

Call to Order



# Ethics Report



## Regulation Projects(s)

- Open Discussion of PAREA, Practicums, AQB verbiage/criteria, and ASC Off Site Assessment.

# Summary of Actions

*2026 Criteria*

July 18, 2023



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

APPRAISER QUALIFICATIONS BOARD

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# Summary of Actions for 2026 Criteria

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On June 22, 2023, the Appraiser Qualifications Board (AQB) adopted modifications to the *Real Property Appraiser Qualification Criteria (Criteria)*. This action began with the [Forum to Explore Education Requirements: Fair Housing Laws and Valuation Bias Education \(Forum\)](#) on September 12, 2022. At that forum, the AQB and the public heard from federal agencies, state appraiser regulatory agencies, professional appraiser organizations, education providers, and consumer, civil rights, and fair housing advocacy groups on the topic of requiring valuation bias and fair housing laws and regulations education for real property appraisers.

A subsequent working group meeting with the AQB and state appraiser regulatory agencies; professional appraiser organizations; education providers; appraiser coalitions; and consumer, civil rights, and fair housing advocacy groups was held to receive feedback on what exactly the education requirements should contain. This was followed by issuances of a [First Exposure Draft](#) in January 2023 and a [Second Exposure Draft](#) in May 2023. Written comments were received in response to each document and oral comments were provided at each of the [webinars](#) and two [public meetings](#). Each member of the AQB read and carefully considered every comment. Based on the feedback received, the Board adopted revisions for the 2026 edition of the *Criteria*.

The following changes were adopted by the Board in a [virtual public meeting](#) on June 22, 2023, and will be incorporated into the 2026 edition of the *Criteria* with an effective date of January 1, 2026. Full changes can be found in the Appendices.

## Addition to Continuing Education (CE) Requirements

The AQB added two distinct (or mutually exclusive) **continuing education** requirements for valuation bias and fair housing laws and regulations education. The proposed continuing education requirements are:

Appraisers must successfully complete a course which meets the content requirements of the Valuation Bias and Fair Housing Laws and Regulations Outline, every two calendar years.

- a. The first time an appraiser completes the continuing education requirement for this course, the course length must be seven (7) hours. If an appraiser successfully completed a seven (7) hour (plus 1 hour exam) course as part of their qualifying education, they have met this requirement.
- b. Every two calendar years thereafter, the course length must be at least four (4) hours.

The difference between the seven (7) hour course and the eight (8) hour course is the eight (8) hour course includes a required one-hour exam. Therefore, the eight (8) hour course is



the same identical content as the seven (7) hour course, with one extra hour added to allow for an exam to be administered.

The goal is to provide in-depth and detailed education for all credentialed appraisers on the topics of valuation bias and fair housing laws and regulations. After the appraiser has completed their initial 7-hour course, the appraiser will need to complete a four (4) hour refresher course every two years.

## **Addition to Qualifying Education (QE) Requirements**

As the Board added the additional course on valuation bias and fair housing laws and regulations for current appraisers as part of their continuing education requirement, the Board also added this requirement for aspiring appraisers as part of qualifying education, which requires changes to each classification level (see Appendix 2). The eight (8) hour course must be part of the required QE for aspiring appraisers no later than **January 1, 2026**.

To add this 8-hour course, a change was also made to requirement III.E.3 to make an exception to the requirement that QE courses must be 15 hours.

## **Name Change of 7-Hour National USPAP Update Course**

The Board changed the name of the *7-Hour National USPAP Update Course* to the *7-Hour National USPAP Continuing Education Course*, which better reflects the purpose and content of the course.

## **Name Change of 7-Hour Instructor Recertification Course (IRC)**

The Board removed “7-Hour” from the title of the *7-Hour Instructor Recertification Course* which reflects that over the years, the course has evolved towards a more “competency based” course and may not always be 7 hours in length.

## **Name Change of “Valuation Bias, Fair Housing, and/or Equal Opportunity” as an Allowable Continuing Education Topic**

The Board changed the name of the requirement for item F. 3. f. of “valuation bias, fair housing, and/or equal opportunity course” to “valuation bias and fair housing laws and regulations” for consistency, based on the adoption of course requirements related to this content.

## **Valuation Bias and Fair Housing Laws and Regulations Course Outline**

The Board adopted an outline of the course content requirements for the “valuation bias and fair housing laws and regulations.” Course providers must follow this outline when developing

their “valuation bias and fair housing laws and regulation” course/s to fulfill the Criteria requirement.

## **Change to Guide Note 1 (GN-1)**

Because the requirement for incoming appraisers taking a valuation bias and fair housing laws and regulation as part of the required core curriculum, for consistency, the board adopted changes to Guide Note 1. Guide Note 1 now includes the above course outline in an abbreviated format consistent with how the Guide Note is formatted.

# Appendices

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## Appendix 1: Revisions and Additions to Continuing Education (CE) Requirements

### Criteria Applicable to All Appraiser Classifications

#### III. Generic Education Criteria

##### 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~~ Continuing Education 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, and fair housing laws and regulations, ~~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; 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 Continuing Education 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 Continuing Education 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. Appraisers must successfully complete a course which meets the content requirements of the Valuation Bias and Fair Housing Laws and Regulations Outline, every two calendar years.
  - a. The first time an appraiser completes the continuing education requirement for this course, the course length must be seven (7) hours. If an appraiser successfully completed a seven (7) hour (plus 1 hour exam) course as part of their qualifying education, they have met this requirement.
  - b. Every two calendar years thereafter, the course length must be at least four (4) hours.
12. ~~44.~~ 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.
13. ~~42.~~ AQB Certified USPAP Instructors successfully completing an 7-Hour Instructor Recertification Course and exam (if an exam is required) within their current continuing education cycle have satisfied the 7-Hour National USPAP Update Continuing Education Course continuing education requirement.
14. ~~43.~~ A State appraiser regulatory agencyies with the appropriate authority to do so may place a credential holder in an “inactive status” if 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 Continuing Education 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.

15.44. 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.

16.45. 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.

# Appendix 2: Revisions and Additions to Qualifying Education (QE) Requirements

## Criteria Applicable to All Appraiser Classifications

### III. Generic Education Criteria

#### E. Criteria Specific to Qualifying Education

##### 3. Class hours may be obtained only where:

- i. the minimum length of the educational offering is at least 15 hours (except for the eight (8) hour course on valuation bias and fair housing laws and regulations); and
- ii. the individual successfully completes a proctored, closed-book final examination pertinent to that educational offering.

## TRAINEE REAL PROPERTY APPRAISER

### III. Qualifying Education

- A. As the prerequisite for application, an applicant must have completed ~~seventy-five (75)~~ eighty-three (83) 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~~ eighty-three (83) hours. All qualifying education must be completed within the five (5) year period immediately preceding the date of application for a Trainee Appraiser credential.

### V. Training

- 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 before obtaining a Trainee Appraiser credential. Further, the Trainee Appraiser course cannot be included in the ~~75~~ eighty-three (83) hours of required qualifying education. Please refer to the Supervisory Appraiser / Trainee Appraiser Course Objectives and Outline in this the *Criteria* booklet for more information.

## LICENSED RESIDENTIAL REAL PROPERTY APPRAISER

### 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-eight (1508) 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-eight (1508) creditable class hours as specified in the *Required Core Curriculum*. As part of the one hundred fifty-eight 1508 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.

## CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER

*III. Qualifying Education*

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                     | <u>12</u> 20 Hours |

**TOTAL ~~125~~ 117 Hours**

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                 | <u>12</u> 20 Hours |

**TOTAL ~~50~~ 42 Hours**

## CERTIFIED GENERAL REAL PROPERTY APPRAISER

*III. Qualifying Education*

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	<u>22</u> <del>30</del> Hours

**TOTAL      225 ~~217~~ Hours**

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	<u>22</u> <del>30</del> Hours

**TOTAL      150 ~~142~~ Hours**

## REQUIRED CORE CURRICULUM

<b>TRAINEE APPRAISER</b>	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
<i>15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)</i>	15 HOURS
<b>TOTAL</b>	<del>75</del> <u>83</u> HOURS

<b>LICENSED RESIDENTIAL</b>	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
<i>15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)</i>	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>	<del>150</del> <u>158</u> HOURS

<b>CERTIFIED RESIDENTIAL</b>	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
<i>15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)</i>	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)	<del>20</del> <u>12</u> HOURS
<b>TOTAL</b>	<b>200 HOURS</b>

<b>CERTIFIED GENERAL</b>	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
<i>15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)</i>	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)	<del>30</del> <u>22</u> HOURS
<b>TOTAL</b>	<b>300 HOURS</b>

## Appendix 3: VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS COURSE OUTLINE

The course must contain information to ensure the appraiser understands valuation bias and fair housing laws and regulations related issues. The same outline is required for the seven (7) hour course, the eight-hour course (which is the seven-hour course plus a one-hour exam) and the four (4) hour course.

However, the four-hour course will have less content on the topics of “Understanding Real Estate Bias” and “Federal Fair Housing Laws and Regulations” and more content on “Valuation Bias” and “Case Studies.”

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

### **A. Understanding Real Estate Bias**

#### 1. Historical Context

- a. Role of the following: real estate agents, insurance, appraisers, lenders, Government Sponsored Enterprises, federal, state and local agencies, and legislation
- b. Redlining
- c. Restrictive Covenants
- d. Court Rulings

#### 2. Contemporary Context

- a. Economic Impact of Property Value Disparities for Protected Classes
- b. Public Conversation Regarding Valuation Bias
- c. Recent Cases and Developments

### **B. Federal Fair Housing and Antidiscrimination Laws and Regulations**

#### 1. Laws and Regulations

- a. Civil Rights Act of 1866 (Section 1981 and Section 1982)
- b. Fair Housing Act
- c. Equal Credit Opportunity Act (ECOA)
- d. Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)
- e. Unfair and Deceptive Acts and Practices (UDAP)
- f. Unfair, Deceptive or Abusive Acts and Practices (UDAAP)

#### 2. Key Legal Concepts

- a. Disparate Treatment
- b. Disparate Impact

### **C. Valuation Bias**

#### 1. Components of Valuation Bias

- a. Explicit
- b. Implicit
- c. Structural

#### 2. Recognizing and Avoiding Valuation Bias

**D. Case Studies**

1. Current Valuation Bias Topics

Best Practices for Avoiding Valuation Bias

## Appendix 4: AQB GUIDE NOTE 1 (GN-1)

### 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, and Fair Housing Laws and Regulations, ~~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. VALUATION BIAS AND/OR FAIR HOUSING LAWS AND REGULATIONS (required for the Trainee Appraiser, Licensed Residential, Certified Residential, and Certified General classifications)**

**8 HOURS**

A. Understanding Real Estate Bias

1. Historical Context
2. Contemporary Context

B. Federal Fair Housing and Antidiscrimination Laws and Regulations

1. Laws and Regulations
2. Key Legal Concepts

C. Valuation Bias

1. Components of Valuation Bias
2. Recognizing and Avoiding Valuation Bias

D. Case Studies

1. Current Valuation Bias Topics
2. Best Practices for Avoiding Valuation Bias



# Second Exposure Draft

Real Property Appraiser Qualifications Criteria

May 17, 2023



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

APPRAISER QUALIFICATIONS BOARD

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# Join the Conversation

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Appraisal Qualifications Board (AQB) Chair Brad Swinney, Vice Chair Jerry Yurek, and Appraisal Foundation (Foundation) Vice President of Appraisal Issues Lisa Desmarais will host a webinar to discuss this Exposure Draft on June 1, 2023, at 1:00 PM ET (11:00 AM PT). Register [here](#) to attend the webinar.

The AQB will also accept verbal comments at its virtual public meeting on June 22, 2023, at 1:00 PM ET. You may register [here](#).

All interested parties are encouraged to comment in writing to the AQB before the deadline of June 17, 2023. Each member of the AQB will thoroughly read and consider all comments.

## Send Your Comments by June 17, 2023

This exposure draft begins with rationale for the proposed changes to the *Real Property Appraiser Qualification Criteria (Criteria)*. The rationale is identified as such and does not have line numbering. Where proposed changes to the *Criteria* are noted, the exposure draft contains line numbers. This difference is intended to distinguish those parts that explain the changes to the *Criteria* from the proposed changes themselves.

When commenting on various aspects of the exposure draft, it is very helpful to reference the line numbers, fully explain the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues the AQB should consider.

Unless otherwise noted, where text is proposed to be deleted from the *Criteria*, that text is shown as strikethrough. For example: ~~This is strikethrough text proposed for deletion.~~ Text that is proposed to be added to the *Criteria* is underlined. For example: This is text proposed for insertion.

To submit comments, please visit: <https://www.surveymonkey.com/r/AQBComments>

While for ease of processing, we prefer you use the SurveyMonkey for your comments, if you are unable to provide your comments via SurveyMonkey, you may also email [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org).

All written comments will be posted for public viewing, exactly as submitted, on the Foundation's website. Names may be redacted upon request. The Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

# Introduction

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## Second Exposure Draft of Proposed Changes to the *Real Property Appraiser Qualification Criteria (Criteria)*

In the First Exposure Draft, the AQB proposed two changes to the *Criteria*:

1. Adding Qualifying Education (QE) and Continuing Education (CE) requirements for course work in valuation bias and fair housing laws and regulations.
2. Revising and updating the name of the current *7-Hour National USPAP Update Course*.

In this Second Exposure Draft, the AQB continues to propose these changes, however, based on feedback from stakeholders, the board is slightly modifying the proposed requirements. Before presenting the explanation of the changes and the rationale for each change, the AQB is providing summary rationale to address questions raised by stakeholders during the First Exposure Draft.

### First Exposure Draft Questions and AQB Responses

1. Why is the AQB proposing this now?

Every profession undergoes change which often stems from issues that arise in practice. Appraisal bias is an important issue that affects public trust. The AQB strongly feels that to reinforce and maintain public trust, it is necessary to ensure all appraisers know and understand their obligations under all applicable antidiscrimination laws. For this reason, the AQB is proposing all credentialed appraisers have focused education in valuation bias and fair housing laws and regulations.

2. Why is the AQB taking the approach of proposing requirements where **all** real property appraisers complete education on fair housing laws and regulations, regardless of the property type each individual appraiser may choose to focus on in their practice (residential, commercial, industrial, etc.)?

Regardless of the type of work an appraiser may choose to practice, a Licensed Residential, Certified Residential or Certified General credential qualifies that individual to complete appraisal assignments to which fair housing laws and regulations might apply (subject to also meeting the requirements of the COMPETENCY RULE in USPAP). Even if an appraiser chooses to never complete an assignment where a fair housing law or regulation applies, they must understand these laws because their

credential qualifies them to complete those assignments.

Additionally, because avoiding valuation bias is a key aspect of appraisal practice, the AQB believes specifically requiring focused education on this topic is imperative to ensure the public trust now and going forward.

While many appraisers have at least some education and training related to valuation bias and/or fair housing laws and regulations, this AQB proposed training consists of specific topics every appraiser must complete.

3. Can you provide an additional explanation on why the AQB is proposing to increase the number of required QE hours for some credential levels?

If the proposed requirement to take this new course is adopted, the QE requirements would increase minimally for two classifications. Of the four credential classifications (trainee, LR, CR, CG), only two (the trainee classification and LR classification) are proposed to have an increase of eight total hours each for their QE requirements.

Because the trainee classification and the LR classification have no elective hours required in their existing QE requirements, it was not possible to add additional requirements without increasing the total number of QE hours required for these classifications.

There is no proposed change in the total number of QE hours for the CR or CG classifications.

If these proposed changes are adopted, an individual seeking to be classified as a Trainee Appraiser would need to take a total of 83 QE hours (versus 75 hours in the current *Criteria*) and the LR would need to take a total of 158 QE hours (versus 150 hours in the current *Criteria*).

To clarify: these are actual hours, not semester hours. Thus, for example, if a student uses 40 hours a week as their measure, it will take just over two weeks to complete all their QE requirements. The increase in the number of hours is minimal in relation to the benefit of the student gaining important education in valuation bias and fair housing laws and regulations.

4. As an appraiser who is also a Realtor®, can I use the fair housing education I receive through the National Association of Realtors® to meet the AQB’s proposed education requirements?

A Realtor®-centered fair housing course typically has different content than what is being proposed for appraiser education on this topic. If the course is approved in the state and meets the required content of the Valuation Bias and Fair Housing Laws and Regulations Outline, then the course will meet these proposed education requirements.

5. Has the AQB considered, instead of a stand-alone QE course in valuation bias and fair housing laws and regulations, that all of the QE courses be modified to include this topic throughout all existing materials in every appraisal course?

Yes, the AQB explored this option and concluded it was not the best course of action and created practical implementation challenges. These topics are better understood and taught in a course that is solely focused on these issues.

Additionally, it would be onerous for course providers to weave this topic into existing courses. Further, if the topic was interspersed throughout existing education, it would be challenging for course providers and appraisers to ensure adequate education on all necessary aspects of the topic, and challenging for regulators to track how every appraiser was trained on all required valuation bias and fair housing laws and regulations content.

6. Will the Foundation develop the bias and fair housing laws and regulations course?

No. Any education developer is free to develop a course and submit it through the AQB’s Course Approval Program or to individual states for approval.

7. Why not just add this material to the USPAP courses?

USPAP contains the ethical standards and competency requirements for individual appraisers and the accompanying courses are designed to teach those standards and competency requirements. Antidiscrimination is one of many issues addressed within USPAP. With the recent adoption of changes to the ETHICS RULE in USPAP, future courses will address this

issue as one component of USPAP, and a focused fair housing course is necessary to ensure adequate training. A combined course (USPAP + fair housing + valuation bias) would not be able to present the level of detail needed for an appraiser to adequately understand this important subject while maintaining a sufficient focus on other areas of USPAP.

8. Instead of requiring more QE, can the AQB just increase enforcement of bias and fair housing and lending related issues?

No. While enforcement is a key factor in the success of any law or regulation, neither the AQB nor The Foundation are entities authorized to make, judge, or enforce law.

9. Did the AQB develop the course outline in consultation with experts? And can you tell me exactly who provided feedback to the AQB?

Yes. The outline was developed considering the direct advice received from fair housing experts, and legal professionals with expertise in fair housing laws and the production of education related materials.

Participants included representatives of fair housing advocacy groups, civil rights experts, federal agencies, education providers, appraiser membership organizations, and state regulatory agencies. Additionally, revisions have been made in the Second Exposure Draft based on comments on the First Exposure Draft received from such entities, including federal regulatory bodies.

To view one of the public forums held on this topic, [click here](#), and you will be directed to our YouTube recording of the AQB's *Forum to Explore Education Requirements: Fair Housing Laws and Valuation Bias Education* (Forum).

10. The course outline only teaches Federal fair housing laws, shouldn't the course also teach individual state laws?

The proposed course requirement reflects content that is relevant on a national level.



Federal law sets the minimum requirement for appraisers nationwide. It would not be possible for the Foundation to design training that includes material from all states and territories. However, appraisers are required by USPAP to comply with all applicable laws and regulations, including state and local antidiscrimination laws, and should seek training through state-level courses, state regulatory agencies, and other available resources.

Also, many states already require appraisers to take a state-approved course that specifically teaches laws relevant to the appraiser working in that state. The AQB could not develop a national standard that requires different content for the different states and territories.

Additionally, under USPAP, appraisers are responsible to comply with the COMPETENCY RULE and follow any applicable law or regulations, including those that only apply to a small jurisdiction where a subject property is located.

11. Should the outline contain the topics of “disparate impact” and “disparate treatment?”

In the first exposure draft, the AQB did not propose these two separate topics to be included in the outline, namely because they would be an implied sub-topic to be covered. However, to be clear to all education developers, the AQB is now adding those topics to the outline proposed in this draft.

12. Since the course will cover fair housing laws and regulations, which is a specialized topic, will the AQB have requirements for qualifying each course instructor?

There are only two instances where the AQB has instructor qualifications for QE or CE courses. In the first instance, the AQB trains, tests, and certifies instructors who teach courses on USPAP (which is the Foundation’s publication).

In the second instance, if an education developer submits a course to the AQB’s Course Approval Program (CAP), they are doing so knowing they will follow the CAP policies. CAP policies do have requirements relating to instructor qualifications.

However, education providers are not required to submit their courses to CAP for approval, because they may submit their courses directly to the state. States may choose to have instructor qualification requirements for any courses submitted to them.

13. The effective date proposed in the First Exposure Draft of January 1, 2025, does not allow sufficient time for states to add the requirement for this course. Can you extend that effective date?

Yes, with this exposure draft, if adopted, the new proposed effective date would be January 1, 2026. Both the Appraisal Subcommittee (ASC) and numerous individual states expressed concern that the proposed effective date for these changes was not far enough in the future to allow states sufficient time to enact required legislative changes.

14. The proposed course contains complex legal content that will require specific expertise. Will the AQB's CAP employ experts to review and approve the course material related to the laws and regulations?

Education providers are not required to submit their courses to CAP for approval. However, because expertise in fair housing laws and regulations is important, CAP policies are in the process of being discussed and updated. Right now, discussions center on the possibility of implementing a requirement that any material related to fair housing laws and regulations be reviewed and approved for legal accuracy before a course is submitted to CAP. If this type of policy is adopted, CAP will employ experts in the subject to assist in this determination and ample time will be given to education developers to understand how they will be required to demonstrate in a CAP submission that the legal content is correct.

We imagine any policy we develop can help state regulators as well. States that choose to review and approve these courses on their own can choose to follow a similar process.

As noted, these updated policies are still in development. We welcome your feedback on this issue.

15. Why is AQB proposing the four (4) hour course to have less coverage on the topics of "Understanding Real Estate Bias" and "Federal Fair Housing Laws"?

The intent is to allow for the seven (7) hour course to address core principles of the proposed content, and for the four (4) hour course to be practice-based, focusing more on examples, case studies and/or

emerging issues. This will ensure that appraisers receive a well-rounded education with some content required being base-level knowledge, while other content focuses on applying and implementation of that knowledge.

### **Adding Qualifying Education and Continuing Education requirements for course work in valuation bias and fair housing laws and regulations.**

Under the provisions of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Appraiser Qualifications Board (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. The AQB regularly solicits and receives comments and suggestions for improving the *Real Property Appraiser Qualification Criteria (Criteria)*.

Concerns relating to discrimination and fair housing law violations in real property appraisals are important topics throughout the housing industry and the appraisal profession. While these are complex issues, many of which go beyond the scope of the *Criteria*, a wide range of stakeholders have urged the AQB to require courses on valuation bias and fair housing laws and regulations as part of an appraiser's qualifying and continuing education. For example, a major stakeholder is the White House task force known as PAVE (Property Appraisal and Valuation Equity) issued an action plan in early 2022 that includes recommendations to the AQB to add education on these topics for all credentialed and aspiring appraisers.

Considering this request and based on feedback from the industry, the AQB believed it important to reach out to stakeholders to explore adding these types of requirements to the *Criteria* and to hear their perspectives on these important topics.

As noted above, the AQB held the Forum on September 12, 2022. The overwhelming feedback from Forum participants indicated topics of valuation bias and fair housing laws and regulations should be required education for all appraisers. Subsequently, the AQB held a working group meeting with state appraiser regulatory agencies; professional appraiser organizations; education providers; appraiser coalitions; and consumer, civil rights, and fair housing advocacy groups to receive feedback on what exactly these education requirements should contain.

Based on the comments received at the Forum, in the stakeholder meeting, and other feedback channels, the AQB issued a First Exposure Draft with proposed changes to the *Criteria*. The AQB then held a webinar to discuss the changes, held a focus group discussion (which included representatives from fair housing advocates, state regulatory agencies, education developers, appraiser membership organizations and Federal agencies), and discussed in board meetings feedback received in various forms, including comment letters. As a result of this feedback, the AQB modified some of the proposed requirements and is issuing this Second Exposure Draft.

## **Revising and updating the name of the current *7-Hour National USPAP Update Course* and the *7-Hour Instructor Recertification Course*.**

The AQB is continuing to propose updating the name of the *7-Hour National USPAP Update Course* to “*7-Hour National USPAP Continuing Education Course*.” The AQB is also proposing the removal of the “7-Hour” from the title of the *7-Hour Instructor Recertification Course*. The proposed change better reflects the purpose and content of the courses.

## **Minor Edits**

On page 16 of this exposure draft, a few minor edits, while largely administrative in nature, and made solely for the purposes of clarification, are also proposed for change. The edits do not result in any substantial change to the *Criteria*. Here are those proposed edits (shown in below orange text):

11. AQB Certified USPAP Instructors successfully completing an 7-Hour Instructor Recertification Course and exam (if an exam is required) within their current continuing education cycle have satisfied the *7-Hour National USPAP Update Continuing Education Course* continuing education requirement.
  
- 12.-14. A State appraiser regulatory agencies with the appropriate authority to do so may place a credential holder in an “inactive status” if the state determines a deficiency in continuing education was due to extenuating circumstances.

## **Timing of Proposed Changes**

For the purpose of this Second Exposure Draft, these changes assume that they will be included in new *Criteria* that will be adopted at the public meeting on June 22, 2023, with those changes becoming effective January 1, 2026. This effective date change extends the time period for implementation by 1 year as compared to the First Exposure Draft.

Concerns were directly expressed by the states and from the Appraisal Subcommittee (ASC) that an effective date of January 1, 2025, did not allow an adequate time period for the changes to be successfully implemented by the states.

Each state has different regulatory processes, with some taking up to two years or more to amend its laws and regulations. Extending the date by one year allows sufficient lead time providing states the ability to implement these *Criteria* changes.

Of course, states can choose to implement these changes prior to the effective date of the *Criteria*.

**On behalf of the AQB, thank you for taking time to review and respond to this exposure draft.**

If you have any questions, please contact the Board at [AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org).

Brad Swinney  
Chair, Appraiser Qualifications Board.

# Proposed Revision to Continuing Education (CE) Requirements

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## Rationale - Addition of Valuation Bias and Fair Housing Laws and Regulations Education Requirements

### Overview of Proposed Changes

The AQB is proposing to revise the current continuing education requirements. The proposal is to require a portion of the existing required continuing education hours meet specific content requirements.

Currently for an appraiser seeking to keep their license or certification current, two of the continuing education requirements in the *Criteria* which apply are:

- (1) *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.*
- (2) *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.*

In other words, every two calendar-year period in an appraiser's education cycle currently requires twenty-eight hours of continuing education, of which seven hours must be obtained from successfully completing the *7-Hour National USPAP Update Course*.<sup>1</sup> This existing requirement allows the appraiser to choose how they obtain the other twenty-one hours of mandatory continuing education. The AQB is proposing to require a portion of those remaining twenty-one hours be allocated to a valuation bias and fair housing laws and regulations course.

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<sup>1</sup> Note that this course name is proposed in this Second Exposure Draft to be changed to the "7-Hour National USPAP Continuing Education Course."

## Explanation of Proposed Changes

The AQB concurred with the stakeholder feedback to have two distinct (or mutually exclusive) **continuing education** requirements for valuation bias and fair housing laws and regulations education. The proposed continuing education requirements are:

Appraisers must successfully complete a course which meets the content requirements of the Valuation Bias and Fair Housing Laws and Regulations Outline, every two calendar years.

- a. The first time an appraiser completes the continuing education requirement for this course, the course length must be seven (7) hours. If an appraiser successfully completed a seven (7) hour (plus 1 hour exam) course as part of their qualifying education, they have met this requirement.
- b. Every two calendar years thereafter, the course length must be at least four (4) hours.

The difference between the seven (7) hour course and the eight (8) hour course is the eight (8) hour course includes a required one-hour exam. Therefore, the eight (8) hour course is the same identical content as the seven (7) hour course, with one extra hour added to allow for an exam to be administered.

The goal is to provide in-depth and detailed education for all credentialed appraisers on the topics of valuation bias and fair housing laws and regulations, with content that matches what is expected in a QE course on the same topics. Once the appraiser has completed the initial course and gained core knowledge of these topics, the appraiser will need to complete a four (4) hour refresher course every two years.

## Implementation Period

The AQB deems it prudent to public trust in appraisal practice that all currently credentialed appraisers complete this proposed training as quickly as reasonably possible, while considering the inherent constraints and differing operations of differing states and territories. These constraints include allowing state appraiser regulatory agencies ample time to make any necessary revisions to their laws or regulations in advance of the effective date, for example, some states' legislatures meet every other year.

The AQB's guiding principle is to ensure that every new or existing appraiser completes the initial fair housing course within two calendar years after their adoption and effective date.



## Name Change of 7-Hour National USPAP Update Course

The first AQB approved *7-Hour National USPAP Update Course* became available on January 1, 2003, and was the result of the AQB concluding, after receiving stakeholder feedback, that there needed to be a requirement for appraisers to have ongoing continuing education in the professional ethical and competency standards of USPAP.

The purpose of the course has always been to provide ongoing education on the principles and requirements of USPAP and to present and explain any updates made from one edition to another. To better reflect the intent and objectives of the course, the AQB is proposing to change the name of this course to *7-Hour National USPAP Continuing Education Course*.

This proposed change remains the same from the First Exposure Draft to this Second Exposure Draft.

## Name Change of 7-Hour Instructor Recertification Course (IRC)

Under section III.F.12 of the *Criteria*, the AQB is proposing to remove “7-Hour” from the title of the “*7-Hour Instructor Recertification Course*.” The goal of the course is to keep instructors up to date so they can continue to be qualified to teach USPAP courses. Originally, when the course was only held in-person, it was a seven-hour course. However, when it became an asynchronous course, its subject matter often was taught in less than seven hours. Removing the words “7-Hour” from the title more accurately reflects what the course is, and that the number of hours is not a key objective of the course.

This change makes it clear that the successful completion of the IRC course is related to gaining competency, rather than attending for a specific number of hours.<sup>2</sup>

Instructors go through an extremely rigorous course and difficult exam process to gain an AQB Certified USPAP credential. Therefore, the bi-annual training they receive does not need to cover, as the 7-hour course typically does, the basics of USPAP. The instructors are made aware of any changes made to USPAP (when they take the Instructor Recertification Course) and how to teach the topics that are the focus of the course. Requiring instructors to sit through a 7-hour course defeats the purpose of recognizing they have mastered the core material.

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<sup>2</sup> Moreover, AQB certified instructors have access to all instructor materials, notes and answer keys, and they spend independent time studying these materials (outside of the IRC course).



## Name Change of Valuation Bias, Fair Housing, and/or Equal Opportunity as an Allowable Continuing Education Topic

The AQB is proposing a name change to item F. 3. f. from “valuation bias, fair housing, and/or equal opportunity” to “valuation bias and fair housing laws and regulations.” The change of title is to ensure consistency with the proposed course. This proposed change remains the same from the First Exposure Draft to this Second Exposure Draft.

## Location of Proposed Changes in current *Criteria*

For ease of reference, the proposed changes presented below relate to requirements found on pages 10 and 11 of the [Real Property Appraiser Qualification Criteria](#) currently in effect.

### CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

#### III. Generic Education Criteria

#### F. Criteria Specific to Continuing Education

# CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

## III. Generic Education Criteria

1 F. *Criteria* Specific to Continuing Education

- 2 1. The purpose of continuing education is to ensure that appraisers  
3 participate in a program that maintains and increases their skill,  
4 knowledge, and competency in real property appraising.

5 Aside from complying with the requirements to complete the *7-Hour*  
6 *National USPAP Update Continuing Education Course* or its equivalent,  
7 appraisers may not receive credit for completion of the same continuing  
8 education course offering within the same continuing education cycle.

- 9 2. Credit towards the continuing education hour requirements for each  
10 appraiser classification may be granted only where the length of the  
11 educational offering is at least two (2) hours.

- 12 3. Credit may be granted for education offerings that are consistent with the  
13 purpose of continuing education and cover real property related appraisal  
14 topics, including, but not limited to:

- 15 a. Ad valorem taxation;  
16 b. Arbitration, dispute resolution;  
17 c. Courses related to the practice of real estate appraisal or  
18 consulting;  
19 d. Development cost estimating;  
20 e. Ethics and standards of professional practice, USPAP;  
21 f. Valuation bias, and fair housing laws and regulations, and/or  
22 equal opportunity;  
23 g. Land use planning, zoning;  
24 h. Management, leasing, timesharing;  
25 i. Property development, partial interests;  
26 j. Real estate law, easements, and legal interests;  
27 k. Real estate litigation, damages, condemnation;  
28 l. Real estate financing and investment;  
29 m. Real estate appraisal-related computer applications;  
30 n. Real estate securities and syndication;  
31 o. Developing opinions of real property value in appraisals that also  
32 include personal property and/or business value;  
33 p. Seller concessions and impact on value; and/or  
34 q. Energy-efficient items and “green building” appraisals.



- 35 4. Up to one half of an individual’s continuing education requirement may  
36 also be granted for participation, other than as a student, in appraisal  
37 educational processes and programs. Examples of activities for which  
38 credit may be granted are teaching, program development, authorship of  
39 textbooks, or similar activities that are determined to be equivalent to  
40 obtaining continuing education. Credit for instructing any given course or  
41 seminar can only be awarded once during a continuing education cycle.
- 42 5. Educational offerings taken by an individual in order to fulfill the class hour  
43 requirement for a different classification than his/her current classification  
44 may be simultaneously counted towards the continuing education  
45 requirement of his/her current classification.
- 46 6. In addition to the generic requirements described in III.D., asynchronous  
47 distance education courses intended for use as continuing education must  
48 include at least one of the following:
- 49 a. A written examination proctored by an official approved by the  
50 college or university, or by the sponsoring organization. Remote  
51 proctoring, including bio-metric procedures as noted in III E. 7.  
52 above, is acceptable. The term “written” as used herein refers to  
53 an exam that might be written on paper or administered  
54 electronically on a computer workstation or other device. Oral  
55 exams are not acceptable; or
- 56 b. Successful completion of prescribed course mechanisms required  
57 to demonstrate knowledge of the subject matter.
- 58 7. Real estate appraisal-related field trips may be acceptable for credit  
59 toward the continuing education requirements. However, transit time to or  
60 from the field trip may not be included when awarding credit unless  
61 instruction occurs during said transit time.
- 62 8. Appraisers must successfully complete the *7-Hour National USPAP*  
63 *Update Continuing Education Course*, or its AQB-approved equivalent,  
64 every two-calendar-years. Equivalency shall be determined through the  
65 AQB Course Approval Program or by an alternate method established by  
66 the AQB.
- 67 9. Individuals who are credentialed in more than one jurisdiction shall not  
68 have to take more than one *7-Hour National USPAP Update Continuing*  
69 *Education Course* within a two-calendar-year period for the purposes of  
70 meeting AQB *Criteria*.

- 71 10. USPAP continuing education credit shall only be awarded when the  
72 course is instructed by at least one AQB Certified USPAP Instructor who  
73 is also a state certified appraiser in good standing.
- 74 11. Appraisers must successfully complete a course which meets the content  
75 requirements of the Valuation Bias and Fair Housing Laws and  
76 Regulations Outline, every two calendar years.  
77 a. The first time an appraiser completes the continuing education  
78 requirement for this course, the course length must be seven (7)  
79 hours. If an appraiser successfully completed a seven (7) hour  
80 (plus 1 hour exam) course as part of their qualifying education,  
81 they have met this requirement.  
82 b. Every two calendar years thereafter, the course length must be at  
83 least four (4) hours.
- 84 12. ~~11.~~ The equivalent of fourteen (14) class hours of instruction in courses or  
85 seminars for each year during the period preceding the renewal is  
86 required. For example, a two-year continuing education cycle would  
87 require twenty-eight hours. The class hour requirement can be fulfilled at  
88 any time during the cycle.
- 89
- 90 13. ~~12.~~ AQB Certified USPAP Instructors successfully completing an 7-Hour  
91 Instructor Recertification Course and exam (if an exam is required) within  
92 their current continuing education cycle have satisfied the 7-Hour National  
93 USPAP Update Continuing Education Course continuing education  
94 requirement.  
95
- 96 14. ~~13.~~ A Sstate appraiser regulatory agencyies with the appropriate authority  
97 to do so may place a credential holder in an “inactive status” if the state  
98 determines a deficiency in continuing education was due to extenuating  
99 circumstances.

100 Prior to reactivation, credential holders in an inactive status must complete  
101 all required continuing education hours that would have been required if  
102 the credential holder was in an active status. The required hours must also  
103 include the most recent edition of a 7-Hour National USPAP Update  
104 Continuing Education Course (or its AQB-approved equivalent).

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

107 Deferrals may not be granted to credential holders, except in the case of  
108 individuals returning from active military duty, or individuals impacted by a  
109 state- or federally-declared disaster. State appraiser regulatory agencies  
110 may allow credential holders returning from active military duty to be

111 placed in active status for a period of up to 90 days pending completion of  
112 all continuing education requirements. State appraiser regulatory agencies  
113 may allow credential holders impacted by a state- or federally-declared  
114 disaster that occurs within 90 days prior to the end of the continuing  
115 education cycle to remain (or be placed in) active status for a period of up  
116 to 90 days after the end of the credential holder's continuing education  
117 cycle, pending completion of all continuing education requirements.

118 15. ~~14~~. Credentialed appraisers are required to complete continuing education  
119 for a partial year in a continuing education cycle as follows:

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

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

124 **Example #1:** A credential issued on August 15 that expires on December  
125 31 of the same year would not require any continuing education hours for  
126 that year.

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

130 **Example #3:** A credential issued on August 15 that expires on December  
131 31 of the following year would require 14 hours of continuing education to  
132 renew.

133 16. ~~15~~. State appraiser regulatory agencies may award continuing education  
134 credit to credentialed appraisers who attend a state appraiser regulatory  
135 agency meeting, under the following conditions:

136 a. Credit may be awarded for a single state appraiser regulatory  
137 agency meeting per continuing education cycle. The meeting  
138 must be open to the public and must be a minimum of two (2)  
139 hours in length. The total credit cannot exceed seven (7) hours;  
140 and

141 b. The state appraiser regulatory agency must ensure that the  
142 credentialed appraiser attends the meeting for the required period  
143 of time.

# Proposed Addition to Qualifying Education (QE) Requirements

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## Rationale

### Summary of Proposed Changes

These proposed changes are identical to those in the First Exposure Draft.

The AQB is proposing to add an additional course requirement to the list of required qualifying education courses for each appraisal classification (Trainee, Licensed Residential, Certified Residential and Certified General). This core course will provide a baseline of knowledge for all appraisers on the topics of valuation bias and fair housing laws and regulations. The eight (8) hour course must be part of the required QE for aspiring appraisers no later than **January 1, 2026**.

### Explanation of Proposed Changes

There are multiple areas of the *Criteria* this proposed change impacts. This includes needing to propose a change to requirement III.E.3:

*Class hours may be obtained only where the minimum length of the educational offering is at least 15 hours.*

In addition to a change being needed to reflect the required eight (8) hour in length, changes are needed to the qualifying education requirements for each classification.

Thus, while only one requirement is changing (an eight-hour course is being added to all qualifying education requirements), this results in multiple areas of the *Criteria* needing to be edited to reflect the proposed change, and the total hours required increasing for the Trainee classification and for the Licensed Residential credential.

For the Certified Residential and the Certified General qualifying education (QE) requirements, it was possible to propose adding the eight (8) hour course without increasing the total number of QE hours. This was possible because the AQB is proposing to reduce the total number of required elective hours accordingly.

## Location of Proposed Changes in the current *Criteria*

For ease of reference, the proposed changes found below relate to requirements you can find on the following pages of the [Real Property Appraiser Qualification Criteria](#) currently in effect:

- QE courses needing to be 15 hours in length

- Page 10, item III.E.3
- Licensed Residential Appraiser Real Property Appraiser
  - Page 17, item III.B
- Certified Residential Real Property Appraiser
  - Page 21, item III.E
  - Page 21, item III.F
- Certified General Real Property Appraiser
  - Page 24, item III.D
  - Page 24, item III.E

# CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

## III. Generic Education Criteria

- 144 E. *Criteria* Specific to Qualifying Education
- 145 3. Class hours may be obtained only where:
- 146 i. the minimum length of the educational offering is at least 15 hours
- 147 (except for the eight (8) hour course on valuation bias and fair
- 148 housing laws and regulations); and
- 149 ii. the individual successfully completes a proctored, closed-book final
- 150 examination pertinent to that educational offering.



# TRAINEE REAL PROPERTY APPRAISER

## III. Qualifying Education

- 151 A. As the prerequisite for application, an applicant must have completed ~~seventy-~~  
152 ~~five (75)~~ eighty-three (83) hours of qualifying education as specified in the  
153 *Required Core Curriculum*. Additionally, applicants must pass the course  
154 examinations and pass the *15-Hour National USPAP Course* (or its AQB-  
155 approved equivalent) and examination as part of the ~~75~~ eighty-three (83) hours.  
156 All qualifying education must be completed within the five (5) year period  
157 immediately preceding the date of application for a Trainee Appraiser credential.

## V. Training

- 158 F. Trainee Appraisers shall be required to complete a course that, at minimum,  
159 complies with the specifications for course content established by the AQB,  
160 which is specifically oriented to the requirements and responsibilities of  
161 Supervisory Appraisers and Trainee Appraisers. The course must be completed  
162 by the Trainee Appraiser before obtaining a Trainee Appraiser credential.  
163 Further, the Trainee Appraiser course cannot be included in the ~~75~~ eighty-three  
164 (83) hours of required qualifying education. Please refer to the Supervisory  
165 Appraiser / Trainee Appraiser Course Objectives and Outline in ~~this~~ the *Criteria*  
166 booklet for more information.

# LICENSED RESIDENTIAL REAL PROPERTY APPRAISER

## II. Examination

- 167 A. The AQB-approved Licensed Residential Real Property Appraiser examination  
168 must be successfully completed. The only alternative to successful completion of  
169 the Licensed Residential examination is the successful completion of the  
170 Certified Residential or Certified General examination.  
171 B. The prerequisites for taking the AQB-approved examination are completion of:  
172 1. One hundred fifty-~~eight~~ (1508) creditable class hours as specified in the  
173 *Required Core Curriculum*; and  
174 2. One thousand (1,000) hours of qualifying experience in no fewer than six  
175 (6) months.

## III. Qualifying Education

- 176 A. The Licensed Residential Real Property Appraiser classification requires  
177 completion of one hundred fifty-~~eight~~ (1508) creditable class hours as specified in  
178 the *Required Core Curriculum*. As part of the one hundred fifty-eight 1508

179 required hours, the applicant shall successfully complete the *15-Hour National*  
180 *USPAP Course*, or its AQB-approved equivalent, and successfully pass the  
181 examination. There is no alternative to successful completion of the USPAP  
182 Course and examination.

## CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER

### III. Qualifying Education

- 183 E. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the  
184 educational requirements for the Certified Residential Real Property Appraiser  
185 credential by successfully completing the following additional educational hours:
- |     |   |                               |
|-----|---|-------------------------------|
| 186 | 1. Residential Market Analysis and Highest and Best Use   | 15 Hours                      |
| 187 | 2. Residential Appraiser Site Valuation and Cost Approach | 15 Hours                      |
| 188 | 3. Residential Sales Comparison and Income Approaches     | 30 Hours                      |
| 189 | 4. Residential Report Writing and Case Studies            | 15 Hours                      |
| 190 | 5. Statistics, Modeling and Finance                       | 15 Hours                      |
| 191 | 6. Advanced Residential Applications and Case Studies     | 15 Hours                      |
| 192 | 7. Appraisal Subject Matter Electives                     | <u>12</u> <del>20</del> Hours |

193 **TOTAL** ~~125~~ 117 Hours

- 194 F. Appraisers holding a valid **Licensed Residential Real Property Appraiser**  
195 credential may satisfy the educational requirements for the Certified Residential  
196 Real Property Appraiser credential by successfully completing the following  
197 additional educational hours:
- |     |   |                               |
|-----|---|-------------------------------|
| 198 | 1. Statistics, Modeling, and Finance                  | 15 Hours                      |
| 199 | 2. Advanced Residential Applications and Case Studies | 15 Hours                      |
| 200 | 3. Appraisal Subject Matter Electives                 | <u>12</u> <del>20</del> Hours |

201 **TOTAL** ~~50~~ 42 Hours

## CERTIFIED GENERAL REAL PROPERTY APPRAISER

### III. Qualifying Education

- 202 D. Appraisers holding a valid **Trainee Appraiser** credential may satisfy the  
203 educational requirements for the Certified General Real Property Appraiser  
204 credential by successfully completing the following additional educational hours:
- |     |   |          |
|-----|---|----------|
| 205 | 1. General Appraiser Market Analysis and Highest and Best Use | 30 Hours |
| 206 | 2. Statistics, Modeling and Finance                           | 15 Hours |
| 207 | 3. General Appraiser Sales Comparison Approach                | 30 Hours |
| 208 | 4. General Appraiser Site Valuation and Cost Approach         | 30 Hours |

209	5. General Appraiser Income Approach	60 Hours
210	6. General Appraiser Report Writing and Case Studies	30 Hours
211	7. Appraisal Subject Matter Electives	<u>22</u> <del>30</del> Hours

212 **TOTAL** **225 ~~217~~ Hours**

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

217	1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
218	2. Statistics, Modeling and Finance	15 Hours
219	3. General Appraiser Sales Comparison Approach	15 Hours
220	4. General Appraiser Site Valuation and Cost Approach	15 Hours
221	5. General Appraiser Income Approach	45 Hours
222	6. General Appraiser Report Writing and Case Studies	15 Hours
223	7. Appraisal Subject Matter Electives	<u>22</u> <del>30</del> Hours

224 **TOTAL** **150 ~~142~~ Hours**

# REQUIRED CORE CURRICULUM

TRAINEE APPRAISER	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)	15 HOURS
<b>TOTAL</b>	<del>75</del> <u>83</u> HOURS

LICENSED RESIDENTIAL	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
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>	<del>150</del> <u>158</u> HOURS



<b>CERTIFIED RESIDENTIAL</b>	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
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)	<del>20</del> <u>12</u> HOURS
<b>TOTAL</b>	<b>200 HOURS</b>

<b>CERTIFIED GENERAL</b>	
BASIC APPRAISAL PRINCIPLES	30 HOURS
BASIC APPRAISAL PROCEDURES	30 HOURS
<u>VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS</u>	<u>8 HOURS</u>
<i>15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)</i>	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)	<del>30</del> <u>22</u> HOURS
<b>TOTAL</b>	<b>300 HOURS</b>

# Proposed Valuation Bias and Fair Housing Laws and Regulations Course Outline

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## Rationale

This proposed outline was modified slightly from the First Exposure Draft explicitly to include the topics of disparate impact and disparate treatment. As discussed above, the AQB received positive stakeholder feedback in support of proposing an outline for the of valuation bias and fair housing laws and regulations course in the *Criteria*.

The panelists at the Forum provided written answers to one of the AQB questions to list the required topics for the course. The AQB received and reviewed the extensive list of topics for the course content.

The AQB reviewed current course outlines available on this topic for their required content from various state agencies and education providers. The AQB also received comments from stakeholders at various meetings and speaking engagements such as The Appraisal Foundation Advisory Council, Industry Advisory Council, and Association of Appraiser Regulatory Officials.

The AQB asked for greater feedback from the pre-exposure draft working group. The working group's comments further refined the required outline.

Lastly, the AQB received advice from fair housing attorneys on the required outline.

The goal of this proposed outline is to provide high-quality consistent/uniform education for all appraisers on the topics of valuation bias and fair housing laws and regulations.

# VALUATION BIAS AND FAIR HOUSING LAWS AND REGULATIONS COURSE OUTLINE

225 The course must contain information to ensure the appraiser understands valuation bias  
226 and fair housing laws and regulations related issues. The same outline is required for  
227 the seven (7) hour course, the eight-hour course (which is the seven-hour course plus a  
228 one-hour exam) and the four (4) hour course.

229 However, the four-hour course will have less content on the topics of “Understanding  
230 Real Estate Bias” and “Federal Fair Housing Laws and Regulations” and more content  
231 on “Valuation Bias” and “Case Studies.”

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

## 234 **A. Understanding Real Estate Bias**

### 235 1. Historical Context

- 236 a. Role of the following: real estate agents, insurance, appraisers,  
237 lenders, Government Sponsored Enterprises, federal, state and  
238 local agencies, and legislation
- 239 b. Redlining
- 240 c. Restrictive Covenants
- 241 d. Court Rulings

### 242 2. Contemporary Context

- 243 a. Economic Impact of Property Value Disparities for Protected  
244 Classes
- 245 b. Public Conversation Regarding Valuation Bias
- 246 c. Recent Cases and Developments

## 247 **B. Federal Fair Housing and Antidiscrimination Laws and Regulations**

### 248 1. Laws and Regulations

- 249 a. Civil Rights Act of 1866 (Section 1981 and Section 1982)
- 250 b. Fair Housing Act
- 251 c. Equal Credit Opportunity Act (ECOA)
- 252 d. Financial Institutions Reform, Recovery, and Enforcement  
253 Act (FIRREA)
- 254 e. Unfair and Deceptive Acts and Practices (UDAP)
- 255 f. Unfair, Deceptive or Abusive Acts and Practices (UDAAP)

### 256 2. Key Legal Concepts

- 257 a. Disparate Treatment
- 258 b. Disparate Impact

## 259 **C. Valuation Bias**

### 260 1. Components of Valuation Bias

- 261 a. Explicit
- 262 b. Implicit



263

c. Structural

264

2. Recognizing and Avoiding Valuation Bias

265

**D. Case Studies**

266

1. Current Valuation Bias Topics

267

2. Best Practices for Avoiding Valuation Bias

# Proposed Change to Guide Note

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## Rationale - Addition of a Course Outline to GN-1

This section remains unchanged from the First Exposure Draft to the Second Exposure Draft.

Assuming the above changes are adopted, Guide Note 1 will need to be updated to reflect those changes for consistency.

Guide Notes consist of guidance only and therefore do not contain any *Criteria* requirements. The edits to Guide Note 1 will consist of adding a high-level required outline in a format that is consistent with how the Guide Note is formatted.

Therefore, the outline in the Guide Note for the Valuation Bias and Fair Housing Laws and Regulations Course Outline is necessarily more abbreviated than it appears in the *Criteria*. The *Criteria* contains the full requirement to be met, and the Guide Note contains a condensed outline which is consistent with the formatting of Guide Note 1.

## AQB GUIDE NOTE 1 (GN-1)

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

270 *30 HOURS*

- 271 A. Real Property Concepts and Characteristics
  - 272 1. Basic Real Property Concepts
  - 273 2. Real Property Characteristics
  - 274 3. Legal Description
- 275 B. Legal Considerations
  - 276 1. Forms of Ownership
  - 277 2. Public and Private Controls
  - 278 3. Real Estate Contracts
  - 279 4. Leases
- 280 C. Influences on Real Estate Values
  - 281 1. Governmental
  - 282 2. Economic
  - 283 3. Social
  - 284 4. Environmental, Geographic, and Physical
- 285 D. Types of Value
  - 286 1. Market Value
  - 287 2. Other Value Types
- 288 E. Economic Principles
  - 289 1. Classic Economic Principles
  - 290 2. Application and Illustrations of the Economic Principles
- 291 F. Overview of Real Estate Markets and Analysis
  - 292 1. Market Fundamentals, Characteristics, and Definitions
  - 293 2. Supply Analysis
  - 294 3. Demand Analysis
  - 295 4. Use of Market Analysis
- 296 G. Ethics and How They Apply in Appraisal Theory and Practice
- 297 H. Valuation Bias, and Fair Housing Laws and Regulations, and/or Equal  
298 Opportunity

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

301 *30 HOURS*

- 302 A. Overview of Approaches to Value
- 303 B. Valuation Procedures

- 304 1. Defining the Problem
- 305 2. Collecting and Selecting Data
- 306 3. Analyzing
- 307 4. Reconciling and Final Value Opinion
- 308 5. Communicating the Appraisal

309 C. Property Description

- 310 1. Geographic Characteristics of the Land/Site
- 311 2. Geologic Characteristics of the Land/Site
- 312 3. Location and Neighborhood Characteristics
- 313 4. Land/Site Considerations for Highest and Best Use
- 314 5. Improvements - Architectural Styles and Types of Construction
- 315 6. Special Energy-Efficient Characteristics of the Improvements

316 D. Residential or General Applications

317 **III. VALUATION BIAS AND/OR FAIR HOUSING LAWS AND REGULATIONS**  
318 **(required for the Trainee Appraiser, Licensed Residential, Certified Residential,**  
319 **and Certified General classifications)**

320 **8 HOURS**

321 A. Understanding Real Estate Bias

- 322 1. Historical Context
- 323 2. Contemporary Context

324 B. Federal Fair Housing and Antidiscrimination Laws and Regulations

- 325 1. Laws and Regulations
- 326 2. Key Legal Concepts

327 C. Valuation Bias

- 328 1. Components of Valuation Bias
- 329 2. Recognizing and Avoiding Valuation Bias

330 D. Case Studies

- 331 1. Current Valuation Bias Topics
- 332 2. Best Practices for Avoiding Valuation Bias

# Summary of Actions

2024 USPAP

June 2, 2023

Short Version



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

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APPRAISAL STANDARDS BOARD

# Summary of Actions for 2024 USPAP

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On May 5, 2023, the Appraisal Standards Board (ASB) adopted modifications to the *Uniform Standards of Professional Appraisal Practice* (USPAP). The actions of the board continued in earnest after a [Discussion Draft](#) was issued in June 2021 which asked if the requirement for an appraiser to avoid relying upon “unsupported conclusions” relating to demographic characteristics was understood by appraisers and users of appraisal services. [Five exposure drafts](#) followed in which written comments were received, and oral comments were provided at each of the five public meetings and exposure draft [webinars](#). Each member of the ASB read and carefully considered every comment.

Please read the [Fifth Exposure Draft](#) with [written comments](#) and watch the [webinar](#) for an in-depth explanation of the proposed changes.

Based on the feedback received, the Board adopted the following proposed changes from the Fifth Exposure Draft in a [virtual public meeting](#) on May 5, 2023, which will be incorporated in the 2024 edition of USPAP with an effective date of January 1, 2024.

## Changes to the ETHICS RULE

The Board adopted a [Nondiscrimination](#) Section in the ETHICS RULE and deleted all language relating to supported and unsupported conclusions in the [Conduct](#) section of the ETHICS RULE. There are no changes to the [Management](#) and [Confidentiality](#) sections of the ETHICS RULE.

Please read the [Detailed Summary of Actions](#) for complete rationale and the adopted changes.

## Transfers and Sales

The Board adopted the addition of “[and other transfers](#),” words to Standards Rule 1-5(b), Standards Rule 2-2(a)(x)(3), Standards Rule 2-2(b)(xii)(3), Standards Rule 7-5(b), Standards Rule 8-2(a)(x)(3) Standards Rule 8-2(b)(xii)(3), and Standards Rule 9-4(b).

## Retired Definitions

The Board retired the definition of Assignment Elements, Misleading, and Relevant Characteristics.

## Modified Definitions

The Board modified the definition of Appraiser, Personal Inspection, and Workfile.

## Minor Edits

The Board adopted replacement of the words “a summary” with “the description” in one sentence in each of the following Standards Rules: Standards Rule 2-3(c)(ii), Standards Rule 4-3(c)(ii), Standards Rule 6-3(c)(ii), Standards Rule 8-3(c)(ii), and Standards Rule 10-3(c)(ii). The Board also adopted the addition of words “in writing and” to a sentence in STANDARD 6. The Board adopted adding words to a requirement in Standards Rule 8-2(b) so that it is consistent with the exact wording in 8-2(a).

## Advisory Opinions

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The following proposed changes from the [Fifth Exposure Draft](#) were adopted by the Board with administrative changes on May 22, 2023, with an effective date of January 1, 2024:

### Revisions to Advisory Opinion 2

The Board adopted changes to Advisory Opinion 2, *Inspection of Subject Property*, in part, to reflect adopted changes in the definition of Personal Inspection.

### Retirement of Advisory Opinion 16

The ASB retired Advisory Opinion 16, *Fair Housing Laws and Appraisal Report Content*. With the removal of a prohibition and the addition of the Nondiscrimination section of the ETHICS RULE, the guidance in this Advisory Opinion is no longer relevant.

### Creation of new Advisory Opinion 39

The Board adopted Advisory Opinion 39, *Antidiscrimination*. This Advisory Opinion provides guidance on the new [Nondiscrimination](#) section of the ETHICS RULE.

### Creation of new Advisory Opinion 40

The Board adopted Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments* to provide guidance on the new [Nondiscrimination](#) section of the ETHICS RULE.

# Summary of Actions

2024 USPAP

June 2, 2023

Detailed Version



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

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APPRAISAL STANDARDS BOARD



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# Summary of Actions for 2024 USPAP

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On May 5, 2023, the Appraisal Standards Board (ASB) adopted modifications to the *Uniform Standards of Professional Appraisal Practice* (USPAP). The actions of the board continued in earnest after a [Discussion Draft](#) was issued in June 2021 which asked if the requirement for an appraiser to avoid relying upon “unsupported conclusions” relating to demographic characteristics was understood by appraisers and users of appraisal services. [Five exposure drafts](#) followed in which written comments were received, and oral comments were provided at each of the five public meetings and exposure draft [webinars](#). Each member of the ASB read and carefully considered every comment.

Please read the [Fifth Exposure Draft](#) with [written comments](#) and watch the [webinar](#) for an in-depth explanation of the proposed changes.

Based on the feedback received, the Board adopted the following proposed changes from the Fifth Exposure Draft in a [virtual public meeting](#) on May 5, 2023, which will be incorporated in the 2024 edition of USPAP with an effective date of January 1, 2024.

## Changes to the ETHICS RULE

The Board adopted a [Nondiscrimination](#) Section in the ETHICS RULE and deleted all language relating to supported and unsupported conclusions in the [Conduct](#) section of the ETHICS RULE. There are no changes to the [Management](#) and [Confidentiality](#) sections of the ETHICS RULE.

The [Nondiscrimination](#) Section focuses on core concepts from key antidiscrimination laws and explicitly requires that appraisers be knowledgeable about and follow antidiscrimination laws that apply to the appraiser or the assignment.

The section begins by prohibiting an appraiser from acting “in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.” It highlights the Fair Housing Act (FHAct), the Equal Credit Opportunity Act (ECOA), and the Civil Rights Act of 1866, three key federal antidiscrimination laws that are relevant to appraisal practice. The section also requires an appraiser to have knowledge of antidiscrimination laws and regulations and when those laws and regulations apply to the appraiser or to the assignment.

The section then states specific prohibitions that apply when the appraiser is completing a residential real property assignment or an assignment where the intended use is in connection with a credit transaction. These prohibitions, grounded in the FHAct, ECOA, and the Civil Rights Act of 1866, plainly state that an appraiser is prohibited from basing their opinion of value on any of the characteristics protected under relevant law.

Under the prohibition related to residential real property, a comment states in plain language what the FhAct prohibits and that the FhAct can be violated through disparate treatment and disparate impact—concepts that are further discussed in guidance. The comment also highlights Section 1981 and Section 1982 of the Civil Rights Act of 1866, which apply broadly to appraisals, including real and personal property appraisals. Under the prohibition related to assignments where the intended use is in connection with a credit transaction, a comment states in plain language what ECOA prohibits.

The Nondiscrimination section continues with four additional prohibitions that apply across appraisal disciplines, regardless of whether (or which) antidiscrimination laws or regulations also apply. These prohibitions apply with respect to an enumerated list of personal characteristics that are drawn from federal antidiscrimination protections, namely the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).

- An appraiser must not develop and/or report an opinion of value based, in whole or in part, on any of the listed characteristics;
- An appraiser must not base an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal;
- An appraiser must not perform an assignment with bias<sup>1</sup> with respect to any of the listed characteristics; and
- An appraiser must not use or rely upon another characteristic as a pretext to conceal the use of or reliance upon a listed characteristic.

Finally, the Nondiscrimination section recognizes that limited circumstances exist where use of a protected characteristic<sup>2</sup> in an assignment would not constitute discrimination and would not violate the ETHICS RULE. For use of or reliance upon a protected characteristic in an assignment to be permissible, the use or reliance must not be prohibited by antidiscrimination laws and regulations, and must further be essential to the assignment and necessary for credible assignment results. These requirements are intentionally stringent. And finally, the remaining elements of the exception—that the use or reliance be permitted by antidiscrimination laws and regulations and be essential to the assignment and necessary for credible assignment results—appropriately limit the circumstances under which use of or reliance upon a protected characteristic can be allowed.

**The Board adopted the following changes to the ETHICS RULE:**

---

1 “Bias,” as a defined term in USPAP, means “a preference or inclination that precludes an appraiser’s impartiality, independence, or objectivity in an assignment.”

2 As a footnote to this part of the ETHICS RULE states: for purposes of the exception, “‘protected characteristic’ means race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), or any other characteristic protected by applicable antidiscrimination laws or regulations.”

**ETHICS RULE**

**An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.**

**An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the client or intended users. In addition to these requirements, an individual should comply any time that individual represents that he or she is performing the service as an appraiser.**

Comment: This Rule specifies the personal obligations and responsibilities of the individual appraiser. An individual appraiser employed by a group or organization that conducts itself in a manner that does not conform to USPAP should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

This ETHICS RULE is divided into four sections: **Nondiscrimination**, **Conduct**, **Management**, and **Confidentiality**, which apply to all appraisal practice.

**NONDISCRIMINATION:**

**An appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.<sup>3</sup> This includes the Fair Housing Act (FHAct), the Equal Credit Opportunity Act (ECOA), and the Civil Rights Act of 1866.**

**An appraiser must have knowledge of antidiscrimination laws and regulations and when those laws or regulations apply to the appraiser or to the assignment. An appraiser must complete an assignment in full compliance with applicable laws and regulations.**

- 1. An appraiser, when completing a residential real property assignment, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, disability, or familial status.**

Comment: The FHAct prohibits discrimination in residential real estate appraisals on the basis of race, color, religion, national origin, sex, disability, or familial status. Under the FHAct, an appraiser may not use or rely upon information relating to these protected characteristics, with limited exceptions.

The FHAct can be violated through disparate treatment (treating individuals of one protected group differently from and less favorably than others not in that protected group) and disparate impact (employing

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<sup>3</sup> See Advisory Opinion 39, Antidiscrimination Laws and Nondiscrimination.

neutral policies or practices that disproportionately harm members of a protected group, except when those policies or practices are justified and there are no less disproportionate policies or practices that could be used instead).

Section 1981 of the federal Civil Rights Act of 1866 prohibits many forms of discrimination with respect to the making and enforcement of contracts, and Section 1982 of the same law prohibits discrimination with respect to the purchasing, leasing, selling, holding, and conveyance of real and personal property. The Civil Rights Act of 1866 applies to real property appraisals, in addition to personal property and other appraisals.

- 2. An appraiser, when completing an assignment where the intended use is in connection with a credit transaction, not limited to credit secured by real property, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, marital status, age, source of income, or the good-faith exercise of rights under the Consumer Credit Protection Act.**

Comment: ECOA prohibits discrimination in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, source of income, or the good-faith exercise of any right under the Consumer Credit Protection Act in any aspect of a credit transaction, with limited exceptions. An appraisal used in connection with a credit transaction is an aspect of the credit transaction.

- 3. An appraiser must not violate any state or local antidiscrimination laws or regulations applicable to the appraiser or to their assignment.**

Comment: State and local laws may expand upon federal antidiscrimination requirements to protect additional characteristics and/or prohibit additional practices. The specific laws and regulations that are applicable to an appraiser or an assignment will vary.

**Whether or not any antidiscrimination law or regulation applies:**

- 1. An appraiser must not develop and/or report an opinion of value that, in whole or in part, is based on the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).**

Comment: Within the context of the Nondiscrimination section of the ETHICS RULE, “person(s)” includes but is not limited to:

- a property or asset owner;
- a purchaser or potential purchaser of a property or an asset;

- an individual who might derive benefit from or use a property or an asset;
  - a client, representative or agent of a client, or any other intended user; or
  - the inhabitants of a geographic area.
2. **An appraiser must not base an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal.**<sup>4</sup>
3. **An appraiser must not perform an assignment with bias with respect to the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).**
4. **An appraiser must not use or rely upon another characteristic as a pretext to conceal the use of or reliance upon race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), when performing an assignment.**

Comment: Where an antidiscrimination law or regulation applies to the appraiser or the appraiser’s assignment, the practices described in 1-4 immediately above may also be prohibited by applicable antidiscrimination law, including the FHAct, ECOA, and the Civil Rights Act of 1866. Any practice prohibited by an applicable antidiscrimination law or regulation is also prohibited by the preceding requirements of the Nondiscrimination section.

**If an assignment does not involve residential real property and the intended use is not in connection with a credit transaction, the FHAct and ECOA do not apply. If the FHAct and ECOA do not apply, and no other law or regulation prohibits the use of or reliance upon a protected characteristic,<sup>5</sup> then the use of or reliance upon that characteristic is permitted only to the extent that it is essential to the assignment and necessary for credible assignment results.**

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4 See Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments.*

5 For purposes of this exception, “protected characteristic” means race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), or any other characteristic protected by applicable antidiscrimination laws or regulations.

Comment: Where the FHAAct, ECOA, or another antidiscrimination law or regulation applies, any use of or reliance upon a protected characteristic must be expressly permitted by applicable laws or regulations.

**CONDUCT:**

**An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.**

**An appraiser:**

- **must not perform an assignment with bias;**
- **must not advocate the cause or interest of any party or issue;**
- **must not agree to perform an assignment that includes the reporting of predetermined opinions and conclusions;**
- **must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;**
- **must not communicate assignment results with the intent to mislead or to defraud;**
- **must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;**
- **must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent;**
- ~~**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;**~~
- **must not engage in criminal conduct;**
- **must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and**
- **must not perform an assignment in a grossly negligent manner.**

Comment: Development standards (1-1, 3-1, 5-1, 7-1 and 9-1) address the requirement that “an appraiser must not render appraisal services in a careless or negligent manner.” The above requirement deals with an appraiser being grossly negligent in performing an assignment which would be a violation of the Conduct section of the ETHICS RULE.

**If known prior to agreeing to perform an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:**

- **any current or prospective interest in the subject property or parties involved; and**
- **any services regarding the subject property performed by the appraiser, as an appraiser or in any other capacity, within the three-year period immediately preceding the agreement to perform the assignment.**



Comment: Disclosing the fact that the appraiser has previously appraised the property is permitted except in the case when an appraiser has agreed with the client to keep the mere occurrence of a prior assignment confidential. If an appraiser has agreed with a client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent agreements to perform assignments that fall within the three-year period.

In assignments in which there is no appraisal or appraisal review report, only the initial disclosure to the client is required.

### **MANAGEMENT:**

**An appraiser must disclose that he or she paid a fee or commission, or gave a thing of value in connection with the procurement of an assignment.**

Comment: The disclosure must appear in the certification and in any transmittal letter in which conclusions are stated; however, disclosure of the amount paid is not required. In groups or organizations engaged in appraisal practice, intra-company payments to employees for business development do not require disclosure.

**An appraiser must not agree to perform an assignment, or have a compensation arrangement for an assignment, that is contingent on any of the following:**

- 1. the reporting of a predetermined result (e.g., opinion of value);**
- 2. a direction in assignment results that favors the cause of the client;**
- 3. the amount of a value opinion;**
- 4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced); or**
- 5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.**

**An appraiser must not advertise for or solicit assignments in a manner that is false, misleading, or exaggerated.**

**An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment (see Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3). An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.**

**An appraiser must not affix the signature of another appraiser without his or her consent.**

Comment: An appraiser must exercise due care to prevent unauthorized use of his or her signature. An appraiser exercising such care is not responsible for unauthorized use of his or her signature.

### **CONFIDENTIALITY:**

**An appraiser must protect the confidential nature of the appraiser-client relationship.**



**An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.**

**An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.**

**An appraiser must not disclose: (1) confidential information; or (2) assignment results to anyone other than:**

- the client;
- parties specifically authorized by the client;
- state appraiser regulatory agencies;
- third parties as may be authorized by due process of law; or
- a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

**An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form.**

**An appraiser must ensure that employees, co-workers, sub-contractors, or others who may have access to confidential information or assignment results, are aware of the prohibitions on disclosure of such information or results.**

**A member of a duly authorized professional peer review committee must not disclose confidential information presented to the committee.**

Comment: When all confidential elements of confidential information, and assignment results are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

## Transfers and Sales

The Board adopted the addition of “and other transfers,” words to Standards Rule 1-5(b), Standards Rule 2-2(a)(x)(3), Standards Rule 2-2(b)(xii)(3), Standards Rule 7-5(b), Standards Rule 8-2(a)(x)(3) Standards Rule 8-2(b)(xii)(3), and Standards Rule 9-4(b).

STANDARDS 1, 7, and 9 have requirements, under certain circumstances, where the appraiser would need to analyze prior sales of a subject property. However, while a “sale of a property” is essentially a “transfer of a property,” there is a minor technical difference between the two. A sale always includes a transfer, but a transfer may not always technically include a sale.

This issue is directly related to the work of real property appraisers (STANDARDS 1 and 2), personal property appraisers (STANDARDS 7 and 8), and business appraisers (STANDARDS 9 and 10).

As an example, for business appraisers, in the sale of companies, those sales are often structured in ways that are not considered “true” sales. For example, they can be re-organizations, mergers, or other legal processes that convey or transfer an interest from one person (or entity) to another. There might even be partial transfers of businesses.

While USPAP guidance has always maintained that a “sale” and a “transfer” are essentially the same, enough questions have been raised about the issue that the ASB has made a change.

**Based on the above, the Board adopted the following changes to USPAP:**

### STANDARDS RULE 1

Standards Rule 1-5, **SUBJECT SALES AND OTHER TRANSFERS, SALE AGREEMENTS, OPTIONS, AND LISTINGS, ~~AND PRIOR SALES~~**

**When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:**

- (a) analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal; and**
- (b) analyze all sales and other transfers of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.**

STANDARDS RULE 2

Standards Rule 2-2, CONTENT OF A REAL PROPERTY APPRAISAL REPORT

Each written real property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.

An appraiser may use any other label in addition to, but not in place of, the labels set forth in this Standards Rule for the type of report provided. The use of additional labels such as analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from adherence to USPAP.

The report content and level of information requirements in this Standards Rule are minimums for each type of report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements.

- (a) The content of an Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:

.....

- (x) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 by:
  - (1) summarizing the appraisal methods and techniques employed;
  - (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
  - (3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings in accordance with Standards Rule 1-5;

Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

.....

- (b) The content of a Restricted Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:

.....

- (xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 by:
- (1) stating the appraisal methods and techniques employed;
  - (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
  - (3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings in accordance with Standards Rule 1-5; and

Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

## STANDARDS RULE 7

### Standards Rule 7-5, SUBJECT SALES AND OTHER TRANSFERS, SALE AGREEMENTS, OPTIONS, AND LISTINGS, ~~AND PRIOR SALES~~

When necessary for credible assignment results, an appraiser must, if such information is available to the appraiser in the normal course of business:

- (a) analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings of the subject property current as of the effective date of the appraisal if warranted by the intended use of the appraisal; and
- (b) analyze all prior sales and other transfers of the subject property that occurred within a reasonable and applicable time period if relevant given the intended use of the appraisal and property type.

## Standards Rule 8-2, CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT

Each written personal property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.

An appraiser may use any other label in addition to, but not in place of, the labels set forth in this Standards Rule for the type of report provided. The use of additional labels such as analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from adherence to USPAP.

The report content and level of information requirements in this Standards Rule are minimums for each type of report.

(a) The content of an Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:

.....

- (x) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:
  - (1) summarizing the appraisal methods or techniques employed;
  - (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
  - (3) summarizing the results of analyzing the subject property’s sales **and other transfers**, agreements of sale, options, and listings when, in accordance with Standards Rule 7-5, it was necessary for credible assignment results and if such information was available to the appraiser in the normal course of business;

Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

.....

(b) The content of a Restricted Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:

.....

- (xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:
  - (1) stating the appraisal methods and techniques employed;
  - (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
  - (3) summarizing the results of analyzing the subject sales **and other transfers**, agreements of sale, options, and listings in accordance with Standards Rule 7-5; and

Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

**STANDARDS RULE 9**

**Standards Rule 9-4, APPROACHES TO VALUE**

**In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must collect and analyze all information necessary for credible assignment results.**



- (b) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of:**
  - (i) the nature and history of the business enterprise or intangible asset;**
  - (ii) financial and economic conditions affecting the business enterprise or intangible asset, its industry, and the general economy;**
  - (iii) past results, current operations, and future prospects of the business enterprise;**
  - (iv) past sales and other transfers of capital stock or other ownership interests in the business enterprise or intangible asset being appraised;**
  - (v) sales and other transfers of capital stock or other ownership interests in similar business enterprises;**
  - (vi) prices, terms, and conditions affecting past sales and other transfers of similar ownership interests in the asset being appraised or a similar asset; and**
  - (vii) economic benefit of tangible and intangible assets.**

Comment on (i)-(vii): This Standards Rule directs the appraiser to study the prospective and retrospective aspects of the business enterprise in terms of the economic and industry environment within which it operates.

## Retired Definitions

The Board retired the definition of Assignment Elements, Misleading, and Relevant Characteristics.

### Definition of Assignment Elements

The Board retired the definition of ASSIGNMENT ELEMENTS. The definition included a list of the assignment elements, as stated in the Problem Identification section of the SCOPE OF WORK RULE, which were applicable in every appraisal assignment. However, in a few circumstances, the assignment elements listed in the definition may not be the exact ones that would be applicable in some appraisal review assignments.

~~**ASSIGNMENT ELEMENTS:** Specific information needed to identify the appraisal or appraisal review problem; client and any other intended users; intended use of the appraiser's opinions and conclusions; type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.~~

### Definition of Misleading

The definition of MISLEADING has been retired. Under the definition, there was some confusion as to if even a very small error (such as insignificant typo) in an appraisal report or appraisal review report met the USPAP definition of misleading. The definition of the word "misleading" then will now revert to its common dictionary definition and will no longer have a definition specific to USPAP.

~~**MISLEADING:** Intentionally or unintentionally misrepresenting, misstating, or concealing relevant facts or conclusions.~~

### Definition of Relevant Characteristics

The Board retired the definition of RELEVANT CHARACTERISTICS. The retirement of this definitions will avoid drawing a distinction between the phrase "relevant characteristics" and the following similar phrases:

- a. "property characteristics relevant to the assignment" and
- b. "characteristics of the property that are relevant to the type and definition value."

These two phrases have identical meanings as "relevant characteristics." Defining one term, but not the others, implied there is a difference requiring a distinction when no difference existed.

~~**RELEVANT CHARACTERISTICS:** features that may affect a property's value or marketability such as legal, economic, or physical characteristics.~~

## Modified Definitions

The Board modified the definition of Appraiser, Personal Inspection, and Workfile.

### Definition of Appraiser

The prior definition of APPRAISER in USPAP was:

**APPRAISER:** *one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.*

The newly adopted definition of Appraiser adds the following Comment into the definition of APPRAISER:

Comment: *Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply.*

The Comment provides important information needed to fully understand the definition. The Comment makes it clear where the *expectation* that an appraiser has an obligation to comply with USPAP comes from.

**The definition of APPRAISER is now as follows:**

**APPRAISER:** one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

Comment: *Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply.*

### Definition of Personal Inspection

The definition of Personal Inspection has been modified. The new definition was adopted in light of technological changes related to property inspections. The new definition clarifies that, as used in USPAP, the term “personal inspection” refers only to the appraiser’s inspection completed as a part of a scope of work for an appraisal (or appraisal review) assignment.

The phrase “personal inspection” is only used in USPAP in the certification and this new definition makes the meaning of the phrase clear in the context with which it is used.

**The Board adopted the following changes:**



**PERSONAL INSPECTION:** (for an appraisal assignment) the appraiser's in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's in-person observation of the subject of the work under review, performed as part of the scope of work. ~~a physical observation performed to assist in identifying relevant property characteristics in a valuation service.~~

Comment: An appraiser's personal inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. An personal inspection ~~by an appraiser~~ is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).

## Definition of Workfile

The ASB amended the definition of WORKFILE. The prior definition was:

**WORKFILE:** *data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP.*

While the main purpose of a workfile is to contain the documentation necessary to *support* the appraiser's opinions and conclusions, the workfile can also serve other purposes. For example, an appraiser can also choose to retain additional materials that go beyond showing compliance with USPAP, such as materials used to answer questions, to document correspondence with a client, or to provide background information on a business contract.

To reflect what the ASB intends for the workfile to contain, and not restrict it to just materials specifically intended to show compliance with USPAP, the ASB adopted the following changes to the definition:

**WORKFILE:** ~~data, information, and~~ documentation necessary to support ~~the~~ an appraiser's analyses, opinions, and conclusions ~~and to show compliance with USPAP.~~

## Minor Edits

The Board adopted replacement of the words “a summary” with “the description” in one sentence in each of the following Standards Rules: Standards Rule 2-3(c)(ii), Standards Rule 4-3(c)(ii), Standards Rule 6-3(c)(ii), Standards Rule 8-3(c)(ii), and Standards Rule 10-3(c)(ii). The Board also adopted the addition of words “in writing and” to a sentence in STANDARD 6. The Board adopted adding words to a requirement in Standards Rule 8-2(b) so that it is consistent with the exact wording in 8-2(a).

## Minor Change in 2-3, 4-3, 6-3, 8-3, and 10-3

The ASB replaced the words “a summary” with “the description” in one sentence in each of the certification requirements for STANDARDS 2, 4, 6, 8, and 10. To explain this change, we will use STANDARD 2 as an example.

In the reporting Standards and specifically in the Certification requirements, there is a section that deals with significant appraisal assistance and where disclosures related to the assistance may appear in a report:

*Comment: Although a certification must contain the names of individuals providing significant real property appraisal assistance, it is not required that a **summary** of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report. **(bold added for emphasis)***

The requirements to report the extent of any significant appraisal assistance come from the requirements for an Appraisal Report and for a Restricted Appraisal Report. Each requirement is:

For an Appraisal Report (Standard Rule 2-2(a)(ix)):

*...**summarize** the extent of any significant real property appraisal assistance*

For a Restricted Appraisal Report (Standard Rule 2-2(b)(xi))

*...**state** the extent of any significant real property appraisal assistance*

Thus, depending on which reporting option is used, the appraiser is required to, at a minimum, either state or summarize the extent of the assistance. To be certain both options are encapsulated in the requirement, the ASB replaced the word “summary” with the word “description.”

**The Board adopted the following changes:**

**STANDARD RULE 2**

**Standards Rule 2-3, CERTIFICATION**

**A signed certification is an integral part of the appraisal report.**

.....

**(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.**

- (i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**
- (ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

Comment: Although a certification must contain the names of individuals providing significant real property appraisal assistance, it is not required that a summary the description of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.

**STANDARD RULE 4**

**Standards Rule 4-3, CERTIFICATION**

**A signed certification is an integral part of the appraisal review report.**

.....

**(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.**

- (i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**

- (ii) **The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

Comment: Although a certification must contain the names of individuals providing significant appraisal or appraisal review assistance, it is not required that ~~a summary~~ the description of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.

**STANDARD RULE 6**

**Standards Rule 6-3, CERTIFICATION**

**A signed certification is an integral part of the appraisal report.**



- (c) **When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.**

- (i) **The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**

- (ii) **The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

Comment: Although a certification must contain the names of individuals providing significant mass appraisal assistance, it is not required that ~~a summary~~ the description of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.

**STANDARD RULE 8**

**Standards Rule 8-3, CERTIFICATION**

**A signed certification is an integral part of the appraisal report.**



**(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.**

- (i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**
- (ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

Comment: Although a certification must contain the names of individuals providing significant personal property appraisal assistance, it is not required that ~~a summary~~ the description of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.

**STANDARD RULE 10**

**Standards Rule 10-3, CERTIFICATION**

**A signed certification is an integral part of the appraisal report.**



**(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.**

- (i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**
- (ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

Comment: Although a certification must contain the names of individuals providing significant business and/or intangible asset appraisal assistance, it is not required that ~~a summary~~ the description of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.

## Minor Change in STANDARD 6

The Board adopted addition of words “in writing and” to a sentence in STANDARD 6. STANDARD 6 addresses how an appraiser should report the results of a mass appraisal. The ASB holds that STANDARD 6 does not include an option for an oral report. This exclusion is now directly stated.

**The Board adopted the following change:**

### **STANDARD RULE 6**

**In reporting the results of a mass appraisal, an appraiser must communicate each analysis, opinion, and conclusion in writing and in a manner that is not misleading.**

Comment: STANDARD 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal.

STANDARD 6 does not dictate the form, format, or style of mass appraisal reports. The substantive content of a report determines its compliance.

### Minor change in Standards Rule 8-2(b)(xii)(3)

The Board adopted adding words to a requirement in Standards Rule 8-2(b) so that it is consistent with the exact wording in 8-2(a).

The Board adopted the following changes:

#### STANDARD RULE 8

##### Standards Rule 8-2, CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT

Each written personal property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.

An appraiser may use any other label in addition to, but not in place of, the labels set forth in this Standards Rule for the type of report provided. The use of additional labels such as analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from adherence to USPAP.

The report content and level of information requirements in this Standards Rule are minimums for each type of report.



(b) The content of a Restricted Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:

- (xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:
  - (1) stating the appraisal methods and techniques employed;
  - (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
  - (3) summarizing the results of analyzing the subject property's sales and other transfers, agreements of sale, options, and listings when, in accordance with Standards Rule 7-5, it was necessary for credible assignment results and if such information was available to the appraiser in the normal course of business; and

Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging



the existence of the information and citing its lack of relevance is required.

# Advisory Opinions

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The following proposed changes from the [Fifth Exposure Draft](#) were adopted by the Board with administrative changes on May 22, 2023, with an effective date of January 1, 2024:

## Revisions to Advisory Opinion 2

The Board adopted changes to Advisory Opinion 2, *Inspection of Subject Property*, in part, to reflect adopted changes in the definition of Personal Inspection.

The new definition of Personal Inspection clarifies the distinction between an appraiser's inspection that is part of the scope of work for the assignment and an inspection that is completed by a third party outside of the appraiser's scope of work. The guidance in Advisory Opinion 2 illustrates the applicability of this revised definition and includes guidance regarding an appraiser's disclosure obligations related to a personal inspection.

**Due to the extent of the changes, the adopted changes are not shown in strikethrough:**

### **ADVISORY OPINION 2 (AO-2)**

*This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.*

### **SUBJECT: Inspection of Subject Property**

### **APPLICATION: Real Property, Personal Property**

### **THE ISSUE:**

An inspection of a property is not required by USPAP, but one is often conducted. USPAP does require the report to include a certification that indicates whether or not the subject property was personally inspected by the appraiser(s).

- What is the purpose of inspecting a subject property?
- What is a personal inspection?
- Is an appraiser's inspection different than a third-party inspection?
- When is an inspection part of the appraiser's scope of work?
- Does USPAP mandate a minimum level of property inspection?
- What are an appraiser's disclosure obligations relating to an inspection?
- When does a personal inspection conducted as Significant Appraisal Assistance require disclosure?

**ADVICE FROM THE ASB ON THE ISSUE:**

**Relevant USPAP & Advisory References:**

- DEFINITION of PERSONAL INSPECTION

PERSONAL INSPECTION: (for an appraisal assignment) the appraiser's in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's in-person observation of the subject of the work under review, performed as part of the scope of work.

Comment: An appraiser's personal inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. A personal inspection is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).

- Standards Rules 1-2(e) and 7-2(e)
- Standards Rules 2-3 and 8-3
- SCOPE OF WORK RULE
- Advisory Opinion 23, Identifying the Relevant Characteristics of the Subject Property in a Real Property Appraisal Assignment.

**Purpose of an Inspection**

The primary reason for an appraiser to inspect a property is to gather information about the characteristics of the property that are *relevant* to its value.<sup>6</sup>

**What is a Personal Inspection?**

A personal inspection is an appraiser's in-person observation of a property that is performed as part of the scope of work, usually to gather information about some or many of the property characteristics relevant to the assignment. While there are other ways to gather information on the subject property's relevant characteristics, the in-person observation (the personal inspection) allows the appraiser to conclude what information to gather that is relevant to the assignment.

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<sup>6</sup> See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment* and Advisory Opinion 39, *Antidiscrimination Laws and Nondiscrimination*, and Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments*.

The appraiser’s personal inspection involves more than just gathering data about a property, it also includes developing relevant analyses. In all parts of the appraisal process, including during a personal inspection, the appraiser, acting competently and correctly applying judgment, continually determines the appropriate methods and techniques to use to gather the relevant information needed to solve the appraisal problem.

A personal inspection performed by an appraiser can be assisted by tools, and as technology evolves, so will the available tools. For example, the use of unmanned aerial vehicles, or drones, are tools that can be used to amplify vision like binoculars or a jeweler’s loupe. Drones now allow an appraiser to view much more of a subject property while making a personal inspection. However, any tools used to view a property, or any data (video recordings, images, photos, etc.) produced by those tools are never a substitute for an appraiser’s personal inspection. A “personal” inspection is when the appraiser makes the in-person observation of the subject property, regardless of any tools that appraiser may be using while making those in-person observations.

### **An Appraiser’s Personal Inspection Versus a Third-Party Inspection**

There is a clear distinction between an appraiser who inspects a property as part of the scope of work to complete an appraisal assignment, and a “third party” person who has inspected or will inspect the same property, but who is not engaged in performing any part of the scope of work used to develop the appraisal.

Per the SCOPE OF WORK RULE:

For each appraisal and appraisal review assignment, **an appraiser** must:

1. identify the problem to be solved;
2. determine and **perform the scope of work** necessary to develop credible assignment results; and
3. disclose the scope of work in the report. [Bold added for emphasis]

It is only the appraiser, the individual signing the certification for the appraisal report, who is responsible for determining and performing the scope of work necessary to develop credible assignment results. Deciding whether or not that appraiser will complete a personal inspection of the subject property is, therefore, part of that appraiser’s scope of work decision.

Sometimes, a client will provide the appraiser with an inspection report of the subject property, which was completed by, for example, a person that is identified as a data collector. These reports may be provided to the appraiser before the appraiser agrees to perform an appraisal assignment, or at any point during the assignment. Regardless

of the timing of the inspection report being provided, and if the information is useful to the appraiser, it is the appraiser who still needs to conclude if they must personally inspect the property to produce credible assignment results for the intended use.

The following are examples of third-party inspector data reports:

- 1) A property inspection report completed by an appraiser, whose assignment was to only inspect the property and to collect data.
- 2) An assessment office property data card filled out by an appraiser.
- 3) A multiple listing service report filled out by an individual (who sometimes acts as an appraiser) who was acting in the role of a real estate broker when they collected the information about a property and listed that information in the MLS.

In cases when the appraiser relies upon the data and information in a third-party inspector's report, the appraiser still must conclude if they need to gather additional information (by, for example, making a personal inspection) to identify the relevant characteristics of the subject property.

A third-party inspection report that includes the inspector's opinions and conclusions about physical characteristics is not a substitute for the appraiser's opinions and conclusions about those same characteristics. An appraiser who signs a certification in an appraisal report is indicating that all opinions and conclusions in that report are the appraiser's own personal opinions and conclusions. Therefore, an inspection report provided to the appraiser is just information to consider, not conclusions the appraiser must accept, which is no different than any other information or data the appraiser uses such as MLS data, property tax data, maps, photographs, etc.

Third-party inspectors are not performing an inspection that is part of the scope of work of the assignment; it is only the appraiser that concludes what data is needed for the assignment.

### **A Personal Inspection as Part of the Scope of Work**

Appraisers are often asked to appraise a property which they have previously inspected. If an appraiser has driven past a property many times prior to that property becoming the subject of an assignment, the appraiser has not yet inspected the property as a part of his or her scope of work for the assignment.

The definition of PERSONAL INSPECTION is distinguished as an inspection the appraiser performs "as part of the scope of work" for an appraisal or an appraisal review assignment. In these situations, prior inspections occurred before the agreement to perform an assignment and thus are not part of the appraiser's scope of work. It is not unusual for an appraiser to have, for example, seen a property in-person before they agree to perform an appraisal assignment.

## **Minimum Extent of a Personal Inspection**

An inspection is not required by USPAP for appraisal or appraisal review assignments, but one is often conducted.

The appraiser's personal inspection, and the extent of that inspection, is an aspect of the scope of work and may be required as an assignment condition and/or be necessary for the intended use of the assignment results. The extent of any personal inspection can be quite comprehensive, or very limited in scope. Regardless of the level of detail of a personal inspection, it is always possible to perform a personal inspection that is even more thorough. It is the appraiser's responsibility to determine the appropriate scope of work, including the extent of a personal inspection (when one is performed, required or necessary to produce credible assignment results given the intended use of the assignment results).

There are many circumstances that influence the appraiser's personal inspection. In some assignments, the client may request that the appraiser perform an exterior-only inspection from the street or perform no inspection of the subject property (i.e., a "desktop appraisal"). There are situations where inspection of the subject property is not possible; for example, if the improvements have been destroyed, removed, or not yet built. In some cases, the appraiser is denied access to the property for legal, personal safety, or other reasons. In such cases, the appraiser must use other means to gather information about the characteristics of the subject property relevant to the assignment in order to provide credible assignment results in the context of the intended use.

## **Disclosure Requirements Regarding the Appraiser's Personal Inspection**

While an inspection is not required, written appraisal reports for real and personal property must contain a signed certification (oral reports must have the signed certification in the workfile) that clearly states whether the appraiser has or has not personally inspected the subject property.

When a personal inspection is performed as part of the scope of work used to develop the appraisal, there are additional reporting requirements.

First, the report must contain sufficient information to enable the intended users to understand the scope of work performed. Per the SCOPE OF WORK RULE this includes, "the extent to which tangible property is inspected". This disclosure informs the intended user how much (or what parts) of the property were personally inspected (or, if necessary, details about which parts of the property that were not inspected), so that the communication is meaningful and not misleading.

And, regardless of the minimum USPAP reporting requirements related to inspections performed as part of the scope of work, situations may arise where the intended user would need to know, provided there are no applicable confidentiality restrictions from a prior assignment, that the appraiser has inspected the property sometime prior to agreeing to perform an assignment. Such a disclosure of an inspection that occurred

prior to agreeing to perform an assignment may be especially necessary if that knowledge was uniquely relevant to being able to solve the appraisal problem for the current assignment.

Second, the report must contain a certification indicating whether any signing appraiser has or has not personally inspected the property that is the subject of the appraisal report. For an appraisal review assignment, the certification would disclose if any signing appraiser personally inspected the property that is the subject of the work under review. A personal inspection that satisfies the appraiser’s certification must be conducted as part of the scope of work for the appraisal or appraisal review assignment. An inspection by the appraiser that occurred outside of the assignment may be information used by the appraiser, but those inspections are a type of research that was not informed by the scope of work needed to solve the appraisal problem. Therefore, certifying a personal inspection was made as part of the assignment when the inspection occurred outside of the assignment would be misleading. If information from a prior inspection about a subject property is used to develop an appraisal, then appropriate disclosure of that inspection would be necessary as part of the scope of work reporting requirements.

Regarding third-party inspection reports, no disclosure about those reports is required in the certification or in the appraisal report, however, there may be instances where disclosures about those types of reports is necessary for the intended user to properly understand the appraisal report.

**Disclosure Requirements for a Personal Inspection as part of Significant Appraisal Assistance**

Appraisals can be completed by more than one appraiser. One common situation is there is a “signing appraiser” (the one who signs the certification) and a “trainee appraiser” (where that trainee is providing significant appraisal assistance).

In the case of a residential real property appraisal assignment, consider the following:

When a trainee appraiser inspects the subject property, the signing appraiser needs to determine if that inspection was just administrative in nature (i.e., the trainee is being employed to provide something similar to a third-party inspection report to the signing appraiser), or if the trainee’s inspection was a personal inspection (one that meets the definition of personal inspection in USPAP, and thus, was performed as part of the scope of work used to develop the appraisal). If the signing appraiser concludes the trainee appraiser did perform a personal inspection, and did provide significant real property appraisal assistance, then the extent of that assistance must be disclosed in the appraisal report.



In other words, a trainee’s inspection may or may not be a “personal inspection” (as defined in USPAP) and may or may not be significant real property appraisal assistance.

If a trainee appraiser made a personal inspection (as defined in USPAP) of the subject property, the appraisal report, and maybe even the certification, must clearly disclose the significant real property appraisal assistance that was performed by the trainee.

### **Illustrations**

1. I have agreed to appraise a single-unit property and I performed an exterior-only inspection of the property from the street. What are my reporting obligations for an Appraisal Report related to this inspection that I performed as part of the scope of work?

An exterior-only inspection performed from the street, where the appraiser made an in-person observation of the property, is a personal inspection. As the appraiser signing the certification, you would indicate in the certification that you did make a personal inspection of the property. Additionally, you are required to disclose the scope of work used to develop the appraisal, including the extent to which the property was inspected sufficient to enable the intended users to understand the report properly.

2. I have agreed to perform an appraisal for a client. The client provided me with a detailed property inspection report that includes photographs, types of materials, and condition ratings of those materials by a third-party inspector. Does USPAP allow me to use this information to develop my opinions and conclusions and what am I required to disclose regarding the inspection completed by the third-party inspector?

The property inspection report is information; therefore, you can use the information to conclude the characteristics of the property that are relevant to the assignment or decide to research additional information. An appraiser must have sufficient information to develop their own opinions and conclusions. Therefore, in cases when the appraiser relies upon a third-party inspector’s report, it may be necessary to obtain additional information and/or examine other documents in order to understand the property characteristics relevant to the assignment. Since the inspection was not performed by you, it was not a part of the scope of work completed as a part of the appraisal assignment.

3. I have been contacted by a property owner who is being transferred by their employer to another city. The owner indicated that while they might want a “detailed appraisal” later, right now they only need a rough idea of the value of the residence to begin negotiations related to the relocation. The owner has asked me to perform a “desktop” appraisal (i.e., an appraisal with no inspection of the property). I believe that, given this intended use, credible assignment results can be developed without a personal inspection. Is this permitted under USPAP?



Yes, this is permitted if sufficient information is available to conclude the characteristics of the property that are relevant to the assignment. Such information could be obtained from public records, previous listings of the property for sale, appraiser's files, etc.

While such an issue would likely not exist in this example, if, in a similar scenario the use of an extraordinary assumption about the condition of the property is necessary, then one must comply with the requirements for the use of an extraordinary assumption.

## Retirement of Advisory Opinion 16

The ASB retired Advisory Opinion 16, *Fair Housing Laws and Appraisal Report Content*. This Advisory Opinion largely provided guidance on the following prohibition in the ETHICS RULE:

*An 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.*

With the removal of this prohibition and the addition of the Nondiscrimination section of the ETHICS RULE, the guidance in this Advisory Opinion is no longer relevant.

## Creation of new Advisory Opinion 39

The Board adopted Advisory Opinion 39, *Antidiscrimination*. This Advisory Opinion provides guidance on the new Nondiscrimination section of the ETHICS RULE.

The Advisory Opinion 39 notes that both the ETHICS RULE and the COMPETENCY RULE require an appraiser to understand and comply with all applicable antidiscrimination laws, whether at the federal, state, or local level. The Advisory Opinion also provides background information on the FHAct, ECOA, and the Civil Rights Act of 1866, and how these laws and their implementing regulations are relevant to appraisal practice. It also explains in greater detail the concepts of disparate treatment and disparate impact. And finally, Advisory Opinion 39 provides guidance and illustrations regarding the narrow circumstances in which use of or reliance upon protected characteristics is permitted under the Nondiscrimination section.

**The Board adopted the following:**

### **Advisory Opinion 39, Antidiscrimination Laws and Nondiscrimination**

*This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.*

### **SUBJECT: Antidiscrimination Laws and Nondiscrimination**

### **APPLICATION: Real Property, Personal Property, Intangible Property (ALL)**

### **THE ISSUE:**

How do federal antidiscrimination laws such as the Fair Housing Act (FHAct), the Equal Credit Opportunity Act (ECOA), and the Civil Rights Act of 1866 affect appraisal practice?

Whether or not a particular antidiscrimination law or regulation applies, how can an appraiser comply with the Nondiscrimination section of the ETHICS RULE?

### **BACKGROUND:**

USPAP requires an appraiser to be, or become, knowledgeable about and to fully comply with all laws applicable to the appraiser or to the assignment, including antidiscrimination laws. The three key U.S. federal antidiscrimination laws most relevant to appraisal practice are noted in the Nondiscrimination section of the ETHICS RULE:

- The Fair Housing Act (FHAct);
- The Equal Credit Opportunity Act (ECOA); and
- Sections 1981 and 1982 of the Civil Rights Act of 1866.

In addition to mentioning these federal antidiscrimination laws, the Nondiscrimination section also references the long-established legal concepts of “disparate treatment” and “disparate impact,” which are integral to the cited laws and explained below.

The ETHICS RULE requires that an appraiser not act in a manner that violates antidiscrimination laws or regulations, and further, not act in a manner that contributes to a violation of those laws. For any given assignment, this might require compliance with one or more federal antidiscrimination laws and their implementing regulations, as well as state and local antidiscrimination laws and regulations.<sup>7</sup> For example, where the intended use of residential real property appraisal assignment results is to facilitate a mortgage-related transaction, the FHAct, ECOA, the Civil Rights Act of 1866, and state and local laws have provisions that may apply to the appraiser or the assignment, which the appraiser will need to follow in order not to violate or contribute to violations of antidiscrimination law.

### **The Fair Housing Act**

The Fair Housing Act (FHAct), also known as Title VIII of the 1968 Civil Rights Act (subsequently amended in 1988 by the Fair Housing Amendments Act), addresses housing discrimination and is a key component of the antidiscrimination framework of the U.S. legal system.

The FHAct prohibits discrimination in a number of activities relating to housing, including the renting or buying of a home and obtaining a mortgage.<sup>8</sup> The FHAct prohibits discrimination in residential real estate-related transactions, which the FHAct defines to include “the appraising of residential real property.”<sup>9</sup> The Department of Housing and Urban Development (HUD) provides the regulations through which the FHAct is enforced. HUD regulations contain information that applies to appraisers, so appraisers should look to HUD regulations when determining how to comply with the FHAct.<sup>10</sup>

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7 USPAP also requires an appraiser to comply with all other federal, state, or local laws and regulations that are applicable to the assignment as a matter of competency.

8 42 U.S.C. §§ 3601—3619; Housing Discrimination Under the Fair Housing Act, [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/fair\\_housing\\_act\\_overview](https://www.hud.gov/program_offices/fair_housing_equal_opp/fair_housing_act_overview); 42 U.S.C. § 3605(b).

9 42 U.S.C. § 3605(b).

10 Some terms common to appraisers may be defined differently in the FHAct and HUD regulations than in USPAP. Definitions found in laws and regulations are used in the application of the law, whereas defined terms within USPAP are intended to clarify the meaning of words or phrases in USPAP that differ from or are not found in popular English dictionaries, or in a few instances meant to clarify the intended use of the term within USPAP. To ensure compliance with the ETHICS RULE, appraisers should understand any USPAP terms as well as any legal terms relevant to their practice, and how those terms might differ. For example, HUD regulations use the term “appraisal” to mean “an estimate or opinion of the value of a specified residential real

Key concepts in the FHAct and its implementing HUD regulations include:

- FHAct-covered activities may not be based either in whole or in part on information involving race, color, religion, sex, handicap, familial status, or national origin,<sup>11</sup> unless there is an applicable exception in the FHAct (for example, exceptions for housing for older persons). For purposes of the FHAct, “sex” includes gender identity and sexual orientation.<sup>12</sup>
- Under the FHAct, protected characteristics include the demographic characteristics of the neighborhood where the property is located.<sup>13</sup>
- Disparate treatment and disparate impact can establish a basis for liability under the FHAct.

Disparate treatment occurs when an appraiser intentionally treats a person differently from others, either in whole or in part, because of a protected characteristic.<sup>14</sup> Disparate treatment can occur even if the appraiser is not motivated by malice or prejudice.<sup>15</sup> Additionally, in an appraisal, using or relying on a non-protected characteristic as a pretext to conceal using or relying upon a protected characteristic is a form of disparate treatment. Disparate treatment is discriminatory and violates applicable laws and USPAP even if the appraiser believes that statistics or other data might support the differential treatment.

Disparate impact involves neutral policies or practices—that is, policies or practices that do not on their face reference or rely upon protected characteristics—that have an effect that is disproportionately adverse to individuals with a particular protected characteristic.<sup>16</sup> Disparate impact discrimination or liability does not occur every time there is a disparate impact—some neutral policies and practices with a disparate impact may be permissible. A policy or practice that has a disparate impact is permissible if the policy or practice is justified by a business need, and there is no alternative policy or practice that would meet that need but have less of a disparate impact. A person or entity is not required to go to all lengths to minimize a disparate impact, but if an

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property made in a business context in connection with the sale, rental, financing or refinancing of a dwelling or in connection with any activity that otherwise affects the availability of a residential real estate-related transaction.” 24 C.F.R. § 100.135(b).

11 42 U.S.C. § 3605(a).

12 See U.S. Department of Housing and Urban Development, Memorandum re: Implementation of Executive Order 13988 on the Enforcement of the Fair Housing Act, [https://www.hud.gov/sites/dfiles/PA/documents/HUD\\_Memo\\_EO13988.pdf](https://www.hud.gov/sites/dfiles/PA/documents/HUD_Memo_EO13988.pdf).

13 See Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments*.

14 See also *Sanghvi v. City of Claremont*, 328 F.3d 532, 536–38 (9th Cir. 2003); *Reg'l Econ. Cmty. Action Program, Inc. v. City of Middletown*, 294 F.3d 35, 48–52 (2d Cir. 2002); *Kormoczy v. HUD*, 53 F.3d 821, 823–24 (7th Cir. 1995) (all describing and applying a disparate treatment analysis to claims brought under the FHAct).

15 See *Cmty. Servs., Inc. v. Wind Gap Mun. Auth.*, 421 F.3d 170, 177 (3d Cir. 2005) (stating that a plaintiff bringing a disparate treatment claim under the FHAct is not required to show “an evil or hostile motive,” instead only “that a protected characteristic played a role in the defendant’s decision to treat her differently”) (internal citations omitted).

16 See 24 C.F.R. § 100.500; see also *Texas Dep’t of Hous. & Cmty. Affs. v. Inclusive Communities Project, Inc.*, 576 U.S. 519, 533 (2015).

alternative policy or practice is reasonably available and does not impose a material burden, the law will generally require adoption of that alternative. In other words, if the need underpinning a policy or practice that causes a disparate impact could be met by an alternative policy or practice with less of an adverse impact on a protected group, then not adopting that alternative could give rise to disparate impact discrimination. As with disparate treatment, disparate impact discrimination does not require an appraiser to be motivated by malice or prejudice. Disparate impact does not require a showing of intent to treat members of a protected class differently from other persons.<sup>17</sup>

HUD regulations provide additional details about what is considered an unlawful practice related to the appraisal of residential real property, including “[u]sing an appraisal of residential real property in connection with the sale, rental, or financing of any dwelling where the person knows or reasonably should know that the appraisal improperly takes into consideration race, color, religion, sex, handicap, familial status, or national origin.”<sup>18</sup>

### **The Equal Credit Opportunity Act**

The Equal Credit Opportunity Act (ECOA) was originally passed by Congress in 1974. ECOA prohibits discrimination by “creditors”<sup>19</sup> in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, an applicant’s receipt of public assistance, or the good faith exercise of an applicant’s rights under the Consumer Credit Protection Act.<sup>20</sup> ECOA applies to “any extension of credit, including extensions of credit to small businesses, corporations, partnerships, and trusts.”<sup>21</sup> Like the FHAct, ECOA has been interpreted to prohibit discrimination on the basis of sexual orientation and gender identity.<sup>22</sup> Also, as under the FHAct, both disparate treatment and disparate impact can give rise to a violation of ECOA.<sup>23</sup> The Consumer Financial Protection Bureau (CFPB) provides the regulations through which ECOA is enforced, known as Regulation B.<sup>24</sup>

An appraisal that is used in connection with a credit transaction is an aspect of that credit transaction. Therefore, if an appraisal report is used in the course of a credit

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17 See *de Reyes v. Waples Mobile Home Park Ltd. P’ship*, 903 F.3d 415, 421 (4th Cir. 2018) (citing *Inclusive Communities*, 576 U.S. at 524).  
18 24 C.F.R. § 100.135(d)(1).  
19 The term “creditor” is defined in ECOA’s implementing regulations as “a person who, in the ordinary course of business, regularly participates in a credit decision, including setting the terms of the credit.” Entities such as banks or lenders are commonly treated as creditors subject to ECOA, but any person who, “in the ordinary course of business, regularly participates in a credit decision” also qualifies as a creditor subject to ECOA. 12 C.F.R § 1002.2(l).  
20 15 U.S.C. § 1691(a).  
21 59 Fed. Reg. 18267 (Apr. 15, 1994).  
22 See, e.g., CFPB Clarifies That Discrimination by Lenders on the Basis of Sexual Orientation and Gender Identity Is Illegal, <https://www.consumerfinance.gov/about-us/newsroom/cfpb-clarifies-discrimination-by-lenders-on-basis-of-sexual-orientation-and-gender-identity-is-illegal/>.  
23 12 CFR Part 1002 Supp. I Sec. 1002.4(a)-1; 12 CFR Part 1002 Supp. I Sec. 1002.6(a)-2.  
24 12 C.F.R. Part 1002 et seq.

transaction, and the appraisal is inconsistent with the antidiscrimination provisions of ECOA, the appraiser likely has contributed to a legal violation on the part of the creditor in the transaction. A creditor cannot take a protected characteristic into account in any system of evaluating the creditworthiness of applicants.<sup>25</sup> A creditor cannot rely on a discriminatory appraisal to deny a loan. Consistent with these requirements, courts have held that creditors can be held liable under both the FHAct and ECOA in relying on discriminatory appraisals.

**The Civil Rights Act of 1866**

The Civil Rights Act of 1866 is foundational to U.S. antidiscrimination law and applies in many contexts. Among its provisions are Section 1981 and Section 1982. Section 1981 guarantees the right of all persons to “make and enforce contracts.” This includes “the making, performance, modification, and termination of contracts, and the enjoyment of all benefits, privileges, terms, and conditions of the contractual relationship.” Section 1982 guarantees all citizens the right to “inherit, purchase, lease, sell, hold, and convey real and personal property.” The Civil Rights Act of 1866 prohibits disparate treatment on the basis of race, ethnicity, national origin, and religion.<sup>26</sup>

The provisions of Sections 1981 and 1982 of the Civil Rights Act of 1866 are applicable to appraisers, regardless of an individual appraiser’s discipline, and they have implications for how appraisers choose to accept or refuse assignments, treat clients, and how appraisers determine the appropriate scope of work for each assignment the appraiser agrees to perform. The results of the assignment in an appraisal report can directly affect a person’s ability to purchase, sell, hold, and convey real or personal property. Additionally, a refusal to accept certain assignments for discriminatory reasons (e.g., refusing to accept assignments from potential clients of a particular race, or refusing to accept assignments to appraise property with owners who are of a particular national origin) could violate Section 1981. Finally, courts often consider Section 1982 in conjunction with the FHAct to analyze housing-related discrimination claims.<sup>27</sup> Accordingly, discriminatory conduct that violates the FHAct could also be found to violate Section 1982.<sup>28</sup>

**ADVICE FROM THE ASB ON THE ISSUE:**

**Relevant USPAP & Advisory References**

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25 See 12 CFR § 1002.6(b)(1).  
26 *St. Francis College v. Al-Khazraji*, 481 U.S. 604 (1987); *Shaare Tefila Congregation v. Cobb*, 481 U.S. 615 (1987).  
27 See, e.g., *Watts v. Boyd Properties, Inc.*, 758 F.2d 1482, 1484 (11th Cir. 1985) (“...many of the cases arising under the Fair Housing Act also involve claims arising under § 1982, courts have often decided the cases without distinguishing between the two statutes.”).  
28 *Jones v. Alfred H. Mayer Co.*, 392 U.S. 409, 413 (1968); *City of Memphis v. Greene*, 451 U.S. 100, 122–23 (1981).



- The Nondiscrimination section of the ETHICS RULE, particularly regarding the requirement that “An appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.”
  
- The COMPETENCY RULE, in the following ways:
  - As it requires “recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.”
  - As it provides for acquiring competency by “1. disclos[ing] the lack of knowledge and/or experience to the client before agreeing to perform an assignment; 2. tak[ing] all steps necessary or appropriate to complete the assignment competently; and 3. describ[ing], in the report, the lack of knowledge and/or experience and the steps taken to complete the assignment competently.”
  
- DEFINITIONS,<sup>29</sup> specifically the following:
  - APPRAISER: One who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

Comment: Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply.
  - ASSIGNMENT CONDITIONS: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.
  - BIAS: A preference or inclination that precludes an appraiser’s impartiality, independence, or objectivity in an assignment.

### **Requirements to Comply with Antidiscrimination Laws**

The opening lines of the Nondiscrimination section of the ETHICS RULE require that an appraiser not act in a manner that violates or contributes to a violation of antidiscrimination law, including the FHAct, ECOA, and the Civil Rights Act of 1866. The Nondiscrimination section further states that an appraiser must have knowledge of antidiscrimination laws and regulations and when they apply to the appraiser or to the assignment, in addition to the requirement to comply with the law. The Nondiscrimination section then provides two more specific requirements for appraisers conducting assignments (1) related to residential real property or (2) where the intended use is in connection with a credit transaction. As used in the ETHICS RULE and this guidance, “residential real property” includes any dwelling under the FHAct or ECOA,

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<sup>29</sup> See USPAP Definitions Section.



and property that is part of a “residential real estate-related transaction” under the FHAct.<sup>30</sup> The Nondiscrimination section then provides a third requirement to follow applicable antidiscrimination laws and regulations of other jurisdictions, such as states and localities. State and local laws and regulations can protect additional personal characteristics and/or prohibit additional business practices and appraisal-related activities beyond the federal laws highlighted in the ETHICS RULE.

Understanding when an antidiscrimination law or regulation is applicable to an appraiser or an assignment is a component of both acting ethically and performing competently. A law is applicable to an appraiser where an appraiser’s actions could directly violate that law. For example, an appraiser who has agreed to develop an opinion of value for residential real property that will be used in connection with a mortgage transaction would violate the FHAct if the appraiser bases the opinion of value on information about race. Additionally, an appraiser could contribute to a violation of law by another person or entity (such as a lender or client) if a law is applicable to the appraisal report, even if it is not directly applicable to the appraiser. For example, an appraiser who has agreed to provide an opinion of value for collateral in connection with a business loan would contribute to a violation of ECOA if the appraiser bases the opinion of value on race, leading to an ECOA violation on the part of the lender. Knowledge of antidiscrimination laws and their application can be gained in multiple ways, including by taking education courses or undertaking personal study of the laws and regulations. An appraiser who does not recognize when an antidiscrimination law or regulation applies to the appraiser or to their assignment, and therefore does not comply with it, will violate both the COMPETENCY RULE and the ETHICS RULE. Competency is not limited to any one set of applicable laws or regulations, but to all laws and regulations that may be applicable to the appraiser or the assignment.<sup>31</sup>

### **General Principles of Nondiscrimination, Regardless of Applicable Law**

Where an antidiscrimination law or regulation applies to an appraiser or to the appraiser’s assignment, the appraiser could violate the ETHICS RULE in two ways. As discussed above, the first part of the Nondiscrimination section of the ETHICS RULE (starting at “An appraiser must not act in a manner that violates” and continuing through

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30 See 42 U.S.C § 3602(b) (dwelling defined as “any building, structure, or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families, and any vacant land which is offered for sale or lease for the construction or location thereon of any such building, structure, or portion thereof”); 42 U.S.C. § 3605(b) (defining “residential real estate-related transaction” as the “making or purchasing of loans or providing other financial assistance” “for purchasing, constructing, improving, repairing, or maintaining a dwelling” or “secured by residential real estate,” as well as “the selling, brokering, or appraising of residential real property” (emphasis added)); 12 CFR § 1002.14(b)(2) (defining “dwelling” as “a residential structure that contains one to four units whether or not that structure is attached to real property. The term includes, but is not limited to, an individual condominium or cooperative unit, and a mobile or other manufactured home”). An appraiser should be knowledgeable about any applicable definitions and understand the conditions that trigger nondiscrimination requirements under applicable law, including state law.

31 This is consistent with the SCOPE OF WORK RULE, which states: “Laws include constitutions, legislative and court-made law, administrative rules, and ordinances. Regulations include rules or orders, having legal force, issued by an administrative agency.”

the comment about state and local antidiscrimination laws) prohibits conduct that violates or contributes to a violation of antidiscrimination laws or regulations. The remainder of the Nondiscrimination section (starting at “Whether or not any antidiscrimination law or regulation applies”) extends nondiscrimination obligations to all appraisal disciplines and all appraisers, regardless of the valuation service provided by an individual appraiser and whether any antidiscrimination laws would apply to that appraiser or that appraiser’s assignments.

These requirements and prohibitions, which are in addition to the requirements to not violate or contribute to violations of antidiscrimination laws, prohibit an appraiser from developing and/or reporting an opinion of value on the basis of specified characteristics; basing an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal; performing an assignment with bias with respect to specified characteristics; and pretextually concealing the use of or reliance upon specified characteristics through reference to any other characteristic. Although these requirements and prohibitions are independent of any law, they reflect core prohibitions of antidiscrimination laws. Following these requirements helps an appraiser comply with antidiscrimination laws and regulations and preserve public trust in appraisal practice.

### **Developing or Reporting an Opinion of Value Based on Certain Personal Characteristics**

The Nondiscrimination section prohibits an appraiser from developing or reporting an opinion of value that, in whole or in part, is based on:

*the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).*

The list of characteristics are personal characteristics that are protected by the FHAct, ECOA, and/or the Civil Rights Act of 1866. These are personal characteristics that are broadly protected by many antidiscrimination laws. As a matter of ethics, appraisers cannot use or rely upon these characteristics in developing or reporting an opinion of value, except in the limited circumstances discussed below. The words “actual or perceived” mean, for example, a person could either be Hispanic or just be perceived (by the appraiser) as Hispanic because he or she has a last name that is believed by the appraiser to be a Hispanic name.

### **Irrelevance of Homogeneity of the Inhabitants of a Geographic Area**

The Nondiscrimination section also prohibits an appraiser from basing an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is

relevant for an appraisal. The homogeneity—or diversity—of the inhabitants of an area is not relevant when appraising residential real property.

### **Bias with Respect to Certain Personal Characteristics**

An appraiser also must not “perform an assignment” with bias with respect to the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).

“Bias” is defined in USPAP as:

*a preference or inclination that precludes an appraiser’s impartiality, independence, or objectivity in an assignment.*

The Conduct section of the ETHICS RULE prohibits an appraiser from performing an assignment with bias. Performing an assignment with bias with respect to any of the personal characteristics listed is a violation of both the Conduct section and the Nondiscrimination section of the ETHICS RULE. Although this prohibition relates to bias, bias is not required for a violation of any other portion of the Nondiscrimination section.

### **Pretext**

An appraiser must not conceal the use of or reliance upon any of the personal characteristics enumerated in the ETHICS RULE by pretextually referring to some other characteristic as though that other characteristic were the reason for the appraiser’s opinions or conclusions. Misrepresentation of an appraiser’s reasoning is misleading, in violation of USPAP’s Standards Rules, and concealment by using pretext in this way also is a violation of the ETHICS RULE. Although it can be acceptable for an appraiser to use data that may have a correlation with a protected characteristic, it is never acceptable to use correlated data because of its correlation with one of these personal characteristics. This would constitute a pretext.

### **The Limited Circumstances When Use of a Protected Characteristic in an Assignment is Permissible**

The ETHICS RULE recognizes that, in very limited circumstances, an appraiser may use or rely upon a protected characteristic in an assignment. A footnote to the Rule defines “protected characteristic” here as “race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), or any other characteristic protected by applicable antidiscrimination law.”

Any use of or reliance upon a protected characteristic in a manner that violates applicable antidiscrimination laws is necessarily a violation of USPAP.<sup>32</sup> Where the FhAct and ECOA do not apply, and no other law or regulation prohibits the use of or reliance upon a protected characteristic, “then the use of or reliance upon that characteristic is permitted only to the extent that it is essential to the assignment and necessary for credible assignment results.” This limitation applies regardless of when during the assignment the appraiser concludes a protected characteristic may be necessary for a valid solution to the assignment problem.

These conditions are intentionally stringent. Any use of or reliance upon protected characteristics in an assignment should be approached with the utmost care. As the comment to this part of the Nondiscrimination section states, where the FhAct, ECOA, or any other applicable antidiscrimination law or regulation prohibits the use of or reliance upon a protected characteristic, any use of or reliance upon that characteristic must be “expressly permitted.” An appraiser who is developing or reporting an opinion of value for residential real property, however, is never permitted to use or rely upon race, ethnicity, or national origin, or the racial, ethnic, or national origin demographics of a geographic area.

To determine whether it is ethical to use or rely upon a protected characteristic in an assignment, the appraiser should ask (1) whether applicable law prohibits consideration of that characteristic, and (2) whether consideration of the characteristic is essential to the assignment and necessary for credible assignment results.

***Is consideration of the characteristic prohibited by law?***

Use of or reliance upon a protected characteristic is permitted only where applicable laws and regulations expressly permit such use or reliance, or no antidiscrimination law or regulation applies.

If no antidiscrimination law or regulation applies, then use of or reliance upon a protected characteristic is not prohibited. If an assignment does not involve residential real property and the intended use is not in connection with a credit transaction, the FhAct and ECOA do not apply. For example, assuming the appraisal is not part of a credit transaction, when appraising a piece of turquoise jewelry, the FhAct and ECOA do not apply or prohibit an appraiser from taking into account whether that jewelry was authenticated as having been made by a Navajo artisan.

However, when the FhAct, ECOA, or another antidiscrimination law or regulation applies, use of or reliance upon a characteristic protected by applicable law is prohibited

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32 “Use” and “reliance” require more than simply coming into contact with information during the course of the assignment. For example, an appraiser might come across demographic information for a geographic area during the course of research. Simply being aware of that information does not violate the Nondiscrimination provision. However, the prohibition regarding pretext still applies: an appraiser must not use information about a nonprotected characteristic to conceal use of or reliance upon information that would be prohibited under the ETHICS RULE or antidiscrimination laws or regulations.

unless it is expressly permitted. Such express permission can occur in two circumstances. First, “expressly permit” means a law that otherwise prohibits basing an opinion of value on a protected characteristic also has a stated exception that, in specified circumstances, allows basing an opinion of value on the otherwise protected characteristic. For example, the FhAct prohibits discrimination based on familial status, but also contains an exception for housing for older persons.

Second, “expressly permit” can also mean that there are other laws and regulations that authorize consideration of a particular protected characteristic in applicable circumstances, such that it would be illogical for the appraiser to be prohibited from similarly considering that protected characteristic. For example, Congress has authorized a Disadvantaged Business Enterprise (DBE) program. Under this program, businesses owned and controlled by “socially and economically disadvantaged individual(s),” such as women, are certified as DBEs and become eligible for certain federally funded contracts. Thus, when conducting a business valuation of a woman-owned DBE, the appraiser’s reliance on the fact that the business is certified as a woman-owned business to complete the assignment would likely not be prohibited by law. It is important to note that there are relatively few instances when basing an opinion of value on a protected characteristic in a manner that would otherwise be prohibited by law, is nevertheless expressly permitted by law.

If applicable law prohibits basing an opinion of value on a protected characteristic, and there is no express permission to use or rely upon that characteristic, that ends the analysis: the characteristic may not be used or relied upon by the appraiser to develop their opinions and conclusions. However, if an appraiser knows that laws and regulations do not prohibit an appraiser from basing their opinions and conclusions on a protected characteristic, this is not the end of the analysis, because the appraiser must still ensure that doing so is essential to the assignment and necessary for credible assignment results.

***Is use of or reliance upon the characteristic “essential to an assignment” and “necessary for credible assignment results”?***

Use of or reliance upon a protected characteristic must also be both essential to the assignment—in other words, inherently part of the appraisal problem to be solved—and necessary for credible assignment results, meaning that the evidence and logic required to credibly support an appraiser’s opinions and conclusions requires it. It is not enough for an appraiser to believe information related to a protected characteristic is somehow helpful to the analysis, or that use of the information is supportable. It must be essential to the assignment and necessary for credible assignment results.

For example, relevant characteristics of a piece of turquoise jewelry that is claimed to be of Navajo origin may be its provenance and authenticity. If, in the context of the assignment and in light of the scope of work for the assignment, it is essential to consider whether the jewelry is, in fact, Navajo-crafted, and information about provenance and authenticity is necessary for credible assignment results, it is appropriate under the ETHICS RULE for an appraiser to use and/or rely upon such

information. On the other hand, in most circumstances it would be neither essential to the assignment nor necessary for credible assignment results to consider any other protected characteristic, such as the race or ethnicity of the jewelry's current owner.

### **Public Trust**

Individuals who act as appraisers<sup>33</sup> often perform other roles as well, including as real estate brokers, auctioneers, property managers, or even advocates or consultants for various types of valuation services. However, once there is an expectation that the individual is acting as an appraiser in a context where the appraiser must comply with USPAP, the appraiser must promote and preserve public trust in appraisal practice by observing the highest standards of professional ethics as embodied in the ETHICS RULE, including the Nondiscrimination section.

Additionally, some antidiscrimination laws may apply to appraisers outside of the requirements of USPAP, such as when deciding whether an appraiser will agree to perform an assignment or not. Complying with all applicable antidiscrimination laws and regulations is critical to protecting the public trust.

### **Illustrations:**

1. An appraiser based in the U.S. is requested to appraise a house by an appraisal management company that contracts with a mortgage lender. How should the appraiser determine which antidiscrimination laws must be followed in connection with this assignment?

Answer: USPAP does not prescribe which laws and regulations apply in any given circumstance. Instead, it is the duty of the appraiser under the COMPETENCY RULE to recognize and comply with laws and regulations that apply to the appraiser or to the assignment. This includes antidiscrimination laws and regulations that must be followed as a matter of both competency and of ethics. The appraiser's evaluation of applicable law should be informed by adequate training, information, and knowledge, which can be acquired in multiple ways, including through self-study, training on these laws, or working with another appraiser who has knowledge of how to comply with these laws.

Under USPAP, the appraiser must not act in a manner that violates or contributes to a violation of antidiscrimination laws or regulations. In this situation, the appraiser has been asked to perform an assignment that likely involves residential real property and a residential mortgage loan. As such, the appraisal is likely to constitute a real estate-related transaction under the FHAct, meaning that law's provisions would then

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33 See Advisory Opinion 21, USPAP Compliance.



apply. Additionally, if the intended use of the appraisal is to provide a mortgage (which is a type of credit transaction), ECOA likely would apply to the appraisal report. As such, the appraiser’s failure to follow the requirements in ECOA could contribute to a violation of ECOA.

In addition to the FHAct and ECOA, other federal, state, and local laws, such as the Civil Rights Act of 1866 and state and local antidiscrimination laws, might also apply or be otherwise relevant to the assignment. The appraiser is required to be knowledgeable about and follow applicable laws and regulations.

2. An appraiser is employed by a major bank to conduct appraisal reviews for the bank’s commercial loan division. How should the Nondiscrimination section of the ETHICS RULE guide this appraiser’s work?

Answer: USPAP prohibits an appraiser from engaging in any conduct that violates or contributes to a violation of antidiscrimination laws or regulations. An appraiser working for a bank should know that banks typically are considered “creditors” subject to ECOA.

The ETHICS RULE prohibits an appraiser from developing or reporting an opinion of value that is based on specified personal characteristics, and from performing the assignment with bias. However, these requirements and prohibitions do not prevent an appraiser from, in an appraisal review assignment, identifying or reporting potential discrimination or other instances of bias.

3. An appraiser advertises appraisal services in a U.S. city through a variety of different media. However, the appraiser maintains a practice of declining offers to perform assignments from potential clients of one particular race. Does this policy violate antidiscrimination laws or USPAP?

Answer: Section 1981 of the Civil Rights Act of 1866 prohibits discrimination in contracting on the basis of race. Refusing to enter into an appraisal assignment—a contractual relationship—with particular individuals because of their race would violate this law.

USPAP does not state how an appraiser must decide which assignments to agree to perform and which ones they can legally turn down. However, USPAP does prohibit an appraiser from acting in a manner that violates applicable antidiscrimination laws or regulations and from advertising for or soliciting assignments “in a manner that is false, misleading, or exaggerated.”<sup>34</sup> The practice of refusing to enter into an appraisal assignment because of a potential client’s race thus violates USPAP.

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<sup>34</sup> See Management section of the ETHICS RULE.





## Creation of new Advisory Opinion 40

The Board adopted Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments* to provide guidance on the new Nondiscrimination section of the ETHICS RULE.

Advisory Opinion 40 provides greater detail on the requirements of applicable antidiscrimination laws and USPAP in the context of residential real property appraisal assignments. Building on discussion of the FHAct and other relevant laws and regulations in Advisory Opinion 39, the Advisory Opinion 40 provides guidance related to the prohibitions on using particular protected characteristics in developing an opinion of value for residential real property assignments and in the research, analysis, and reporting of location-related data, including demographics, for these types of assignments. The Advisory Opinion 40 also discusses the relationship between the USPAP prohibition on pretext and “code words” that can indicate discrimination.

**The Board adopted the following:**

**Advisory Opinion 40, Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments**

*This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.*

**SUBJECT: Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments**

**APPLICATION: Real Property**

**THE ISSUE:**

There are antidiscrimination laws and ethical standards that prohibit an appraiser from using or relying upon data or information about protected characteristics when developing and/or reporting an opinion of value for residential real property.

In a residential real property appraisal assignment, to develop a credible opinion of value, an appraiser must identify the characteristics of the property that are relevant to the type and definition of value and the intended use of the appraisal. This includes the property’s location and its physical, legal, and economic characteristics. After the appraisal is developed, the appraiser must communicate the appraisal, including the property characteristics relevant to the assignment, in a manner that is not misleading.

When performing an appraisal assignment for residential real property, what requirements and prohibitions in USPAP address researching, analyzing, and reporting the appraiser’s opinions and conclusions related to the property’s location, including using or relying upon demographic data about inhabitants of a geographic area?

**ADVICE FROM THE ASB ON THE ISSUE:**

**Relevant USPAP & Advisory References:**

- The PREAMBLE states, in part:  
*The appraiser’s responsibility is to protect the overall public trust and it is the importance of the role of the appraiser that places ethical obligations on those who serve in this capacity [as an appraiser who is complying with USPAP].*
  
- The Nondiscrimination section of the ETHICS RULE states, in part:
  - *An appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.*
  
  - *An appraiser, when completing a residential real property assignment, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, disability, or familial status.*
  
  - *An appraiser must not develop and/or report an opinion of value that, in whole or in part, is based on the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).*
  
  - *An appraiser must not base an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal.*
  
  - *An appraiser must not use or rely upon another characteristic as a pretext to conceal the use of or reliance upon race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), when performing an assignment.*
  
- A Comment in the Nondiscrimination section of the ETHICS RULE states that in this context:  
*“any person(s)” includes the “inhabitants of a geographic area.”*
  
- A Comment in the Nondiscrimination section of the ETHICS RULE states that:

Where the FHAct, ECOA, or another antidiscrimination law or regulation applies, any use of or reliance upon a protected characteristic must be expressly permitted by applicable laws or regulations.

- The COMPETENCY RULE requires:  
...recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.
- The Comment to the COMPETENCY RULE states, in part:  
Competency may apply to factors such as, but not limited to, an appraiser’s familiarity with a specific type of property or asset, a market, a geographic area, an intended use, specific laws and regulations, or an analytical method.
- The SCOPE OF WORK RULE states, in part:  
In an appraisal assignment, for example, identification of the problem to be solved requires the appraiser to identify the...subject of the assignment and its relevant characteristics...
- The Comment to Standards Rule 1-2 states, in part:  
In developing a real property appraisal, an appraiser must...(e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including: (i) its location...
- Standards Rule 2, states, in part:  
In reporting the results of a real property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

**USPAP’s Prohibitions and Requirements Regarding Use of or Reliance Upon Protected Characteristics<sup>35</sup>**

As discussed more fully in Advisory Opinion 39 (AO-39), USPAP requires knowledge of and compliance with applicable antidiscrimination laws and regulations as a matter of both ethics and competency.<sup>36</sup> The Nondiscrimination section of the ETHICS RULE states: “[a]n appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.” When completing an

35 “Protected characteristics” refers to race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s). Additionally, when an antidiscrimination law or regulation applies, “protected characteristics” include any additional characteristics protected under applicable law.

36 See *Advisory Opinion 39, Antidiscrimination Laws and Nondiscrimination*.

assignment involving residential real property,<sup>37</sup> appraisers must be aware that federal antidiscrimination laws, including the Fair Housing Act (FHAAct), prohibit an appraiser from relying on certain types of data and information when developing and reporting an opinion of value. Under the FHAAct, it is not permissible for an appraiser to base an opinion of value on race, color, religion, national origin, sex, disability, or familial status (“FHAAct protected characteristics”).<sup>38</sup> This prohibition includes not only the FHAAct protected characteristics of individual people, but also the protected characteristic demographics of geographic areas such as neighborhoods. The prohibition also extends to reliance upon the homogeneity, or lack thereof, of the inhabitants of a geographic area.

In addition to the prohibitions of applicable antidiscrimination law, the ETHICS RULE prohibits an appraiser from developing and/or reporting an opinion of value that, in whole or in part, is based on the race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s). The prohibition on using or relying upon these protected characteristics is properly understood to include a prohibition on using or relying upon demographic information about such characteristics.

There are some limited circumstances under law and USPAP where use of or reliance upon particular characteristics is permitted—*i.e.*, when such use and/or reliance is not prohibited by applicable laws or regulations, and it is essential to the assignment and necessary for credible assignment results.<sup>39</sup> However, an appraiser who is developing or reporting an opinion of value for residential real property is never permitted to use or rely upon race, ethnicity, or national origin, or the racial, ethnic, or national origin demographics of a geographic area. Such use and/or reliance is prohibited by the FHAAct.

A 1977 settlement between the United States Department of Justice (DOJ) and the American Institute of Real Estate Appraisers (AIREA) underscores the importance of

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37 Different laws may have different definitions defining the scope of what constitutes residential real property for purposes of a specific law. As used in the ETHICS RULE and this guidance, and as discussed in Advisory Opinion 39, “residential real property” includes any “dwelling” as defined under the FHAAct, see 42 U.S.C § 3602(b) (dwelling defined as “any building, structure, or portion thereof which is occupied as, or designed or intended for occupancy as, a residence by one or more families, and any vacant land which is offered for sale or lease for the construction or location thereon of any such building, structure, or portion thereof”); property that is part of a “residential real estate-related transaction” under the FHAAct, see 42 U.S.C. § 3605(b) (defining “residential real estate-related transaction” as the “making or purchasing of loans or providing other financial assistance” “for purchasing, constructing, improving, repairing, or maintaining a dwelling” or “secured by residential real estate,” as well as “the selling, brokering, or appraising of residential real property” (emphasis added)); and property that is a “dwelling” under ECOA, see 12 CFR § 1002.14(b)(2) (defining “dwelling” as “a residential structure that contains one to four units whether or not that structure is attached to real property. The term includes, but is not limited to, an individual condominium or cooperative unit, and a mobile or other manufactured home”). An appraiser should be knowledgeable about any applicable definitions and understand the conditions that trigger nondiscrimination requirements under applicable law.

38 The FHAAct also covers discrimination on the basis of gender identity and sexual orientation in addition to the characteristics listed above. See U.S. Department of Housing and Urban Development, Memorandum re: Implementation of Executive Order 13988 on the Enforcement of the Fair Housing Act, [https://www.hud.gov/sites/dfiles/PA/documents/HUD\\_Memo\\_EO13988.pdf](https://www.hud.gov/sites/dfiles/PA/documents/HUD_Memo_EO13988.pdf).

39 See *Advisory Opinion 39, Antidiscrimination Laws and Nondiscrimination*.

this prohibition.<sup>40</sup> The settlement made clear that it is impermissible to “base a conclusion or opinion of value upon the premise that the racial, ethnic or religious homogeneity of the inhabitants of an area or of a property is necessary for maximum value.” This same settlement made it clear that, when evaluating neighborhood trends, “racial, religious, and ethnic factors are deemed unreliable predictors of value trends or price variance.” This demonstrates that the ETHICS RULE is consistent with antidiscrimination law.

Additional laws such as state and local laws could apply to the appraiser or the appraiser’s assignment and expand upon federal prohibitions. It is the appraiser’s responsibility to be or become knowledgeable about and comply with all applicable law as a matter of both ethics and competency.<sup>41</sup>

### **Researching and Relying on Location and Demographic Data**

When developing an opinion of value for residential real property, appraisers may have many sources of data and information available to them. The information available could include general population trends for a subject property’s location, including density and distribution of the population, and could also include demographic information that in some cases provides the ethnicity, race, gender, or sex of the person(s) in a geographic area. However, the simple fact that particular information is available to an appraiser does not mean the information can be used or relied upon when the appraiser is developing and/or reporting their opinion of value. The COMPETENCY RULE requires appraisers to know and follow applicable law, which might prohibit use of certain types of data. Competency also requires that appraisers know which information is needed to develop credible assignment results. Demographic data related to race, ethnicity, and national origin of a subject property’s neighborhood is never necessary for credible assignment results when developing or reporting an opinion of value for residential real property.

### **Demographic Data and Developing an Appraisal**

When developing an opinion of value for residential real property, a relevant characteristic of the subject property is often its location. Relevant characteristics of a property’s location may include the physical, legal, and economic characteristics of the subject property. Standards Rule 1-2(e)(i) states that appraisers are to “*identify... the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including...its location and physical, legal, and economic characteristics...*”

Relevant characteristics of a property’s location do not include the protected characteristics of any person or group of persons who may be associated with the property or the appraisal. This includes the property owner, occupants of the property, occupants of any of the nearby properties, potential buyers, the client of the report, etc. Any data or information related to the protected characteristics of individuals or groups

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40 *United States v. American Institute of Real Estate Appraisers*, 442 F. Supp. 1072 (N.D. Ill. 1977).

41 *See Advisory Opinion 39, Antidiscrimination Laws and Nondiscrimination.*



may not be used or relied upon when developing an opinion of value, unless the limited exception as set forth in the Nondiscrimination section of the ETHICS RULE applies.<sup>42</sup>

### **Pretext and Use of Code Words**

An appraiser violates USPAP’s prohibition on pretext when the appraiser refers to something other than a protected characteristic to conceal use of or reliance upon a protected characteristic.<sup>43</sup> The use of code words in an appraisal report can indicate that an appraiser has engaged in disparate treatment, and pretextually referred to a non-protected characteristic as a way to conceal the appraiser’s use of or reliance upon a protected characteristic.

Examples of phrases that can constitute code word evidence of disparate treatment include, but are not limited to, “ghetto,” “crime” or “crime-ridden,” “inner city,” and “blight”; references to “shared values” or “undesirables”; concerns about “personal safety due to ‘new people’”; or statements that an area is lacking “pride of ownership.”<sup>44</sup> References to public assistance income and Section 8 vouchers can also have a coded meaning.<sup>45</sup> Whether a code word indicates discrimination depends on the context in which it is used.

### **Illustrations:**

1. An appraiser agrees to perform an assignment to develop an opinion of the market value of a residential property for a financial institution where the intended use is in connection with a mortgage loan. The resulting Appraisal Report states that the subject property is located in a “predominantly Black neighborhood.” What concerns could be raised by the appraiser’s inclusion of this information in the Appraisal Report?

Answer: USPAP requires the appraiser to understand which factors are relevant in developing an opinion of value and which are permitted to be used under USPAP and under applicable law, including the FHAct, ECOA, and the Civil Rights Act of 1866. The appraiser may not use factors related to actual or perceived protected characteristics of a geographically defined area to develop an opinion of value, unless permitted under the law and under the exception in the Nondiscrimination section of the ETHICS RULE. The use of or reliance upon

42 *id.*

43 *id.*

44 See FHFA Advisory Bulletin AB 2021-04 - Enterprise Fair Lending and Housing Compliance, <https://www.fhfa.gov/SupervisionRegulation/AdvisoryBulletins/AdvisoryBulletinDocuments/AB%202021-04%20Enterprise%20Fair%20Lending%20and%20Fair%20Housing%20Compliance.pdf>; *New Orleans Fair Hous. Ctr. v. St. Bernard Parish*, 641 F. Supp. 2d 563, 571-72 (E.D. La. 2009).

45 See Emily Badger, Time Magazine, *How Section 8 became a ‘racial slur’* (June 15, 2015), <https://www.washingtonpost.com/news/wonk/wp/2015/06/15/how-section-8-became-a-racial-slur/>; Abby Vesoulis, Time Magazine, *‘A Mask for Racial Discrimination.’ How Housing Voucher Programs Can Hurt the Low-Income Families They’re Designed to Help* (Feb. 20, 2020), <https://time.com/5783945/housing-vouchers-discrimination/>; Antonia Fasanelli & Philip Tegeler, American Bar Association, *Your Money’s No Good Here: Combatting Source of Income Discrimination in Housing* (Nov. 30, 2019), [https://www.americanbar.org/groups/crsj/publications/human\\_rights\\_magazine\\_home/economic-justice/your-money-s-no-good-here--combatting-source-of-income-discrimin/](https://www.americanbar.org/groups/crsj/publications/human_rights_magazine_home/economic-justice/your-money-s-no-good-here--combatting-source-of-income-discrimin/).

race and information about race is never permitted when developing or reporting an opinion of value for residential real property. Therefore, a discussion of race should not be included in the Appraisal Report.<sup>46</sup>

2. An appraiser agrees to perform an assignment to develop an opinion of the market value of a residential property for a financial institution where the intended use is in connection with a mortgage loan. The resulting Appraisal Report states that the subject property is located in an “ethnically diverse neighborhood.” What concerns could be raised by the appraiser’s inclusion of this information in the Appraisal Report?

Answer: USPAP requires the appraiser to understand which factors are relevant in developing an opinion of value and which are permitted to be used under USPAP and under applicable law, including the FHAct, ECOA, and the Civil Rights Act of 1866. The appraiser may not use factors related to actual or perceived protected characteristics of a geographically defined area to develop the opinion of value, unless permitted under the law and under the exception in the Nondiscrimination section of the ETHICS RULE. Similar to race and information about race, the use of or reliance upon ethnicity and information about ethnicity is never permitted when developing or reporting an opinion of value for residential real property. Discussion of the ethnicity of the neighborhood, therefore, should not be included in the Appraisal Report.

3. An appraiser agrees to perform an assignment to develop an opinion of the market value of a residential property for a financial institution where the intended use is in connection with a mortgage loan. The resulting Appraisal Report states that the subject property is located in a “crime-ridden area” and is “lacking pride of ownership.” What concerns could be raised by the appraiser’s inclusion of this language in the Appraisal Report?

Answer: USPAP requires the appraiser to understand which factors are relevant in developing an opinion of value and which are permitted to be used under USPAP and under applicable law, including the FHAct, ECOA, and the Civil Rights Act of 1866. The FHAct does not permit using or relying upon race, ethnicity, or national origin, or racial, ethnic, or national origin demographic information in residential real property appraisal assignments, and such use or reliance therefore is also prohibited by USPAP. USPAP also prohibits the appraiser from using code words as pretext to refer to a protected characteristic. Crime and pride of ownership are not themselves protected characteristics, but here, the language of the Appraisal Report could indicate that the appraiser used these phrases as code words for a protected characteristic such as race. Courts

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46 In a review of millions of appraisals, the Federal Housing Finance Agency noted, “[t]he racial and ethnic composition of the neighborhood should never be a factor that influences the value of a family’s home. Our observation of appraisals suggest that racial and ethnic compositions of a neighborhood are still sometimes included in commentary, clearly indicating the writer thought it was important to establishing value.” FHFA, “Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary,” Dec. 14, 2021, <https://www.fhfa.gov/Media/Blog/Pages/Reducing-Valuation-Bias-by-Addressing-Appraiser-and-Property-Valuation-Commentary.aspx>.

have concluded that certain terms or references may be “nothing more than camouflaged racial expressions.”<sup>47</sup> Both “crime-ridden area” and “pride of ownership” can be understood as coded language that is intended to stand in for protected characteristics such as race and ethnicity. This is especially the case because both the phrase “crime-ridden area” and the idea of “pride of ownership” are subjective, not the type of objective information that should form the basis of an opinion of value. This potentially coded language could be evidence of discriminatory treatment in violation of the FHAct and USPAP.<sup>48</sup>

4. An appraiser agrees to perform an assignment to develop an opinion of the market value of a residential property for a financial institution where the intended use is in connection with a mortgage loan. The resulting Appraisal Report states that the subject property is located in a district named “Little Cuba,” which is then described as a “spicy” area. The Appraisal Report also notes that “the businesses located near the residential properties in the subject’s neighborhood predominantly serve clients who appear to be immigrants.” What concerns could be raised by the appraiser’s inclusion of this information in the Appraisal Report?

Answer: USPAP requires the appraiser to understand which factors are relevant in developing an opinion of value and which are permitted to be used under USPAP and under applicable law. The appraiser may not use factors related to actual or perceived protected characteristics of a geographically defined area to develop their opinion of value, unless permitted under the exception in the Nondiscrimination section of the ETHICS RULE.

Some neighborhoods or even towns have legally recorded names that contain words or phrases that refer to a protected characteristic. These include neighborhoods such as “Chinatown,” “Greektown,” etc. Describing a designated area as “Little Cuba” could be appropriate if it is the legal name of an area, and “Little Cuba” is not being used by the appraiser in order to describe or otherwise communicate the racial or ethnic makeup of the area.<sup>49</sup>

Using an adjective such as “spicy” to describe a neighborhood, however, could indicate that the appraiser violated USPAP and applicable antidiscrimination laws and regulations. A word like “spicy” can be understood to serve as a pretext or code word for the racial and/or ethnic makeup of an area. In the context of the other statements in the Appraisal Report, the use of “spicy” can indicate that the

47 *Greater New Orleans Fair Hous. Action Ctr. v. St. Bernard Parish*, 641 F. Supp. 2d. 563, 571 (E.D. La. 2009) (internal quotation marks omitted).

48 FHFA Advisory Bulletin AB 2021-04 - Enterprise Fair Lending and Housing Compliance, <https://www.fhfa.gov/SupervisionRegulation/AdvisoryBulletins/AdvisoryBulletinDocuments/AB%202021-04%20Enterprise%20Fair%20Lending%20and%20Fair%20Housing%20Compliance.pdf>.

49 The FHFA has explained that factors such as “context” and “historical usage” are relevant to “[w]hether a code word is evidence of disparate treatment.” FHFA Advisory Bulletin AB 2021-04 - Enterprise Fair Lending and Housing Compliance, at fn. 21, <https://www.fhfa.gov/SupervisionRegulation/AdvisoryBulletins/Pages/Enterprise-Fair-Lending-and-Fair-Housing-Compliance.aspx#footnote21>.



appraiser used or relied upon racial or ethnic information in developing and reporting the opinion of value.

Stating the fact that a residential property is located near particular businesses may have been relevant when developing an opinion of value; however, the race and ethnicity of the clients that such businesses serve would be irrelevant. The mention of “immigrants” can reasonably be understood to refer to the national origin, race, and/or ethnicity of individuals, and could indicate that the appraiser inappropriately considered one or more of these protected characteristics in their appraisal in violation of USPAP and applicable laws and regulations.

# **POLICY STATEMENTS**

**(Revised – March 2018)**



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Requirements and Guidance to  
State Appraiser Certifying and Licensing Agencies  
For Compliance with Title XI

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## ***Introduction and Purpose***

Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI) established the Appraisal Subcommittee of the Federal Financial Institutions Examination Council (ASC).<sup>1</sup> The purpose of Title XI is to provide protection of Federal financial and public policy interests by upholding Title XI requirements for appraisals performed for federally related transactions. Specifically, those appraisals shall be performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

Pursuant to Title XI, one of the ASC's core functions is to monitor the requirements established by the States<sup>2</sup> for certification and licensing of appraisers qualified to perform appraisals in connection with federally related transactions.<sup>3</sup> Title XI as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act)<sup>4</sup> expanded the ASC's core functions to include monitoring of the requirements established by States that elect to register and supervise the operations and activities of appraisal management companies<sup>5</sup> (AMCs).<sup>6</sup>

The ASC performs periodic Compliance Reviews<sup>7</sup> of each State appraiser regulatory program (Appraiser Program) to determine compliance or lack thereof with Title XI, and to assess implementation of minimum requirements for credentialing of appraisers as adopted by the Appraiser Qualifications Board (*The Real Property Appraiser Qualification Criteria* or AQB Criteria). As a result of the Dodd-Frank Act amendments to Title XI, States with an AMC

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<sup>1</sup> The ASC Board is made up of seven members. Five members are designated by the heads of the FFIEC agencies (Board of Governors of the Federal Reserve System, Bureau of Consumer Financial Protection, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency, and National Credit Union Administration). The other two members are designated by the heads of the Department of Housing and Urban Development and the Federal Housing Finance Agency.

<sup>2</sup> See Appendix B, Glossary of Terms, for the definition of "State."

<sup>3</sup> See Appendix B, Glossary of Terms, for the definition of "federally related transaction."

<sup>4</sup> Pub. L. 111-203, 124 Stat. 1376.

<sup>5</sup> Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332.

<sup>6</sup> See Appendix B, Glossary of Terms, for the definition of "appraisal management company" or AMC.

<sup>7</sup> See Appendix A, Compliance Review Process.

regulatory program (AMC Program) will be evaluated during the Compliance Review to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule.<sup>8</sup>

The ASC is issuing these revised Policy Statements<sup>9</sup> in three parts to provide States with the necessary information to maintain their Appraiser Programs and AMC Programs in compliance with Title XI:

- Part A, *Appraiser Program* – Policy Statements 1 through 7 correspond with the categories that are: (a) evaluated during the Appraiser Program Compliance Review; and (b) included in the *ASC’s Compliance Review Report of the Appraiser Program*.
- Part B, *AMC Program* – Policy Statements 8 through 10 correspond with the categories that are: (a) evaluated during the AMC Program Compliance Review; and (b) included in the *ASC’s Compliance Review Report of the AMC Program*.
- Part C, *Interim Sanctions* – Policy Statement 12 sets forth required procedures in the event that interim sanctions are imposed against a State by the ASC for non-compliance in either the Appraiser Program or the AMC Program.

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<sup>8</sup> The Dodd-Frank Act required the Office of the Comptroller of the Currency; Board of Governors of the Federal Reserve System; Federal Deposit Insurance Corporation; National Credit Union Administration; Bureau of Consumer Financial Protection; and Federal Housing Finance Agency to establish, by rule, minimum requirements to be imposed by a participating State appraiser certifying and licensing agency on AMCs doing business in the State. (Title XI § 1124 (a), 12 U.S.C. 3353(a)). Those rules were finalized and published on June 9, 2015, at 80 *Federal Register* 32658 with an effective date of August 10, 2015. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.)

<sup>9</sup> These Policy Statements, adopted February 14, 2018, supersede all previous Policy Statements adopted by the ASC.

# ***PART A: APPRAISER PROGRAM***

## ***POLICY STATEMENT 1***

### ***Statutes, Regulations, Policies and Procedures Governing State Appraiser Programs***

#### ***A. State Regulatory Structure***

Title XI requires the ASC to monitor each State appraiser certifying and licensing agency for the purpose of determining whether each such agency has in place policies, practices and procedures consistent with the requirements of Title XI.<sup>10</sup> The ASC recognizes that each State may have legal, fiscal, regulatory or other factors that may influence the structure and organization of its Appraiser Program. Therefore, a State has flexibility to structure its Appraiser Program so long as it meets its Title XI-related responsibilities.

States should maintain an organizational structure for appraiser certification, licensing and supervision that avoids conflicts of interest. A State agency may be headed by a board, commission or an individual. State board<sup>11</sup> or commission members, or employees in policy or decision-making positions, should understand and adhere to State statutes and regulations governing performance of responsibilities consistent with the highest ethical standards for public service. In addition, Appraiser Programs using private entities or contractors should establish appropriate internal policies, procedures and safeguards to promote compliance with the State agency's responsibilities under Title XI and these Policy Statements.

#### ***B. Funding and Staffing***

The Dodd-Frank Act amended Title XI to require the ASC to determine whether States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its Appraiser Program with funding and

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<sup>10</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>11</sup> See Appendix B, *Glossary of Terms*, for the definition of "State board."



staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an Appraiser Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

### ***C. Minimum Criteria***

Title XI requires States to adopt and/or implement all relevant AQB Criteria. Requirements established by a State for certified residential or certified general appraisers, as well as requirements established for licensed appraisers, trainee appraisers and supervisory appraisers must meet or exceed applicable AQB Criteria.

### ***D. Federally Recognized Appraiser Classifications***

#### ***State Certified Appraisers***

"State certified appraisers" means those individuals who have satisfied the requirements for residential or general certification in a State whose criteria for certification meet or exceed the applicable minimum AQB Criteria. Permitted scope of practice and designation for State certified residential or certified general appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

#### ***State Licensed Appraisers***

"State licensed appraisers" means those individuals who have satisfied the requirements for licensing in a State whose criteria for licensing meet or exceed the applicable minimum AQB Criteria. The permitted scope of practice and designation for State licensed appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

#### ***Trainee Appraisers***

"Trainee appraisers" means those individuals who have satisfied the requirements for credentialing in a State whose criteria for credentialing meet or

exceed the applicable minimum AQB Criteria. Any minimum qualification requirements established by a State for individuals in the position of “trainee appraiser” or “supervisory appraiser” must meet or exceed the applicable minimum AQB Criteria. ASC staff will evaluate State designations such as “registered appraiser,” “apprentice appraiser,” “provisional appraiser,” or any other similar designation to determine if, in substance, such designation is consistent with a “trainee appraiser” designation and, therefore, administered to comply with Title XI. The permitted scope of practice and designation for trainee appraisers must be consistent with State and Federal laws, including regulations and supplementary guidance.

Any State or Federal agency may impose additional appraiser qualification requirements for trainee, State licensed, certified residential or certified general classifications, if they consider such requirements necessary to carry out their responsibilities under Federal and/or State statutes and regulations, so long as the additional qualification requirements do not preclude compliance with AQB Criteria.

### ***E. Non-federally Recognized Credentials***

States using non-federally recognized credentials or designations<sup>12</sup> must ensure that they are easily distinguished from the federally recognized credentials.

### ***F. Appraisal Standards***

Title XI and the Federal financial institutions regulatory agencies’ regulations mandate that all appraisals performed in connection with federally related transactions be in written form, prepared in accordance with generally accepted appraisal standards as promulgated by the Appraisal Standards Board (ASB) in the Uniform Standards of Professional Appraisal Practice (USPAP), and be subject to appropriate review for compliance with

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<sup>12</sup> See Appendix B, *Glossary of Terms*, for the definition of “non-federally recognized credentials or designations.”

USPAP.<sup>13</sup> States that have incorporated USPAP into State law should ensure that statutes or regulations are updated timely to adopt the current version of USPAP, or if State law allows, automatically incorporate the latest version of USPAP as it becomes effective. States should consider ASB Advisory Opinions, Frequently Asked Questions, and other written guidance issued by the ASB regarding interpretation and application of USPAP.

Any State or Federal agency may impose additional appraisal standards if they consider such standards necessary to carry out their responsibilities, so long as additional appraisal standards do not preclude compliance with USPAP or the Federal financial institutions regulatory agencies' appraisal regulations for work performed for federally related transactions.

The Federal financial institutions regulatory agencies' appraisal regulations define "appraisal" and identify which real estate-related financial transactions require the services of a State certified or licensed appraiser. These regulations define "appraisal" as a "written statement independently and impartially prepared by a qualified appraiser setting forth an opinion as to the market value of an adequately described property as of a specific date(s) supported by the presentation and analysis of relevant market information." Per these regulations, an appraiser performing an appraisal review which includes the reviewer providing his or her own opinion of value constitutes an appraisal. Under these same regulations, an appraisal review that does not include the reviewer providing his or her own opinion of value does not constitute an appraisal. Therefore, under the Federal financial institutions regulatory agencies' regulations, only those transactions that involve appraisals for federally related transactions require the services of a State certified or licensed appraiser.

## ***G. Exemptions***

Title XI and the Federal financial institutions regulatory agencies' regulations specifically require the use of State certified or licensed appraisers in connection with the appraisal of certain real estate-related financial transactions.<sup>14</sup> A State may not exempt any

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<sup>13</sup> See Appendix B, *Glossary of Terms* for the definition of "Uniform Standards of Professional Appraisal Practice."

<sup>14</sup> Title XI § 1112, 12 U.S.C. § 3341; Title XI § 1113, 12 U.S.C. § 3342; Title XI § 1114, 12 U.S.C. § 3343.

individual or group of individuals from meeting the State’s certification or licensing requirements if the individual or group member performs an appraisal when Federal statutes and regulations require the use of a certified or licensed appraiser. For example, an individual who has been exempted by the State from its appraiser certification or licensing requirements because he or she is an officer, director, employee or agent of a federally regulated financial institution would not be permitted to perform an appraisal in connection with a federally related transaction.

## ***H. ASC Staff Attendance at State Board Meetings***

The efficacy of the ASC’s Compliance Review process rests on the ASC’s ability to obtain reliable information about all areas of a State’s Appraiser Program. ASC staff regularly attends open State board meetings as part of the on-site Compliance Review process. States are expected to make available for review by ASC staff minutes of closed meetings and executive sessions. States are encouraged to allow ASC staff to attend closed and executive sessions of State board meetings where such attendance would not violate State law or regulation or be inconsistent with other legal obligations of the State board. ASC staff is obligated to protect information obtained during the Compliance Review process concerning the privacy of individuals and any confidential matters.

## ***I. Summary of Requirements***

1. States must require that appraisals be performed in accordance with the latest version of USPAP.<sup>15</sup>
2. States must, at a minimum, adopt and/or implement all relevant AQB Criteria.<sup>16</sup>
3. States must have policies, practices and procedures consistent with Title XI.<sup>17</sup>

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<sup>15</sup> Title XI § 1101, 12 U.S.C. § 3331; Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>16</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>17</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

4. States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>18</sup>
5. States must use proper designations and permitted scope of practice for certified residential; certified general; licensed; and trainee classifications.<sup>19</sup>
6. State board members, and any persons in policy or decision-making positions, must perform their responsibilities consistent with Title XI.<sup>20</sup>
7. States' certification and licensing requirements must meet the minimum requirements set forth in Title XI.<sup>21</sup>
8. State requirements for trainee appraisers and supervisory appraisers must meet or exceed the AQB Criteria.
9. State agencies must be granted adequate authority by the State to maintain an effective regulatory Appraiser Program in compliance with Title XI.<sup>22</sup>

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<sup>18</sup> *Id.*; Title XI § 1118 (b), 12 U.S.C. § 3347.

<sup>19</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345; Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1113, 12 U.S.C. § 3342; AQB *Real Property Appraiser Qualification Criteria*.

<sup>20</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>21</sup> Title XI §§ 1116 (a), (c) and (e), 12 U.S.C. § 3345.

<sup>22</sup> Title XI § 1118 (b), 12 U.S.C. § 3347.

## ***POLICY STATEMENT 2***

### ***Temporary Practice***

#### ***A. Requirement for Temporary Practice***

Title XI requires State agencies to recognize, on a temporary basis, the certification or license of an out-of-State appraiser entering the State for the purpose of completing an appraisal assignment<sup>23</sup> for a federally related transaction. States are not, however, required to grant temporary practice permits to trainee appraisers. The out-of-State appraiser must register with the State agency in the State of temporary practice (Host State). A State may determine the process necessary for “registration” provided such process complies with Title XI and does not impose “excessive fees or burdensome requirements,” as determined by the ASC.<sup>24</sup> Thus, a credentialed appraiser<sup>25</sup> from State A has a statutory right to enter State B (the Host State) to perform an assignment concerning a federally related transaction, so long as the appraiser registers with the State agency in State B prior to performing the assignment. Though Title XI contemplates reasonably free movement of credentialed appraisers across State lines, an out-of-State appraiser must comply with the Host State’s real estate appraisal statutes and regulations and is subject to the Host State’s full regulatory jurisdiction. States should utilize the National Registry of Appraisers to verify credential status on applicants for temporary practice.

#### ***B. Excessive Fees or Burdensome Requirements***

Title XI prohibits States from imposing excessive fees or burdensome requirements, as determined by the ASC, for temporary practice.<sup>26</sup> Adherence by State agencies to the following mandates and prohibitions will deter the imposition of excessive fees or burdensome requirements.

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<sup>23</sup> See Appendix B, *Glossary of Terms*, for the definition of “assignment.”

<sup>24</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

<sup>25</sup> See Appendix B, *Glossary of Terms*, for the definition of “credentialed appraisers.”

<sup>26</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.

***Host State agencies must:***

- a. issue temporary practice permits on an assignment basis;
- b. issue temporary practice permits within five business days of receipt of a completed application, or notify the applicant and document the file as to the circumstances justifying delay or other action;
- c. issue temporary practice permits designating the permit's effective date;
- d. take regulatory responsibility for a temporary practitioner's unethical, incompetent and/or fraudulent practices performed while in the State;
- e. notify the appraiser's home State agency<sup>27</sup> in the case of disciplinary action concerning a temporary practitioner;
- f. allow at least one temporary practice permit extension through a streamlined process;
- g. 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 (States are strongly encouraged to maintain this information in an electronic, sortable format); and
- h. maintain documentation sufficient to demonstrate compliance with this Policy Statement.

***Host State agencies may not:***

- a. limit the valid time period of a temporary practice permit to less than 6 months (unless the applicant requests a specific end date and the applicant is allowed an extension if required to complete the assignment, the applicant's credential is no longer in active status during that period of time);
- b. limit an appraiser to one temporary practice permit per calendar year;<sup>28</sup>
- c. charge a temporary practice permit fee exceeding \$250, including one

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<sup>27</sup> See Appendix B, Glossary of Terms, for the definition of "home State agency."

<sup>28</sup> State agencies may establish by statute or regulation a policy that places reasonable limits on the number of times an out-of-State certified or licensed appraiser may exercise his or her temporary practice rights in a given year. If such a policy is not established, a State agency may choose not to honor an out-of-State certified or licensed appraiser's temporary practice rights if it has made a determination that the appraiser is abusing his or her temporary practice rights and is regularly engaging in real estate appraisal services within the State.

- extension fee;
- d. impose State appraiser qualification requirements for education, experience and/or exam upon temporary practitioners;
- e. require temporary practitioners to obtain a certification or license in the State of temporary practice;
- f. require temporary practitioners to affiliate with an in-State licensed or certified appraiser;
- g. refuse to register licensed or certified appraisers seeking temporary practice in a State that does not have a licensed or certified level credential; or
- h. prohibit temporary practice.

***Home State agencies may not:***

- a. delay the issuance of a written “letter of good standing” or similar document for more than five business days after receipt of a request; or
- b. fail to consider and, if appropriate, take disciplinary action when one of its certified or licensed appraisers is disciplined by another State.

### ***C. Summary of Requirements***

1. States must recognize, on a temporary basis, appraiser credentials issued by another State if the property to be appraised is part of a federally related transaction.<sup>29</sup>
2. States must adhere to mandates, prohibitions and documentation requirements as set forth above in Section B above, titled *Excessive Fees or Burdensome Requirements*.<sup>30</sup>

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<sup>29</sup> Title XI § 1122 (a) (1), 12 U.S.C. § 3351.

<sup>30</sup> Title XI § 1122 (a) (2), 12 U.S.C. § 3351.



## ***POLICY STATEMENT 3***

### ***National Registry of Appraisers (Appraiser Registry)***

#### ***A. Requirements for the Appraiser Registry***

Title XI requires the ASC to maintain a National Registry of State certified and licensed appraisers who are eligible to perform appraisals in federally related transactions.<sup>31</sup> Title XI further requires the States to transmit to the ASC: (1) a roster listing individuals who have received a State certification or license in accordance with Title XI; (2) reports on the issuance and renewal of licenses and certifications, sanctions, disciplinary actions, revocations and suspensions; and (3) the registry fee as set by the ASC<sup>32</sup> from individuals who have received certification or licensing. States must notify the ASC as soon as practicable if a credential holder listed on the Appraiser Registry does not qualify for the credential held.

Roster and registry fee requirements apply to all individuals who receive State certifications or licenses, originally or by reciprocity, whether or not the individuals are, in fact, performing or planning to perform appraisals in federally related transactions. If an appraiser is certified or licensed in more than one State, the appraiser is required to be on each State's roster of certified or licensed appraisers, and a registry fee is due from each State in which the appraiser is certified or licensed.

Only AQB-compliant certified and licensed appraisers in active status on the Appraiser Registry are eligible to perform appraisals in connection with federally related transactions. Only those appraisers whose registry fees have been transmitted to the ASC will be eligible to be on the Appraiser Registry for the period subsequent to payment of the fee.

Some States may give State certified or licensed appraisers an option to not pay the registry

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<sup>31</sup> Title XI § 1103 (a) (3), 12 U.S.C. § 3332.

<sup>32</sup> Title XI § 1109, *Roster of State certified or licensed appraisers; authority to collect and transmit fees*, requires the ASC to consider at least once every 5 years whether to adjust the dollar amount of the registry fees to account for inflation. (Title XI § 1109 (a), 12 U.S.C. § 3338.)

fee. If a State certified or licensed appraiser chooses not to pay the registry fee, then the Appraiser Program must ensure that any potential user of that appraiser's services is aware that the appraiser is not eligible to perform appraisals for federally related transactions. The Appraiser Program must place a conspicuous notice directly on the face of any evidence of the appraiser's authority to appraise stating, "Not Eligible To Appraise Federally Related Transactions," and the appraiser must not be listed in active status on the Appraiser Registry.

The ASC extranet application allows States to update their appraiser credential information directly to the Appraiser Registry. Only Authorized Registry Officials are allowed to request access for their State personnel (see section C below). The ASC will issue a User Name and Password to the designated State personnel responsible for that State's Appraiser Registry entries. Designated State personnel are required to protect the right of access, and not share their User Name or Password with anyone. States must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password. The ASC will provide detailed specifications regarding the data elements on the Appraiser Registry.

### ***B. Registry Fee and Invoicing Policies***

Each State must remit to the ASC the annual registry fee, as set by the ASC, for State certified or licensed appraisers within the State to be listed on the Appraiser Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-year certifications or licenses, the State may choose to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record appraisers on the Appraiser Registry only for the number of years for which the ASC has received payment. Nonpayment by a State of an appraiser's registry fee may result in the status of that appraiser being listed as "inactive." States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date). When a State's failure to pay a past due invoice results in appraisers being listed as inactive, the ASC will not change those appraisers back to active status until payment is received from the State. An inactive status on the Appraiser Registry, for

whatever the reason, renders an appraiser ineligible to perform appraisals in connection with federally related transactions.

### ***C. Access to Appraiser Registry Data***

The ASC website provides free access to the public portion of the Appraiser Registry at [www.asc.gov](http://www.asc.gov). The public portion of the Appraiser Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate.

### ***D. Information Sharing***

Information sharing (routine exchange of certain information among lenders, governmental entities, State agencies and the ASC) is essential for carrying out the purposes of Title XI. Title XI requires the ASC, any other Federal agency or instrumentality, or any federally recognized entity to report any action of a State certified or licensed appraiser that is contrary to the purposes of Title XI to the appropriate State agency for disposition. The ASC believes that full implementation of this Title XI requirement is vital to the integrity of the system of State appraiser regulation. States are encouraged to develop and maintain procedures for sharing of information among themselves.

The Appraiser Registry's value and usefulness are largely dependent on the quality and frequency of State data submissions. Accurate and frequent data submissions from all States are necessary to maintain an up-to-date Appraiser Registry. States must submit appraiser data in a secure format to the ASC at least monthly. If there are no changes to the data, the State agency must notify the ASC of that fact in writing. States are encouraged to submit data as frequently as possible.

States must report all disciplinary action<sup>33</sup> taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.<sup>34</sup> States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.<sup>35</sup> For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder’s ability to practice), the appraiser’s status must be changed on the Appraiser Registry to “inactive,” thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.<sup>36</sup>

Title XI also contemplates the reasonably free movement of certified and licensed appraisers across State lines. This freedom of movement assumes, however, that certified and licensed appraisers are, in all cases, held accountable and responsible for their actions while performing appraisal activities.

### ***E. Summary of Requirements***

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after the invoice date).<sup>37</sup>
2. States must report all disciplinary action taken against an appraiser to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.<sup>38</sup>
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.<sup>39</sup>
4. For the most serious disciplinary actions (*i.e.*, voluntary surrenders, suspensions and revocations, or any action that interrupts a credential holder’s ability to

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<sup>33</sup> See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

<sup>34</sup> *Id.*

<sup>35</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>36</sup> *Id.*

<sup>37</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

<sup>38</sup> *Id.*

<sup>39</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

practice), the appraiser’s status must be changed on the Appraiser Registry to “inactive,” thereby making the appraiser ineligible to perform appraisals for federally related transactions or other transactions requiring the use of State certified or licensed appraisers.<sup>40</sup>

5. States must designate a senior official, such as an executive director, who will serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.<sup>41</sup>
6. States must ensure that the authorization information provided to the ASC is updated and accurate.<sup>42</sup>
7. States must adopt and implement a written policy to protect the right of access to the Appraiser Registry, as well as the ASC issued User Name and Password.<sup>43</sup>
8. States must ensure the accuracy of all data submitted to the Appraiser Registry.<sup>44</sup>
9. States must submit appraiser data (other than discipline) to the ASC at least monthly. If a State’s data does not change during the month, the State agency must notify the ASC of that fact in writing.<sup>45</sup>
10. If a State certified or licensed appraiser chooses not to pay the registry fee, the State must ensure that any potential user of that appraiser’s services is aware that the appraiser’s certificate or license is limited to performing appraisals only in connection with non-federally related transactions.<sup>46</sup>

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<sup>40</sup> *Id.*

<sup>41</sup> *Id.*

<sup>42</sup> *Id.*

<sup>43</sup> *Id.*

<sup>44</sup> *Id.*

<sup>45</sup> *Id.*

<sup>46</sup> *Id.*

## ***E. Examination***

States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized appraiser classifications requiring an examination.

## ***POLICY STATEMENT 4***

### ***Application Process***

AQB Criteria sets forth the minimum education, experience and examination requirements applicable to all States for credentialing of real property appraisers (certified, licensed, trainee and supervisory). In the application process, States must, at a minimum, employ a reliable means of validating both education and experience credit claimed by applicants for credentialing.<sup>47</sup> Effective January 1, 2017, AQB Criteria also requires States to assess whether an applicant for a real property appraiser credential possesses a background that would not call into question public trust. The basis for such assessment shall be a matter left to the individual States, and must, at a minimum, be documented to the file.

#### ***A. Processing of Applications***

States must process applications in a consistent, equitable and well-documented manner. Applications for credentialing should be timely processed by State agencies (within 90 calendar days after receipt of a completed application). Any delay in the processing of applications must be sufficiently documented in the file to explain the delay. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade and renewal of a credential so as to enable understanding of

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<sup>47</sup> Includes applications for credentialing of trainee, licensed, certified residential or certified general classifications.

the facts and determinations in the matter and the reasons for those determinations.

Documentation must include:

1. Application receipt date;
2. Education;
3. Experience;
4. Examination;
5. Continuing education; and
6. Any administrative or disciplinary action taken in connection with the application process, including results of any continuing education audit.

## ***B. Qualifying Education for Initial or Upgrade Applications***

States must verify that:

- (1) the applicant's claimed education courses are acceptable under AQB Criteria; and
- (2) the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought.

States may not accept an affidavit for claimed qualifying education from applicants for any federally recognized credential.<sup>48</sup> States must maintain adequate documentation to support verification of education claimed by applicants.

## ***C. Continuing Education for Reinstatement and Renewal Applications***

### ***1. Reinstatement Applications***

States must verify that:

- (1) the applicant's claimed continuing education courses are acceptable

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<sup>48</sup> If a State accepts education-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require documentation to support the appraiser's educational qualification for the certified classification, not just the incremental amount of education required to move from the non-certified to the certified classification. This requirement applies to all federally recognized credentials.

under AQB Criteria; and

(2) the applicant has successfully completed all continuing education consistent with AQB Criteria for reinstatement of the appraiser credential sought.

States may not accept an affidavit for continuing education claimed from applicants for reinstatement. Applicants for reinstatement must submit documentation to support claimed continuing education and States must maintain adequate documentation to support verification of claimed education.

## ***2. Renewal Applications***

States must ensure that continuing education courses for renewal of an appraiser credential are consistent with AQB Criteria and that continuing education hours required for renewal of an appraiser credential were completed consistent with AQB Criteria. States may accept affidavits for continuing education credit claimed for credential renewal so long as the State implements a reliable validation procedure that adheres to the following objectives and requirements:

### *a. Validation objectives*

The State's validation procedures must be structured to permit acceptable projections of the sample results to the entire population of subject appraisers. Therefore, the sample must include an adequate number of affidavits selected from each federally recognized credential level to have a reasonable chance of identifying appraisers who fail to comply with AQB Criteria, and the sample must include a statistically relevant representation of the appraiser population being sampled.

### *b. Minimum Standards*

- 1) Validation must include a prompt post-approval audit. Each audit of an affidavit for continuing education credit claimed must be completed within 60 business days from the date the credential is scheduled for renewal (based on the credential's expiration date). To ensure the



audit is a statistically relevant representation, a sampling of credentials that were renewed after the scheduled expiration date and/or beyond the date the sample was selected, must also be audited to ensure that a credential holder may not avoid being selected for a continuing education audit by renewing early or late.

- 2) States must audit the continuing education-related affidavit for each credentialed appraiser selected in the sampling procedure.
- 3) States must determine that education courses claimed conform to AQB Criteria and that the appraiser successfully completed each course.
- 4) When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.
- 5) If a State determines that a renewal applicant knowingly falsely attested to completing the continuing education required by AQB Criteria, the State must take appropriate administrative and/or disciplinary action and report such action, if deemed to be discipline, to the ASC within five (5) business days.
- 6) If more than ten percent of the audited appraisers fail to meet the AQB Criteria, the State must take remedial action<sup>49</sup> to address the apparent

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<sup>49</sup> For example:

- (1) a State may conduct an additional audit using a higher percentage of audited appraisers; or
- (2) a State may publicly post action taken to sanction non-compliant appraisers to increase

weakness of its affidavit process. The ASC will determine on a case-by-case basis whether remedial actions are effective and acceptable.

7) In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (e.g., requiring documentation of all continuing education).

*c. Documentation*

States must maintain adequate documentation to support its affidavit renewal and audit procedures and actions.

*d. List of Education Courses*

To promote accountability, the ASC encourages States accepting affidavits for continuing education credit claimed for credential renewal to require that the appraiser provide a list of courses to support the affidavit.

## ***D. Experience for Initial or Upgrade Applications***

States must ensure that appraiser experience logs conform to AQB Criteria. States may not accept an affidavit for experience credit claimed by applicants for any federally recognized credential.<sup>50</sup>

### ***1. Validation Required***

States must implement a reliable validation procedure to verify that each applicant's experience meets AQB Criteria, including but not limited to, being USPAP

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awareness in the appraiser community of the importance of compliance with continuing education requirements.

<sup>50</sup> See Policy Statement 1D and E for discussion of "federally recognized credential" and "non-federally recognized credential." If prior to July 1, 2013, a State accepted experience-related affidavits from applicants for initial licensure in any non-certified classification, upon the appraiser's application to upgrade to a certified classification, the State must require experience documentation to support the appraiser's qualification for the certified classification, not just the incremental amount of experience required to move from the non-certified to the certified classification. For example, if a State accepted an experience affidavit from an appraiser to support the appraiser's initial hours to qualify for the licensed classification, and subsequently that appraiser applies to upgrade to the certified residential classification, the State must require documentation to support the full experience hours required for the certified residential classification, not just the difference in hours between the two classifications.

compliant and containing the required number of hours and months.

## **2. Validation Procedures, Objectives and Requirements**

### *a. Experience Hours Validation*

States must determine the hours and time period claimed on the experience log are accurate. Appraiser Program staff or State board members must select the work product to validate the experience hours claimed; applicants may not have any role in this selection process.

### *b. USPAP Compliance*

States must analyze a representative sample of the applicant's work product for compliance with USPAP. For appraisal experience to be acceptable under AQB Criteria, it must be USPAP compliant. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.

### *c. Determination of Experience Time Periods*

Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.

### *d. Supporting Documentation*

States must maintain adequate documentation to support validation methods. The applicant's file, either electronic or paper, must include the information necessary to identify each appraisal assignment selected to validate the experience hours claimed and each appraisal assignment analyzed by the State for USPAP compliance, notes, letters and/or reports prepared by the official(s) evaluating the report for USPAP compliance, and any correspondence exchanged with the applicant regarding the appraisals submitted. This supporting documentation may be discarded upon the completion of the first ASC Compliance Review performed after the credential issuance or denial for that

applicant.

## ***F. Summary of Requirements***

### ***Processing of Applications***

1. States must process applications in a consistent, equitable and well-documented manner.<sup>51</sup>
2. States must ensure appraiser credential applications submitted for processing do not contain invalid examinations as established by AQB Criteria.<sup>52</sup>
3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance, upgrade or renewal of a credential so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>53</sup>

### ***Education***

1. States must verify that the applicant's claimed education courses are acceptable under AQB Criteria, whether for initial credentialing, renewal, upgrade or reinstatement.<sup>54</sup>
2. States must verify that the applicant has successfully completed courses consistent with AQB Criteria for the appraiser credential sought, whether for initial credentialing, renewal, upgrade or reinstatement.<sup>55</sup>
3. States must maintain adequate documentation to support verification.<sup>56</sup>
4. States may not accept an affidavit for education claimed from applicants for any federally recognized credential.<sup>57</sup>
5. States may not accept an affidavit for continuing education claimed from applicants for reinstatement.<sup>58</sup>
6. States may accept affidavits for continuing education credit claimed for credential

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<sup>51</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>52</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>53</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>54</sup> *Id.*

<sup>55</sup> *Id.*

<sup>56</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>57</sup> *Id.*

<sup>58</sup> *Id.*

renewal so long as the State implements a reliable validation procedure.<sup>59</sup>

7. Audits of affidavits for continuing education credit claimed must be completed within sixty (60) business days from the date the credential is scheduled for renewal (based on the credential's expiration date).<sup>60</sup>
8. In the case of a renewal being processed after the credential's expiration date, but within the State's allowed grace period for a late renewal, the State must establish a reliable process to audit affidavits for continuing education (*e.g.*, requiring documentation of all continuing education).<sup>61</sup>
9. States are required to take remedial action when it is determined that more than ten percent of audited appraiser's affidavits for continuing education credit claimed fail to meet the minimum AQB Criteria.<sup>62</sup>
10. States are required to take appropriate administrative and/or disciplinary action when it is determined that an applicant knowingly falsely attested to completing continuing education.<sup>63</sup>
11. When a State determines that an appraiser's continuing education does not meet AQB Criteria, and the appraiser has failed to complete any remedial action offered, the State must take appropriate action to suspend the appraiser's eligibility to perform appraisals in federally related transactions until such time that the requisite continuing education has been completed. The State must notify the ASC within five (5) business days after taking such action in order for the appraiser's record on the Appraiser Registry to be updated appropriately.<sup>64</sup>

### ***Experience***

1. States may not accept an affidavit for experience credit claimed from applicants for any federally recognized credential.<sup>65</sup>

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<sup>59</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>60</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

2. States must ensure that appraiser experience logs conform to AQB Criteria.<sup>66</sup>
3. States must use a reliable means of validating appraiser experience claims on all initial or upgrade applications for appraiser credentialing.<sup>67</sup>
4. States must select the work product to validate the experience hours claimed on all initial or upgrade applications for appraiser credentialing.<sup>68</sup>
5. States must analyze a representative sample of the applicant's work product for compliance with USPAP on all initial or upgrade applications for appraiser credentialing.<sup>69</sup>
6. States must exercise due diligence in determining whether submitted documentation of experience or work product demonstrates compliance with USPAP on all initial or upgrade applications for appraiser credentialing.<sup>70</sup>
7. Persons analyzing work product for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.<sup>71</sup>
8. Experience time periods must conform to requirements set forth in the AQB Criteria for the credential sought.<sup>72</sup>

### ***Examination***

1. States must ensure that an appropriate AQB-approved qualifying examination is administered for each of the federally recognized credentials requiring an examination.<sup>73</sup>

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<sup>66</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>67</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>68</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>69</sup> *Id.*

<sup>70</sup> *Id.*

<sup>71</sup> *Id.*

<sup>72</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>73</sup> *Id.*

## ***POLICY STATEMENT 5***

### ***Reciprocity***

#### ***A. Reciprocity Policy***

Title XI contemplates the reasonably free movement of certified and licensed appraisers across State lines. The ASC monitors Appraiser Programs for compliance with the reciprocity provision of Title XI as amended by the Dodd-Frank Act.<sup>74</sup> Title XI requires that in order for a State's appraisers to be eligible to perform appraisals for federally related transactions, the State must have a policy in place for issuing reciprocal credentials IF:

- a. the appraiser is coming from a State (Home State) that is "in compliance" with Title XI as determined by the ASC; AND
- b. (i) the appraiser holds a valid credential from the Home State; AND  
  
(ii) the credentialing requirements of the Home State<sup>75</sup> meet or exceed those of the reciprocal credentialing State (Reciprocal State).<sup>76</sup>

An appraiser relying on a credential from a State that does not have such a policy in place may not perform appraisals for federally related transactions. A State may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy. However, States cannot impose additional impediments to obtaining reciprocal credentials.

For purposes of implementing the reciprocity policy, States with an ASC Finding<sup>77</sup> of "Poor" do not satisfy the "in compliance" provision for reciprocity. Therefore, States are not required to recognize, for purposes of granting a reciprocal credential, the license or certification of an appraiser credentialed in a State with an ASC Finding of "Poor."

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<sup>74</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

<sup>75</sup> As they exist at the time of application for reciprocal credential.

<sup>76</sup> *Id.*

<sup>77</sup> See Appendix A, *Compliance Review Process*, for an explanation of ASC Findings.

## ***B. Application of Reciprocity Policy***

The following examples illustrate application of reciprocity in a manner that complies with Title XI. The examples refer to the reciprocity policy requiring issuance of a reciprocal credential IF:

- a. the appraiser is coming from a State that is "in compliance"; AND
- b. (i) the appraiser holds a valid credential from that State; AND  
(ii) the credentialing requirements of that State (as they currently exist) meet or exceed those of the reciprocal credentialing State (as they currently exist).

### ***Example 1. Additional Requirements Imposed on Applicants***

State A requires that prior to issuing a reciprocal credential the applicant must certify that disciplinary proceedings are not pending against that applicant in any jurisdiction. Under b (ii) above, if this requirement is not imposed on all of its own applicants for credentialing, STATE A cannot impose this requirement on applicants for reciprocal credentialing.

### ***Example 2. Credentialing Requirements***

An appraiser is seeking a reciprocal credential in STATE A. The appraiser holds a valid credential in STATE Z, even though it was issued in 2007. This satisfies b (i) above. However, in order to satisfy b (ii), STATE A would evaluate STATE Z's credentialing requirements as they currently exist to determine whether they meet or exceed STATE A's current requirements for credentialing.

### ***Example 3. Multiple State Credentials***

An appraiser credentialed in several States is seeking a reciprocal credential in State A. That appraiser's initial credentials were obtained through examination in the original credentialing State and through reciprocity in the additional States. State A requires the applicant to provide a "letter of good standing" from the State of original credentialing as a



condition of granting a reciprocal credential. State A may not impose such a requirement since Title XI does not distinguish between credentials obtained by examination and credentials obtained by reciprocity for purposes of granting reciprocal credentials.

### ***C. Appraiser Compliance Requirements***

In order to maintain a credential granted by reciprocity, appraisers must comply with the credentialing State's policies, rules and statutes governing appraisers, including requirements for payment of certification and licensing fees, as well as continuing education.<sup>78</sup>

### ***D. Well-Documented Application Files***

States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

### ***E. Summary of Requirements***

1. States must have a reciprocity policy in place for issuing a reciprocal credential to an appraiser from another State under the conditions specified in Title XI in order for the State's appraisers to be eligible to perform appraisals for federally related transactions.<sup>79</sup>
2. States may be more lenient in the issuance of reciprocal credentials by implementing a more open door policy; however, States may not impose additional impediments to issuance of reciprocal credentials.<sup>80</sup>

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<sup>78</sup> A State may offer to accept continuing education (CE) for a renewal applicant who has satisfied CE requirements of a home State; however, a State may not impose this as a requirement for renewal, thereby imposing a requirement for the renewal applicant to retain a home State credential.

<sup>79</sup> Title XI § 1122 (b), 12 U.S.C. § 3351.

<sup>80</sup> *Id.*

3. States must obtain and maintain sufficient relevant documentation pertaining to an application for issuance of a credential by reciprocity so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>81</sup>

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<sup>81</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

## ***POLICY STATEMENT 6***

### ***Education***

AQB Criteria sets forth minimum requirements for appraiser education courses. This Policy Statement addresses proper administration of education requirements for compliance with AQB Criteria. (For requirements concerning qualifying and continuing education in the application process, see Policy Statement 4, *Application Process*.)

#### ***A. Course Approval***

States must ensure that approved appraiser education courses are consistent with AQB Criteria and maintain sufficient documentation to support that approved appraiser education courses conform to AQB Criteria.

States should ensure that course approval expiration dates assigned by the State coincide with the endorsement period assigned by the AQB's Course Approval Program or any other AQB-approved organization providing approval of course design and delivery. States may not continue to accept AQB approved courses after the AQB's expiration date unless the course content is reviewed and approved by the State.

States should ensure that educational providers are afforded equal treatment in all respects.<sup>82</sup>

States are encouraged to accept courses approved by the AQB's Course Approval Program.

#### ***B. Distance Education***

States must ensure that distance education courses meet AQB Criteria and that the

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<sup>82</sup> For example:

(1) consent agreements requiring additional education should not specify a particular course provider when there are other providers on the State's approved course listing offering the same course; and

(2) courses from professional organizations should not be automatically approved and/or approved in a manner that is less burdensome than the State's normal approval process.

delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.

States may not continue to accept courses after the AQB-approved organization's approval of course design and delivery date has expired.

### ***C. Summary of Requirements***

1. States must ensure that appraiser education courses are consistent with AQB Criteria.<sup>83</sup>
2. States must maintain sufficient documentation to support that approved appraiser courses conform to AQB Criteria.<sup>84</sup>
3. States must ensure the delivery mechanism for distance education courses offered by a non-academic provider, including secondary providers, has been approved by an AQB-approved organization providing approval of course design and delivery.<sup>85</sup>

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<sup>83</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

<sup>84</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>85</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; AQB *Real Property Appraiser Qualification Criteria*.

## ***POLICY STATEMENT 7***

### ***State Agency Enforcement***

#### ***A. State Agency Regulatory Program***

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned appraisers and maintains an effective regulatory program.<sup>86</sup>

#### ***B. Enforcement Process***

States must ensure that the system for processing and investigating complaints<sup>87</sup> and sanctioning appraisers is administered in a timely, effective, consistent, equitable, and well-documented manner.

##### ***1. Timely Enforcement***

States must process complaints of appraiser misconduct or wrongdoing in a timely manner to ensure effective supervision of appraisers, and when appropriate, that incompetent or unethical appraisers are not allowed to continue their appraisal practice. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date.<sup>88</sup> Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and

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<sup>86</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>87</sup> See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

<sup>88</sup> The one-year period for resolution of complaints is not intended to have the impact of a statute of limitation or statute of repose.

complex cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

## ***2. Effective Enforcement***

Effective enforcement requires that States investigate allegations of appraiser misconduct or wrongdoing, and if allegations are proven, take appropriate disciplinary or remedial action. Dismissal of an alleged violation solely due to an “absence of harm to the public” is inconsistent with Title XI. Financial loss or the lack thereof is not an element in determining whether there is a violation. The extent of such loss, however, may be a factor in determining the appropriate level of discipline.

Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP and States must be able to document how such persons are so qualified.

States must analyze each complaint to determine whether additional violations, especially those relating to USPAP, should be added to the complaint.

Closure of a complaint based solely on a State's statute of limitations that results in dismissal of a complaint without the investigation of the merits of the complaint is inconsistent with the Title XI requirement that States assure effective supervision of the activities of credentialed appraisers.<sup>89</sup>

## ***3. Consistent and Equitable Enforcement***

Absent specific documented facts or considerations, substantially similar cases

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<sup>89</sup> Title XI § 1117, 12 U.S.C. § 3346.

within a State should result in similar dispositions.

#### ***4. Well-Documented Enforcement***

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

##### *a. Complaint Files*

Complaint files must:

- include documentation outlining the progress of the investigation;
- demonstrate that appraisal reports are analyzed and any USPAP violations are identified and considered, whether or not they were the subject of the complaint;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline, such as probation, fine, or completion of education is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

##### *b. Complaint Logs*

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings.

The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State Appraiser Regulatory Agency or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

### ***C. Summary of Requirements***

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>90</sup>
2. States must resolve all complaints filed against appraisers within one year (12 months) of the complaint filing date, except for special documented circumstances.<sup>91</sup>
3. States must ensure that the system for processing and investigating complaints and sanctioning appraisers is administered in an effective, consistent, equitable, and well-documented manner.<sup>92</sup>

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<sup>90</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*



4. States must track complaints of alleged appraiser misconduct or wrongdoing using a complaint log.<sup>93</sup>
5. States must appropriately document enforcement files and include rationale.<sup>94</sup>
6. States must regulate, supervise and discipline their credentialed appraisers.<sup>95</sup>
7. Persons analyzing complaints for USPAP compliance must be knowledgeable about appraisal practice and USPAP, and States must be able to document how such persons are so qualified.<sup>96</sup>

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<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

<sup>96</sup> *Id.*

# ***PART B: AMC PROGRAM***

## ***POLICY STATEMENT 8***

### ***Statutes, Regulations, Policies and Procedures Governing State AMC Programs***

#### ***A. Participating States and ASC Oversight***

States are not required to establish an AMC registration and supervision program. For those States electing to participate in the registration and supervision of AMCs (participating States), ASC staff will informally monitor the State's progress to implement the requirements of Title XI and the AMC Rule.<sup>97</sup> Formal ASC oversight of State AMC Programs will begin at the next regularly scheduled Compliance Review of a State after a State elects to register and supervise AMCs pursuant to the AMC Rule. Formal ASC oversight will consist of evaluating AMC Programs in participating States during the Compliance Review process to determine compliance or lack thereof with Title XI, and to assess implementation of the minimum requirements for State registration and supervision of AMCs as established by the AMC Rule. Upon expiration of the statutory implementation period (see Policy Statement 11, *Statutory Implementation Period*), Compliance Reviews will include ASC oversight of AMC Programs for any participating State.

#### ***B. Relation to State Law***

Participating States may establish requirements in addition to those in the AMC Rule.

Participating States may also have a more expansive definition of AMCs.<sup>98</sup> However, if a participating State has a more expansive definition of AMCs than in Title XI (thereby

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<sup>97</sup> Title XI § 1103 (a)(1)(B), 12 U.S.C. § 3332. AMC Rule means the interagency final rule on minimum requirements for State registration and supervision of AMCs (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

<sup>98</sup> Title XI as amended by the Dodd-Frank Act defines “appraisal management company” to mean, in part, an external third party that oversees a network or panel of more than 15 appraisers (State certified or licensed) in a State, or 25 or more appraisers nationally (two or more States) within a given year. (12 U.S.C.

encompassing State regulation of AMCs that are not within the Title XI definition of AMC), the State must ensure such AMCs are identified as such in the State database, just as States currently do for non-federally recognized credentials or designations. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry.

### ***C. Funding and Staffing***

The Dodd-Frank Act amended Title XI to require the ASC to determine whether participating States have sufficient funding and staffing to meet their Title XI requirements. Compliance with this provision requires that a State must provide its AMC Program with funding and staffing sufficient to carry out its Title XI-related duties. The ASC evaluates the sufficiency of funding and staffing as part of its review of all aspects of an AMC Program's effectiveness, including the adequacy of State boards, committees, or commissions responsible for carrying out Title XI-related duties.

### ***D. Minimum Requirements for Registration and Supervision of AMCs as Established by the AMC Rule***

#### ***1. AMC Registration and Supervision***

If a State chooses to participate in the registration and supervision of AMCs in accordance with the AMC Rule, the State will be required to comply with the minimum requirements set forth in the AMC Rule. States should refer to the AMC Rule for compliance requirements<sup>99</sup> as this Policy Statement merely summarizes what the AMC Rule requires of participating States.

(a) The AMC Rule includes requirements for participating States to establish and maintain within the State appraiser certifying and licensing agency an AMC Program with the legal authority and mechanisms to:

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3350(11)). Title XI as amended by the Dodd-Frank Act also allows States to adopt requirements in addition to those in the AMC Rule. (12 U.S.C. 3353(b)). For example, States may decide to supervise entities that provide appraisal management services, but do not meet the size thresholds of the Title XI definition of AMC. If a State has a more expansive regulatory framework that covers entities that provide appraisal management services but do not meet the Title XI definition of AMC, the State should only submit information regarding AMCs meeting the Title XI definition to the AMC Registry.

<sup>99</sup> See footnote 97.

(1) Review and approve or deny AMC initial registration applications and/or renewals for registration;

(2) Examine records of AMCs and require AMCs to submit information;

(3) Verify that appraisers on AMCs' panels hold valid State credentials;

(4) Conduct investigations of AMCs to assess potential violations of appraisal-related laws, regulations, or orders;

(5) Discipline, suspend, terminate, or deny renewal of the registration of an AMC that violates appraisal-related laws, regulations, or orders; and

(6) Report an AMC's violation of appraisal-related laws, regulations, or orders, as well as disciplinary and enforcement actions and other relevant information about an AMC's operations, to the ASC.

(b) The AMC Rule includes requirements for participating States to impose requirements on AMCs that are not Federally regulated AMCs<sup>100</sup> 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,

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<sup>100</sup> "Federally regulated AMCs," meaning AMCs that are subsidiaries owned and controlled by an insured depository institution or an insured credit union and regulated by a Federal financial institutions regulatory agency, are not required to register with the State (Title XI § 1124 (c), 12 U.S.C. § 3353(c)).

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.

## **2. *Ownership Limitations for State-registered AMCs***

### *A. Appraiser certification or licensing of Owners*

An AMC subject to State registration shall not be registered by a State or included on the AMC 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,<sup>101</sup> as determined by the State appraiser certifying and licensing agency. A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. States must document to the file the State's method of review and the result.

### *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 not to have good moral character; or
- (2) Fails to submit to a background investigation carried out by the State.

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<sup>101</sup> An AMC subject to State registration is not barred from being registered by a State or included on the AMC Registry of AMCs 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. (12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

A State's process for review could, for example, be by questionnaire, or affidavit, or background screening, or otherwise. The ASC would expect written documentation of the State's method of review and the result.

### **3. Requirements for Federally Regulated AMCs**

Participating States are not required to identify Federally regulated AMCs<sup>102</sup> operating in their States, but rather the Federal financial institution regulatory agencies are responsible for requiring such AMCs to identify themselves to participating States and report required information.

A Federally regulated AMC shall not be included on the AMC 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.

### **E. Summary of Requirements**

1. Participating States must establish and maintain an AMC Program with the legal authority and mechanisms consistent with the AMC Rule.<sup>103</sup>
2. Participating States must impose requirements on AMCs consistent with the AMC Rule.<sup>104</sup>
3. Participating States must enforce and document ownership limitations for State-registered AMCs.<sup>105</sup>
4. Only those AMCs that meet the Federal definition of AMC will be eligible to be on the AMC Registry. Therefore, participating States that have a more expansive

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<sup>102</sup> See footnote 97.

<sup>103</sup> 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

<sup>104</sup> *Id.*

<sup>105</sup> *Id.*

definition of AMCs than in the AMC Rule must ensure such non-Federally recognized AMCs are identified as such in the State database.<sup>106</sup>

5. States must have funding and staffing sufficient to carry out their Title XI-related duties.<sup>107</sup>

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<sup>106</sup> Title XI § 1118 (b), 12 U.S.C. § 3347.

<sup>107</sup> *Id.*

## ***POLICY STATEMENT 9***

### ***National Registry of AMCs (AMC Registry)***

#### ***A. Requirements for the AMC Registry***

Title XI requires the ASC to maintain the AMC Registry of AMCs that are either registered with and subject to supervision of a participating State or are operating subsidiaries of a Federally regulated financial institution.<sup>108</sup> Title XI further requires the States to transmit to the ASC: (1) reports on a timely basis of supervisory activities involving AMCs, including investigations resulting in disciplinary action being taken; and (2) the registry fee as set by the ASC<sup>109</sup> from AMCs that are either registered with a participating State or are Federally regulated AMCs.<sup>110</sup>

As with appraiser registry fees, Title XI, § 1109(a)(4)(b) requires the AMC registry fee to be collected by each participating State and transmitted to the ASC. Therefore, as with appraisers, an AMC will pay a registry fee in each participating State in which the AMC operates. As with appraisers, an AMC operating in multiple participating States will pay a registry fee in multiple States in order to be on the AMC Registry for each State.

States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State. The ASC extranet application allows States to update their AMC information directly to the AMC Registry.

#### ***B. Registry Fee and Invoicing Policies***

Each State must remit to the ASC the annual registry fee, as set by the ASC, for AMCs to be listed on the AMC Registry. Requests to prorate refunds or partial-year registrations will not be granted. If a State collects multiple-year fees for multiple-years, the State may choose

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<sup>108</sup> Title XI § 1103 (a) (6), 12 U.S.C. § 3332.

<sup>109</sup> Title XI § 1109 (a) (4), 12 U.S.C. § 3338.

<sup>110</sup> Title XI § 1109 (a) (3) and (4), 12 U.S.C. § 3338.



to remit to the ASC the total amount of the multiple-year registry fees or the equivalent annual fee amount. The ASC will, however, record AMCs on the AMC Registry only for the number of years for which the ASC has received payment. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).

### ***C. Reporting Requirements***

State agencies must report all disciplinary action<sup>111</sup> taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMCs ability to provide appraisal management services), the AMCs status must be changed on the AMC Registry to “inactive.” A Federally regulated AMC operating in a State must report to the State the information required to be submitted by the State to the ASC, pursuant to the ASC’s policies regarding the determination of the AMC registry fee.

### ***D. Access to AMC Registry Data***

The ASC website provides free access to the public portion of the AMC Registry at [www.asc.gov](http://www.asc.gov). The public portion of the AMC Registry data may be downloaded using predefined queries or user-customized applications.

Access to the full database, which includes non-public data (*e.g.*, certain disciplinary action information), is restricted to authorized State and Federal regulatory agencies. States must designate a senior official, such as an executive director, to serve as the State’s Authorized Registry Official, and provide to the ASC, in writing, information regarding the designated Authorized Registry Official. States must ensure that the authorization information provided to the ASC is updated and accurate. States must adopt and implement a written policy to protect the right of access, as well as the ASC issued User Name and Password.

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<sup>111</sup> See Appendix B, *Glossary of Terms*, for the definition of “disciplinary action.”

## ***E. Summary of Requirements***

1. States must reconcile and pay registry invoices in a timely manner (45 calendar days after receipt of the invoice).<sup>112</sup>
2. State agencies must report all disciplinary action taken against an AMC to the ASC via the extranet application within 5 business days after the disciplinary action is final, as determined by State law.<sup>113</sup>
3. States not reporting via the extranet application must provide, in writing to the ASC, a description of the circumstances preventing compliance with this requirement.<sup>114</sup>
4. For the most serious disciplinary actions (*e.g.*, any action that interrupts an AMC's ability to provide appraisal management services), the AMC's status must be changed on the AMC Registry to "inactive."<sup>115</sup>
5. States must notify the ASC as soon as practicable if an AMC listed on the AMC Registry is no longer registered with or operating in the State.
6. States must designate a senior official, such as an executive director, who will serve as the State's Authorized Registry Official, and provide to the ASC, in writing, information regarding the selected Authorized Registry Official, and any individual(s) authorized to act on their behalf.<sup>116</sup>
7. States must adopt and implement a written policy to protect the right of access to the AMC Registry, as well as the ASC issued User Name and Password.<sup>117</sup>
8. States must ensure the accuracy of all data submitted to the AMC Registry.<sup>118</sup>

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<sup>112</sup> Title XI § 1118 (a), 12 U.S.C. § 3347; Title XI § 1109 (a), 12 U.S.C. § 3338.

<sup>113</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>114</sup> *Id.*

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> *Id.*

<sup>118</sup> *Id.*

## ***POLICY STATEMENT 10***

### ***State Agency Enforcement***

#### ***A. State Agency Regulatory Program***

Title XI requires the ASC to monitor the States for the purpose of determining whether the State processes complaints and completes investigations in a reasonable time period, appropriately disciplines sanctioned AMCs and maintains an effective regulatory program.<sup>119</sup>

#### ***B. Enforcement Process***

States must ensure that the system for processing and investigating complaints<sup>120</sup> and sanctioning AMCs is administered in a timely, effective, consistent, equitable, and well-documented<sup>121</sup> manner.

##### ***1. Timely Enforcement***

States must process complaints against AMCs in a timely manner to ensure effective supervision of AMCs. Absent special documented circumstances, final administrative decisions regarding complaints must occur within one year (12 months) of the complaint filing date. Special documented circumstances are those extenuating circumstances (fully documented) beyond the control of the State agency that delays normal processing of a complaint such as: complaints involving a criminal investigation by a law enforcement agency when the investigative agency requests that the State refrain from proceeding; final disposition that has been appealed to a higher court; documented medical condition of the respondent; ancillary civil litigation; and complex fraud cases that involve multiple individuals and reports. Such special documented circumstances also include those periods when State rules require referral of a complaint to another State entity for review

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<sup>119</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>120</sup> See Appendix B, *Glossary of Terms*, for the definition of “complaint.”

<sup>121</sup> See Appendix B, *Glossary of Terms*, for the definition of “well-documented.”

and the State agency is precluded from further processing of the complaint until it is returned. In that circumstance, the State agency should document the required referral and the time period during which the complaint was not under its control or authority.

## ***2. Effective Enforcement***

Effective enforcement requires that States investigate complaints, and if allegations are proven, take appropriate disciplinary or remedial action.

## ***3. Consistent and Equitable Enforcement***

Absent specific documented facts or considerations, substantially similar cases within a State should result in similar dispositions.

## ***4. Well-Documented Enforcement***

States must obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

### ***a. Complaint Files***

Complaint files must:

- include documentation outlining the progress of the investigation;
- include rationale for the final outcome of the case (*i.e.*, dismissal or imposition of discipline);
- include documentation explaining any delay in processing, investigation or adjudication;
- contain documentation that all ordered or agreed upon discipline is tracked and that completion of all terms is confirmed; and
- be organized in a manner that allows understanding of the steps taken throughout the complaint, investigation, and adjudicatory process.

### *b. Complaint Logs*

States must track all complaints using a complaint log. The complaint log must record all complaints, regardless of their procedural status in the investigation and/or resolution process, including complaints pending before the State board, Office of the Attorney General, other law enforcement agencies, and/or offices of administrative hearings. The complaint log must include the following information (States are strongly encouraged to maintain this information in an electronic, sortable format):

1. Case number
2. Name of respondent
3. Actual date the complaint was received by the State
4. Source of complaint (*e.g.*, consumer, lender, AMC, bank regulator, appraiser, hotline) or name of complainant
5. Current status of the complaint
6. Date the complaint was closed (*e.g.*, final disposition by the administrative hearing agency, Office of the Attorney General, State AMC Program or Court of Appeals)
7. Method of disposition (*e.g.*, dismissal, letter of warning, consent order, final order)

### ***C. Summary of Requirements***

1. States must maintain relevant documentation to enable understanding of the facts and determinations in the matter and the reasons for those determinations.<sup>122</sup>
2. States must resolve all complaints filed against AMCs within one year (12 months) of the complaint filing date, except for special documented circumstances.<sup>123</sup>

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<sup>122</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>123</sup> *Id.*

3. States must ensure that the system for processing and investigating complaints and sanctioning AMCs is administered in an effective, consistent, equitable, and well-documented manner.<sup>124</sup>

4. States must track complaints of alleged AMC misconduct or wrongdoing using a complaint log.<sup>125</sup>

5. States must appropriately document enforcement files and include rationale.<sup>126</sup>

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<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

<sup>126</sup> *Id.*

## ***POLICY STATEMENT 11***

### ***Statutory Implementation Period***

Title XI and the AMC Rule set forth the statutory implementation period.<sup>127</sup> The AMC Rule was effective on August 10, 2015. As of 36 months from that date (August 10, 2018), an AMC may not provide appraisal management services for a federally related transaction in a non-participating State unless the AMC is a Federally regulated AMC. 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, by Federally regulated AMCs.

The ASC, with the approval of the Federal Financial Institutions Examination Council (FFIEC), may extend this statutory implementation period for an additional 12 months if the ASC makes a finding that a State has made substantial progress toward implementing a registration and supervision program for AMCs that meets the standards of Title XI.<sup>128</sup>

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<sup>127</sup> Title XI § 1124 (f)(1), 12 U.S.C. § 3353 and 12 CFR 34.210 – 34.216; 12 CFR 225.190 – 225.196; 12 CFR 323.8 -323.14; 12 CFR 1222.20 – 1222.26.

<sup>128</sup> Title XI § 1124 (f)(2), 12 U.S.C. § 3353.

# ***PART C: INTERIM SANCTIONS***

## ***POLICY STATEMENT 12***

### ***Interim Sanctions***

#### ***A. Authority***

Title XI grants the ASC authority to impose sanctions on a State that fails to have an effective Appraiser or AMC Program.<sup>129</sup> The ASC may remove a State credentialed appraiser or a registered AMC from the Appraiser or AMC Registry on an interim basis, not to exceed 90 days, pending State agency action on licensing, certification, registration and disciplinary proceedings as an alternative to or in advance of a non-recognition proceeding.<sup>130</sup> In determining whether an Appraiser or AMC Program is effective, the ASC shall conduct an analysis as required by Title XI. An ASC Finding of Poor on the Compliance Review Report<sup>131</sup> issued to a State at the conclusion of an ASC Compliance Review may trigger an analysis by the ASC for potential interim sanction(s). The following provisions apply to the exercise by the ASC of its authority to impose interim sanction(s) on State agencies.

#### ***B. Opportunity to be Heard or Correct Conditions***

The ASC shall provide the State agency with:

1. written notice of intention to impose an interim sanction; and
2. opportunity to respond or to correct the conditions causing such notice to the State.

Notice and opportunity to respond or correct the conditions shall be in accordance with section C, *Procedures*.

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<sup>129</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

<sup>130</sup> *Id.*

<sup>131</sup> See Appendix A – Compliance Review Process.



## ***C. Procedures***

This section prescribes the ASC's procedures which will be followed in arriving at a decision by the ASC to impose an interim sanction against a State agency.

### ***1. Notice***

The ASC shall provide a written Notice of intention to impose an interim sanction (Notice) to the State agency. The Notice shall contain the ASC's analysis as required by Title XI of the State's licensing and certification of appraisers, the registration of AMCs, the issuance of temporary licenses and certifications for appraisers, the receiving and tracking of submitted complaints against appraisers and AMCs, the investigation of complaints, and enforcement actions against appraisers and AMCs.<sup>132</sup> The ASC shall verify the State's date of receipt, and publish both the Notice and the State's date of receipt in the *Federal Register*.

### ***2. State Agency Response***

Within 15 days of receipt of the Notice, the State may submit a response to the ASC's Executive Director. Alternatively, a State may submit a Notice Not to Contest with the ASC's Executive Director. The filing of a Notice Not to Contest shall not constitute a waiver of the right to a judicial review of the ASC's decision, findings and conclusions. Failure to file a Response within 15 days shall constitute authorization for the ASC to find the facts to be as presented in the Notice and analysis. The ASC, for good cause shown, may permit the filing of a Response after the prescribed time.

### ***3. Briefs, Memoranda and Statements***

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State agency may file with the ASC's Executive Director a written brief, memorandum or other statement providing factual data

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<sup>132</sup> Title XI § 1118 (a), 12 U.S.C. § 3347.

and policy and legal arguments regarding the matters set out in the Notice and analysis.

#### **4. *Oral Presentations to the ASC***

Within 45 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, the State may file a request with the ASC's Executive Director to make oral presentation to the ASC. If the State has filed a request for oral presentation, the matter shall be heard within 45 days. An oral presentation shall be considered as an opportunity to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and is not a Meeting<sup>133</sup> of the ASC. On the appropriate date and time, the State agency will make the oral presentation before the ASC. Any ASC member may ask pertinent questions relating to the content of the oral presentation. Oral presentations will not be recorded or otherwise transcribed. Summary notes will be taken by ASC staff and made part of the record on which the ASC shall decide the matter.

#### **5. *Conduct of Interim Sanction Proceedings***

##### *(a) Written Submissions*

All aspects of the proceeding shall be conducted by written submissions, with the exception of oral presentations allowed under subsection 4 above.

##### *(b) Disqualification*

An ASC member who deems himself or herself disqualified may at any time withdraw. Upon receipt of a timely and sufficient affidavit of personal bias or disqualification of such member, the ASC will rule on the matter as a part of the record.

##### *(c) Authority of ASC Chairperson*

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<sup>133</sup> The proceeding is more in the nature of a Briefing not subject to open meeting requirements. The presentation is an opportunity for the State to brief the ASC – to offer, emphasize and clarify the facts, policies and laws concerning the proceeding, and for the ASC members to ask questions. Additional consideration is given to the fact that this stage of the proceeding is pre-decisional.

The Chairperson of the ASC, in consultation with other members of the ASC whenever appropriate, shall have complete charge of the proceeding and shall have the duty to conduct it in a fair and impartial manner and to take all necessary action to avoid delay in the disposition of proceedings.

*(d) Rules of Evidence*

Except as is otherwise set forth in this section, relevant material and reliable evidence that is not unduly repetitive is admissible to the fullest extent authorized by the Administrative Procedure Act (5 U.S.C. §§ 551-559) and other applicable law.

**6. *Decision of the ASC and Judicial Review***

Within 90 days after the date of receipt by the State agency of the Notice as published in the *Federal Register*, or in the case of oral presentation having been granted, within 30 days after presentation, the ASC shall issue a final decision, findings and conclusions and shall publish the decision promptly in the *Federal Register*. The final decision shall be effective on issuance. The ASC's Executive Director shall ensure prompt circulation of the decision to the State agency. A final decision of the ASC is a prerequisite to seeking judicial review.

**7. *Computing Time***

Time computation is based on business days. The date of the act, event or default from which the designated period of time begins to run is not included. The last day is included unless it is a Saturday, Sunday, or Federal holiday, in which case the period runs until the end of the next day which is not a Saturday, Sunday or Federal holiday.

**8. *Documents and Exhibits***

Unless otherwise provided by statute, all documents, papers and exhibits filed in connection with any proceeding, other than those that may be withheld from disclosure under applicable law, shall be placed by the ASC's Executive Director in the proceeding's file and will be available for public inspection and copying.

## **9. *Judicial Review***

A decision of the ASC under this section shall be subject to judicial review. The form of proceeding for judicial review may include any applicable form of legal action, including actions for declaratory judgments or writs of prohibitory or mandatory injunction in a court of competent jurisdiction.<sup>134</sup>

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<sup>134</sup> 5 U.S.C. § 703 - *Form and venue of proceeding.*

# ***APPENDICES***

## ***Appendix A – Compliance Review Process***

The ASC monitors State Appraiser and AMC Programs for compliance with Title XI. The monitoring of State Programs is largely accomplished through on-site visits known as a Compliance Review (Review). A Review is conducted over a two- to four-day period, and is scheduled to coincide with a meeting of the Program’s decision-making body whenever possible. ASC staff reviews the Appraiser Program and the seven compliance areas addressed in Policy Statements 1 through 7. ASC staff reviews a participating State’s AMC Program and the three compliance areas addressed in Policy Statements 8 through 10. Sufficient documentation demonstrating compliance must be maintained by a State and made available for inspection during the Review. ASC staff reviews a sampling of documentation in each of the compliance areas. The sampling is intended to be representative of a State Program in its entirety.

Based on the Review, ASC staff provides the State with an ASC staff report for the Appraiser Program, and if applicable, an ASC staff report for the AMC Program, detailing preliminary findings. The State is given 60 days to respond to the ASC staff report(s). At the conclusion of the Review, a Compliance Review Report (Report) is issued to the State for the Appraiser Program, and if applicable, a Report is also issued for the AMC Program, with the ASC Finding on each Program’s overall compliance, or lack thereof, with Title XI. Deficiencies resulting in non-compliance in any of the compliance areas are cited in the Report. “Areas of Concern” which potentially expose a Program to compliance issues in the future are also addressed in the Report. The ASC’s final disposition is based upon the ASC staff report, the State’s response and staff’s recommendation.

The following chart provides an explanation of the ASC Findings and rating criteria for each ASC Finding category. The ASC Finding places particular emphasis on whether the State is maintaining an effective regulatory Program in compliance with Title XI.

ASC Finding	Rating Criteria	Review Cycle (Program history or nature of deficiency may warrant a more accelerated Review Cycle.)
Excellent	<ul style="list-style-type: none"> <li>• State meets all Title XI mandates and complies with requirements of ASC Policy Statements</li> <li>• State maintains a strong regulatory Program</li> <li>• Very low risk of Program failure</li> </ul>	Two-year
Good	<ul style="list-style-type: none"> <li>• State meets the majority of Title XI mandates and complies with the majority of ASC Policy Statement requirements</li> <li>• Deficiencies are minor in nature</li> <li>• State is adequately addressing deficiencies identified and correcting them in the normal course of business</li> <li>• State maintains an effective regulatory Program</li> <li>• Low risk of Program failure</li> </ul>	Two-year
Needs Improvement	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies are material but manageable and if not corrected in a timely manner pose a potential risk to the Program</li> <li>• State may have a history of repeated deficiencies but is showing progress toward correcting deficiencies</li> <li>• State regulatory Program needs improvement</li> <li>• Moderate risk of Program failure</li> </ul>	Two-year with additional monitoring
Not Satisfactory	<ul style="list-style-type: none"> <li>• State does not meet all Title XI mandates and does not comply with all requirements of ASC Policy Statements</li> <li>• Deficiencies present a significant risk and if not corrected in a timely manner pose a well-defined risk to the Program</li> <li>• State may have a history of repeated deficiencies and requires more supervision to ensure corrective actions are progressing</li> <li>• State regulatory Program has substantial deficiencies</li> <li>• Substantial risk of Program failure</li> </ul>	One-year
Poor <sup>135</sup>	<ul style="list-style-type: none"> <li>• State does not meet Title XI mandates and does not comply with requirements of ASC Policy Statements</li> <li>• Deficiencies are significant and severe, require immediate attention and if not corrected represent critical flaws in the Program</li> <li>• State may have a history of repeated deficiencies and may show a lack of willingness or ability to correct deficiencies</li> <li>• High risk of Program failure</li> </ul>	Continuous monitoring

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<sup>135</sup> An ASC Finding of “Poor” may result in significant consequences to the State. See Policy Statement 5, *Reciprocity*; see also Policy Statement 12, *Interim Sanctions*.

The ASC has two primary Review Cycles: two-year and one-year. Most States are scheduled on a two-year Review Cycle. States may be moved to a one-year Review Cycle if the ASC determines more frequent on-site Reviews are needed to ensure that the State maintains an effective Program. Generally, States are placed on a one-year Review Cycle because of non-compliance issues or serious areas of concerns that warrant more frequent on-site visits. Both two-year and one-year Review Cycles include a review of all aspects of the State's Program.

The ASC may conduct Follow-up Reviews and additional monitoring. A Follow-up Review focuses only on specific areas identified during the previous on-site Review. Follow-up Reviews usually occur within 6-12 months of the previous Review. In addition, as a risk management tool, ASC staff identifies State Programs that may have a significant impact on the nation's appraiser regulatory system in the event of Title XI compliance issues. For States that represent a significant percentage of the credentials on the Appraiser Registry, ASC staff performs annual on-site Priority Contact visits. The primary purpose of the Priority Contact visit is to review topical issues, evaluate regulatory compliance issues, and maintain a close working relationship with the State. This is not a complete Review of the Program. The ASC will also schedule a Priority Contact visit for a State when a specific concern is identified that requires special attention. Additional monitoring may be required where a deficiency is identified and reports on required or agreed upon corrective actions are required monthly or quarterly. Additional monitoring may include on-site monitoring as well as off-site monitoring.

## ***Appendix B – Glossary of Terms***

**Appraisal management company (AMC):** Refers to, in connection with valuing properties collateralizing mortgage loans or mortgages incorporated into a securitization, any external third party authorized either by a creditor of a consumer credit transaction secured by a consumer’s principal dwelling or by an underwriter of or other principal in the secondary mortgage markets, that oversees a network or panel of more than 15 certified or licensed appraisers in a State or 25 or more nationally within a given year—

(A) to recruit, select, and retain appraisers;

(B) to contract with licensed and certified appraisers to perform appraisal assignments;

(C) to manage 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 underwriters, collecting fees from creditors and underwriters for services provided, and reimbursing appraisers for services performed; or

(D) to review and verify the work of appraisers.

**AQB Criteria:** Refers to the *Real Property Appraiser Qualification Criteria* as established by the Appraiser Qualifications Board of the Appraisal Foundation setting forth minimum education, experience and examination requirements for the licensure and certification of real property appraisers, and minimum requirements for “Trainee” and “Supervisory” appraisers.

**Assignment:** As referenced herein, for purposes of temporary practice, “assignment” means one or more real estate appraisals and written appraisal report(s) covered by a single contractual agreement.

**Complaint:** As referenced herein, any document filed with, received by, or serving as the basis for possible inquiry by the State agency regarding alleged violation of Title XI, Federal or State law or regulation, or USPAP by a credentialed appraiser or appraiser applicant, for allegations of unlicensed appraisal activity, or complaints involving AMCs. A complaint may be in the form of a referral, letter of inquiry, or other document alleging misconduct or wrongdoing.

**Credentialed appraisers:** Refers to State licensed, certified residential or certified general appraiser classifications.

**Disciplinary action:** As referenced herein, corrective or punitive action taken by or on behalf of a State agency which may be formal or informal, or may be consensual or involuntary, resulting in any of the following:

- a. revocation of credential or registration
- b. suspension of credential or registration



- c. written consent agreements, orders or reprimands
- d. probation or any other restriction on the use of a credential
- e. fine
- f. voluntary surrender<sup>136</sup>
- g. other acts as defined by State statute or regulation as disciplinary

With the exception of voluntary surrender, suspension or revocation, such action may be exempt from reporting to the National Registry if defined by State statute, regulation or written policy as “non-disciplinary.”

**Federally related transaction:** Refers to any real estate related financial transaction which:

a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and

b) requires the services of an appraiser. (See Title XI § 1121 (4), 12 U.S.C. § 3350.)

**Federal financial institutions regulatory agencies:** Refers to the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the National Credit Union Administration. (See Title XI § 1121 (6), 12 U.S.C. § 3350.)

**Home State agency:** As referenced herein, State agency or agencies that grant an appraiser a licensed or certified credential. Residency in the home State is not required. Appraisers may have more than one home State agency.

**Non- federally recognized credentials or designations:** Refers to any State appraiser credential or designation other than trainee, State licensed, certified residential or certified general classifications as defined in Policy Statement 1, and which is not recognized by Title XI.

**Real estate related financial transaction:** Any transaction involving:

a) the sale, lease, purchase, investment in or exchange of real property, including interests in property, or the financing thereof;

b) the refinancing of real property or interests in real property; and

c) the use of real property or interests in property as security for a loan or investment, including mortgage-backed securities.

(See Title XI § 1121 (5), 12 U.S.C. 3350.)

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<sup>136</sup> A voluntary surrender that is not deemed disciplinary by State law or regulation, or is not related to any disciplinary process need not be reported as discipline provided the individual’s Appraiser Registry record is updated to show the credential is inactive.

**State:** Any State, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands. (American Samoa does not have a Program.)

**State board:** As referenced herein, “State board” means a group of individuals (usually appraisers, AMC representatives, bankers, consumers, and/or real estate professionals) appointed by the Governor or a similarly positioned State official to assist or oversee State Programs. A State agency may be headed by a board, commission or an individual.

**Uniform Standards of Professional Appraisal Practice (USPAP):** Refers to appraisal standards promulgated by the Appraisal Standards Board of the Appraisal Foundation establishing minimum requirements for development and reporting of appraisals, including real property appraisal. Title XI requires appraisals prepared by State certified and licensed appraisers to be performed in conformance with USPAP.

**Well-documented:** Means that States obtain and maintain sufficient relevant documentation pertaining to a matter so as to enable understanding of the facts and determinations in the matter and the reasons for those determinations.

# 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 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
<i>15-HOUR NATIONAL USPAP COURSE (OR ITS EQUIVALENT)</i>	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
<b>TOTAL</b>	<b>300 HOURS</b>

# 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

- A. 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

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)

#### *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

- 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 [CBL, VG, VT, VA, VRT]

1. Develop exercises on how competency issues will be resolved.
2. 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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