policy agenda, derived from the work over the past 180 days, with the goal of embedding equity and fairness in the

policy-making process. Additionally, the Task Force will monitor and measure progress during implementation of the actions identified in the sections above.

Lastly, as the Task Force transitions into the next phase of work to advance equity in the appraisal process, it will continue seeking opportunities to partner with financial institutions, philanthropy groups, academia, civil rights groups, advocates, and industry associations to create a coordinated approach in tackling this issue.

## Call to Action

The Federal Government has a critical role to play in overcoming and redressing the history of discrimination. This Action Plan represents one step toward addressing prior discriminatory housing policies systematically implemented and perpetuated across this country.

### Get help

Members of the public should contact HUD-FHEO to learn more about their Fair Housing rights during the homebuying or refinancing process, or to file a fair housing complaint. Please visit the PAVE Task Force website ([PAVE.HUD.gov](https://www.hud.gov/program-offices/fair_housing_equal_opportunity/online-complaint)) for additional resources, or FHEO's website ([https://www.hud.gov/program-offices/fair\\_housing\\_equal\\_opportunity/online-complaint](https://www.hud.gov/program-offices/fair_housing_equal_opportunity/online-complaint)) to file a fair housing complaint. Consumers can submit complaints about problems during the lending process, including discrimination complaints, to the CFPB, as well (<https://www.consumerfinance.gov/complaint/>).

### Get involved

The Task Force is seeking support from stakeholders who can inform, implement, and evaluate long-term, transformational policy solutions that will radically improve the home appraisal industry. Through partnership with members of industry, advocacy, fair housing, and academic organizations, the Federal Government hopes to take additional steps to effectively end racial discrimination across each stage of the appraisal and homebuying process.

### Stay informed

The Task Force launched the PAVE website to provide updates on the Actions found in this Action Plan and provide additional resources to consumers and industry partners. Please visit [PAVE.HUD.gov](https://www.hud.gov/program-offices/fair_housing_equal_opportunity/online-complaint) to stay informed on how the Federal Government and its industry partners are combatting appraisal bias.

# Appendix I: PAVE Task Force Member Agencies and Offices



U.S. Department of  
Housing and Urban  
Development



White House Domestic  
Policy Council



Appraisal  
Subcommittee



Federal Reserve  
Board



Consumer Financial  
Protection Bureau



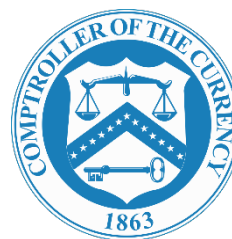
Federal Deposit  
Insurance Corporation



Federal Housing  
Finance Agency



National Credit Union  
Administration



Comptroller of  
the Currency



U.S. Department  
of Agriculture



U.S. Department  
of Justice



U.S. Department  
of Labor



U.S. Department of  
Veterans Affairs

# Appendix II: Acronyms

## Government Agencies/Other Entities:

ASC	Appraisal Subcommittee
CFPB	Consumer Financial Protection Bureau
DOI	Department of the Interior
DOJ	Department of Justice
DOL	Department of Labor
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FRB	Federal Reserve Board
HUD	Department of Housing and Urban Development
NCUA	National Credit Union Administration
OCC	Office of the Comptroller of the Currency
TAF	The Appraisal Foundation
USDA	United States Department of Agriculture
VA	Department of Veterans Affairs

## Other Acronyms:

APA	Administrative Procedures Act
AQB	Appraiser Qualifications Board
AMC	Appraisal Management Company
ASB	Appraisal Standards Board
AVM	Automated Valuation Model
BLS	Bureau of Labor Statistics

<b>C.F.R.</b>	Code of Federal Regulations
<b>EAD</b>	Electronic Appraisal Delivery
<b>ECOA</b>	Equal Credit Opportunity Act
<b>EOI</b>	Education and Outreach Initiative
<b>FASB</b>	Financial Accounting Standards Board
<b>FHIP</b>	Fair Housing Initiatives Program
<b>FIRREA</b>	Financial Institutions Reform, Recovery, and Enforcement Act of 1989
<b>HBCU</b>	Historically Black Colleges and University
<b>HERA</b>	Housing and Economic Recovery Act of 2008
<b>HMDA</b>	Home Mortgage Disclosure Act
<b>HOLC</b>	Home Owners Loan Corporation
<b>HVCC</b>	Home Valuation Code of Conduct
<b>LTV</b>	Loan to Value
<b>ML</b>	Mortgagee Letter
<b>MOU</b>	Memorandum of Understanding
<b>OHC</b>	Office of Housing Counseling
<b>PAVE</b>	Property Appraisal and Valuation Equity
<b>REACH</b>	Roundtable for Economic Access and Change
<b>RFI</b>	Request for Input
<b>ROV</b>	Reconsideration of Value
<b>UAD</b>	Uniform Appraisal Dataset
<b>UCDP</b>	Uniform Collateral Data Portal
<b>U.S.C.</b>	United States Code
<b>USPAP</b>	Uniform Standards of Professional Appraisal Practice

# Appendix III: Glossary of Terms

<b>Appraisal Bias</b>	Bias based on race, ethnicity, or national origin in the opinion of value rendered by a professional appraiser. (The Task Force recognizes that other forms of bias (e.g., confirmation bias) may impact appraisals, but for the purposes of this document, we are referring to racial and ethnic bias in the appraisal process.)
<b>Automated Valuation Model</b>	A computerized model used by mortgage originators and secondary market issuers to determine the collateral value for a residential dwelling securing a mortgage.
<b>Loan to Value Ratio</b>	In a mortgage, the ratio of the loan amount to the value of the property that secures the loan.
<b>Overvaluation</b>	An appraisal in which the opinion of value is higher than a reasonable estimate of the fair market value of the home.
<b>Racial and Ethnic Bias</b>	Refers to bias based on race, ethnicity, or national origin as described in the President's <i>Memorandum on Redressing Our Nation's and the Federal Government's History of Discriminatory Housing Practices and Policies</i> .
<b>Reconsideration of Value</b>	A request by consumers for an appraiser to reassess the analysis and conclusion of their initial appraisal when provided with additional information that may affect the value conclusion.
<b>Redlining</b>	A form of illegal discrimination in which a lender provides unequal access to credit, or unequal terms of credit, because of the race, color, national origin, or other prohibited characteristic(s) of the residents of the area in which the credit seeker resides or will reside or in which the residential property to be mortgaged is located.
<b>Sales Comparison Approach</b>	An appraisal approach in which the appraiser identifies recent sales of nearby properties with similar characteristics, adjusts the comparable sales price for observable differences in property characteristics, and then aggregates the adjusted comparable property values with a weighting of the appraiser's discretion, to estimate a value for the subject property.
<b>Undervaluation</b>	An appraisal in which the opinion of value is lower than a reasonable estimate of the fair market value of the home.

<b>Uniform Standards of Professional Appraisal Practice</b>	The generally recognized ethical and performance standards for the appraisal profession in the United States. USPAP was adopted by Congress in 1989, and contains standards for all types of appraisal services, including real estate, personal property, business, and mass appraisal. Compliance is required for state-licensed and state-certified appraisers involved in federally-related real estate transactions.
<b>Valuation Bias</b>	Bias based on race, ethnicity, or national origin in the residential valuation process performed as part of mortgage origination, regardless of valuation method. Appraisal bias as defined above is a channel of valuation bias, when valuations stem from appraisals. (The Task Force recognizes that other forms of bias (e.g., confirmation bias) may impact valuations, but for the purposes of this document, we are referring to racial and ethnic bias in the valuation process.)
<b>Valuation Equity</b>	A condition in which a residential property is equally likely to be accurately valued regardless of the race, ethnicity, national origin, or other protected characteristics of its residents or composition of its neighborhood.

# Appendix IV: Endnotes

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# Board Business