THE APPRAISAL FOUNDATION

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

John S. Brenan

Director of Appraisal Issues

john@appraisalfoundation.org

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Appraisal Standards and Appraiser Qualifications Update

- **Appraisal Standards Board**
  - Yes, I Can Accept That Assignment!
  - Publication Timeline
  - Potential Revisions for 2020-21 Edition of USPAP
- **Appraiser Qualifications Board**
  - Appraiser Credentials
  - Exam Stats
  - Appraiser Age Ranges
  - Revisions to the *Real Property Appraiser Qualification Criteria*
  - *Practical Applications of Real Estate Appraisal* (PAREA)
  - Future Concept: Credential *Without* Experience?

Appraisal Standards Board

YES, I CAN ACCEPT THAT ASSIGNMENT! USPAP FLEXIBILITY AT A GLANCE

Some appraisers may not be aware of the inherent flexibility built into the *Uniform Standards of Professional Appraisal Practice* (USPAP). Because USPAP is a set of standards that is built on the basic principles of ethics and competency, those who do not appreciate such flexibility can sometimes view USPAP as vague. However, the scope of work concept in USPAP enables appraisers to perform many types of assignments while maintaining compliance with standards. Following are examples of such flexibility:

Assignment Types	Some Examples	Allowed by USPAP?	How Does USPAP Apply?
Oral Appraisal Reports	A client does not require a written report	Yes	STANDARDS 2, 8, 10
Purchase Price Negotiation	A potential buyer is considering purchasing a property or business	Yes	STANDARDS 1 & 2, 7 & 8, 9 & 10
Calculation Engagement	A CEO is considering an acquisition and wants to know the calculated result given a specific valuation method	Yes	STANDARDS 9 & 10
Consulting/Appraisal Consulting[1]	A client is considering developing a vacant parcel and is looking for maximum return	Yes	Advisory Opinion 21
Appraisals for Litigation/Expert Witness Testimony	An attorney needs an impartial opinion of value for legal proceedings	Yes	STANDARDS 1 & 2, 6, 7 & 8, 9 & 10
Evaluations[2] *for Lending*	A lender needs an evaluation providing an opinion of market value to ensure a loan is adequately collateralized	Yes	STANDARDS 1 & 2 and Advisory Opinion 13[3]
Appraisals for Lending	A lender needs an appraisal providing an opinion of value to ensure a loan is adequately collateralized	Yes	STANDARDS 1 & 2, 7 & 8
Appraisal Review	A client needs to know whether or not an appraisal is credible	Yes	STANDARD 3
Appraisals for Charitable Contributions	An individual donating real or personal property requires a qualified appraisal performed by a qualified appraiser[4]	Yes	STANDARDS 1 & 2, 7 & 8
Appraisals for Estates	An executor needs to know the value of property in order to equitably settle an estate; an executor needs to know the Fair Market Value to pay estate taxes	Yes	STANDARDS 1 & 2, 7 & 8, 9 & 10
Appraisals for Insurance	A property owner wants to know how much insurance coverage is adequate; a property owner needs an independent appraisal to help settle a damage/loss claim	Yes	STANDARDS 1 & 2, 7 & 8
Advocacy	An individual who is an appraiser is asked to represent one party in a court proceeding	Yes (see footnote)	ETHICS RULE and Advisory Opinion 21[5]
Assessment Appeals	An appraiser is asked to work for a property owner in an assessment appeals hearing	Yes (see footnote)	ETHICS RULE and Advisory Opinion 21[6]
Contingent Fee	An appraiser agrees to be compensated for the appraisal only when the loan closes	No	Management Section, ETHICS RULE

As illustrated in the preceding chart, USPAP provides tremendous flexibility for appraisers. The SCOPE OF WORK RULE in USPAP requires appraisers to produce credible assignment results, but USPAP requires only those analyses that are necessary for credible results, given the intended use. In assignments performed for real property, personal property, or business valuation/intangible assets, USPAP also includes provisions for an abbreviated reporting format.[7]

In order to protect public trust, USPAP does not permit assignments where an appraiser's fee is contingent on the outcome, or on a subsequent event directly related to the appraiser's opinions.[8]

1. Appraisal consulting is no longer defined in USPAP and the Real Property Appraisal Consulting Standards were retired; however, those services formerly called appraisal consulting are still permitted under USPAP.
2. As defined in the *Interagency Appraisal and Evaluation Guidelines*, December 2010.
3. Advisory Opinion 13, *Performing Evaluations of Real Property Collateral to Conform with USPAP*, provides guidance on this topic.
4. Internal Revenue Service, Publication 561.
5. An individual may provide services as an advocate, or as an appraiser (one who expected to perform in a manner that is independent, impartial, and disinterested); however, one cannot act in both roles in the same assignment. When acting as an advocate, the individual must not misrepresent his or her role.
6. Appraisers may perform assignments for assessment appeals, but cannot do so if the fee is based on a percentage of the cost savings or other events as stated in the Management section of the ETHICS RULE. Appraisers must also ensure they do not misrepresent their role in such assignments.
7. Restricted Appraisal Reports are allowed under STANDARDS 2, 8 and 10.
8. Management section of the ETHICS RULE.

The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005
Phone: 202.347.7722 / Fax: 202.347.7727
Web: www.appraisalfoundation.org

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Potential Changes for 2020-21 Edition of USPAP

- ☑ Focused Survey – September 2017
- ☑ Discussion Draft – January 2018
- ☑ First Exposure Draft – May 2018
- ☑ Online Briefing – June 2018
- ☑ Second Exposure Draft – August 2018
- ❑ Third Exposure Draft – Late November/Early December 2018
- ❑ Adopt Changes – Early 2019
- ❑ 2020-21 USPAP & Courses – September/October 2019

2nd Exposure Draft of Proposed Changes for the 2020-21 Edition of USPAP

- Published August 23, 2018
- Written comment deadline October 10, 2018
- Verbal comments accepted at public meeting in Washington, DC on October 19, 2018

(Note: Additional Exposure Draft with proposed changes to Advisory Opinions published separately)

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft)

- Reporting Options and Comments in Standards Rules
- SCOPE OF WORK RULE
- COMPETENCY RULE
- DEFINITIONS
- Other edits to improve clarity and enforceability of USPAP

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft) - Reporting

- Remove multiple report options (i.e., *Appraisal Report* and *Restricted Appraisal Report*)?
- Have one set of minimum requirements for <u>all</u> reports (possibly less than *Appraisal Report* and more than *Restricted Appraisal Report*)?
- Any use restrictions or other limitations would have to be stated accurately, clearly, and conspicuously.

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft) – Comments in Standards

- Where Comments include requirements, remove language from Comments and modify Standards Rules
- Maintain Comments where needed to better understand requirements of Standards Rules
- Add descriptive titles to each Standards Rule

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft) – SCOPE OF WORK RULE

- Add language to the Disclosure Obligations section of the SCOPE OF WORK RULE to clarify the nature, form and format of disclosure?
- Incorporate elements of guidance regarding the scope of work disclosure into the SCOPE OF WORK RULE to aid in enforceability and understanding of the appraiser's obligations?

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft) – COMPETENCY RULE

- Remove "Perfection is impossible to attain…" language from development standards into COMPETENCY RULE?
- USPAP currently only includes this in the <u>Comment</u> under appraisal development standards, not in reporting standards at all.

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft) – DEFINITIONS

- Remove Comments from existing definitions?
- Add new definitions such as *at the time of the assignment*, *assignment elements*, *effective date*, *engagement*, *inspection*, *physical characteristics*, *significant appraisal assistance*?

Proposed Changes for 2020-21 USPAP (2nd Exposure Draft) – Other Edits

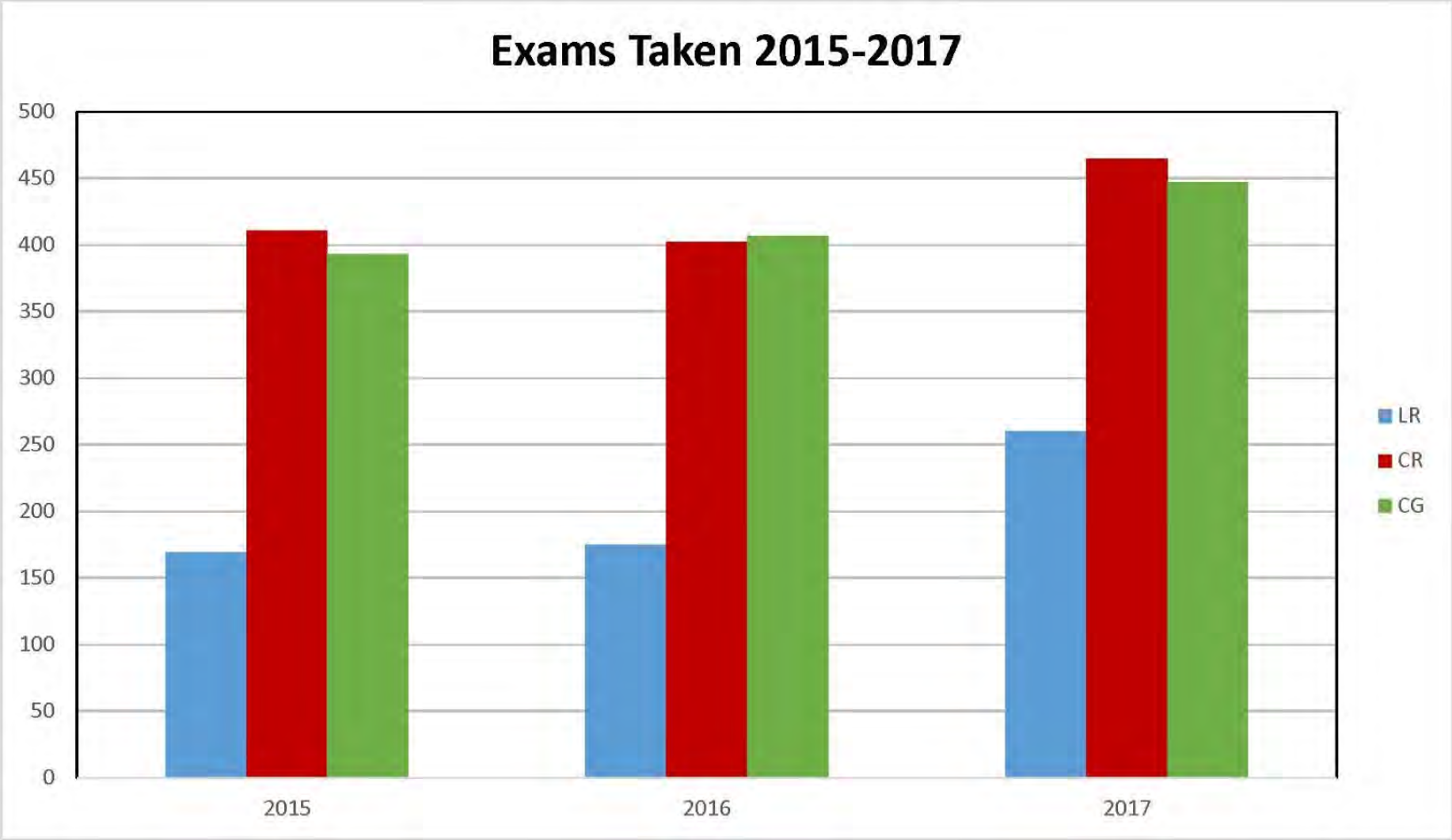
- Revise “accept an assignment” language?
- Revise “at the time of the assignment” language?
- Revise “intangible items” language?

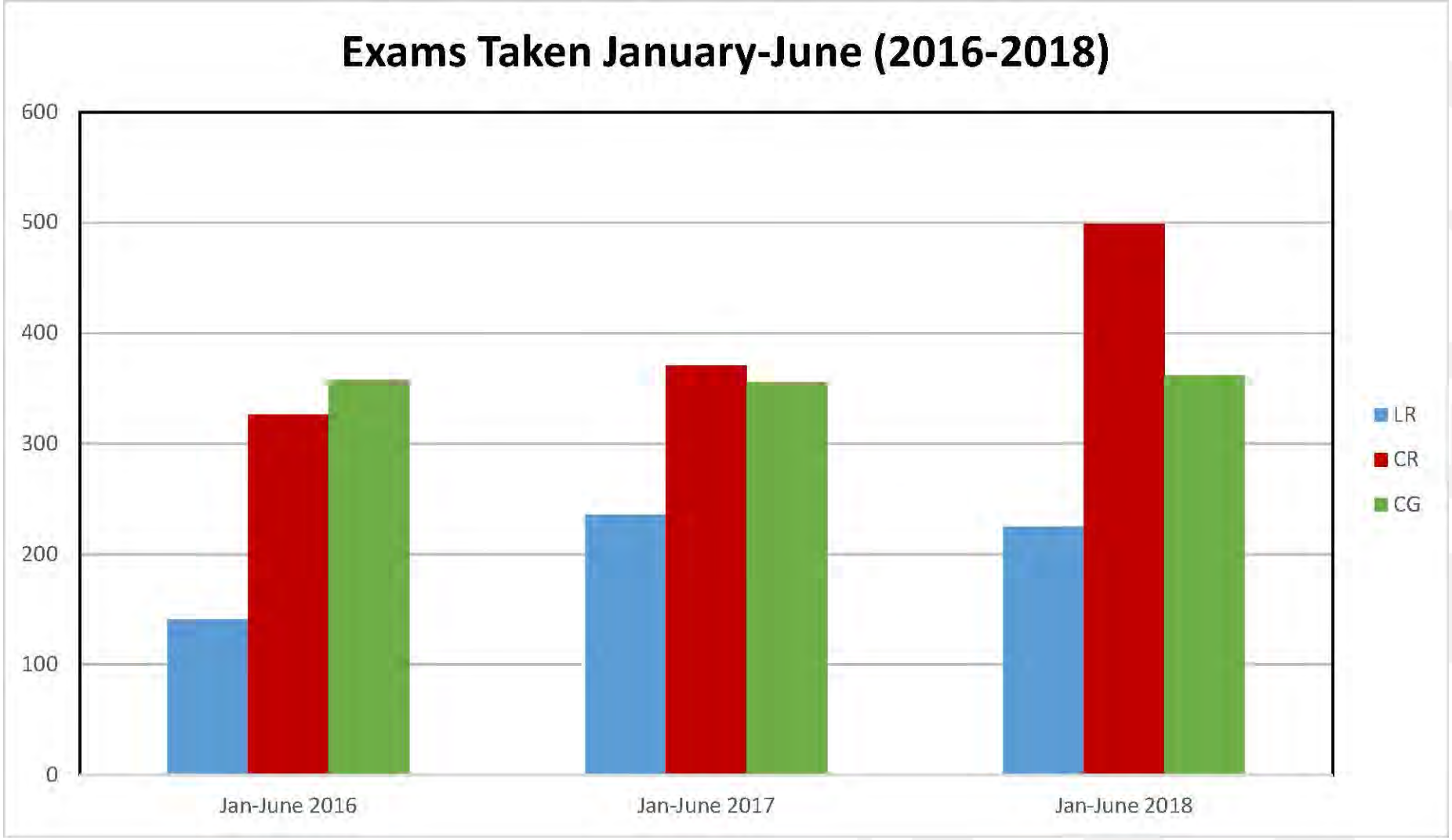
Appraiser Qualifications Board

12 Year Trend: Active Appraiser Credentials

	2006	Today[1]	
Certified General	34,812	39,049	+12%
Certified Residential	46,701	48,101	+3%
Licensed Residential	29,921	7,473	-75%
Total	111,434	94,623	-15%

[1] Appraisal Subcommittee National Registry as of August 31, 2018


Exams Taken 2015-2017
500
450
400
350
300
250
200
150
100
50
0
2015
2016
2017
LR
CR
CG

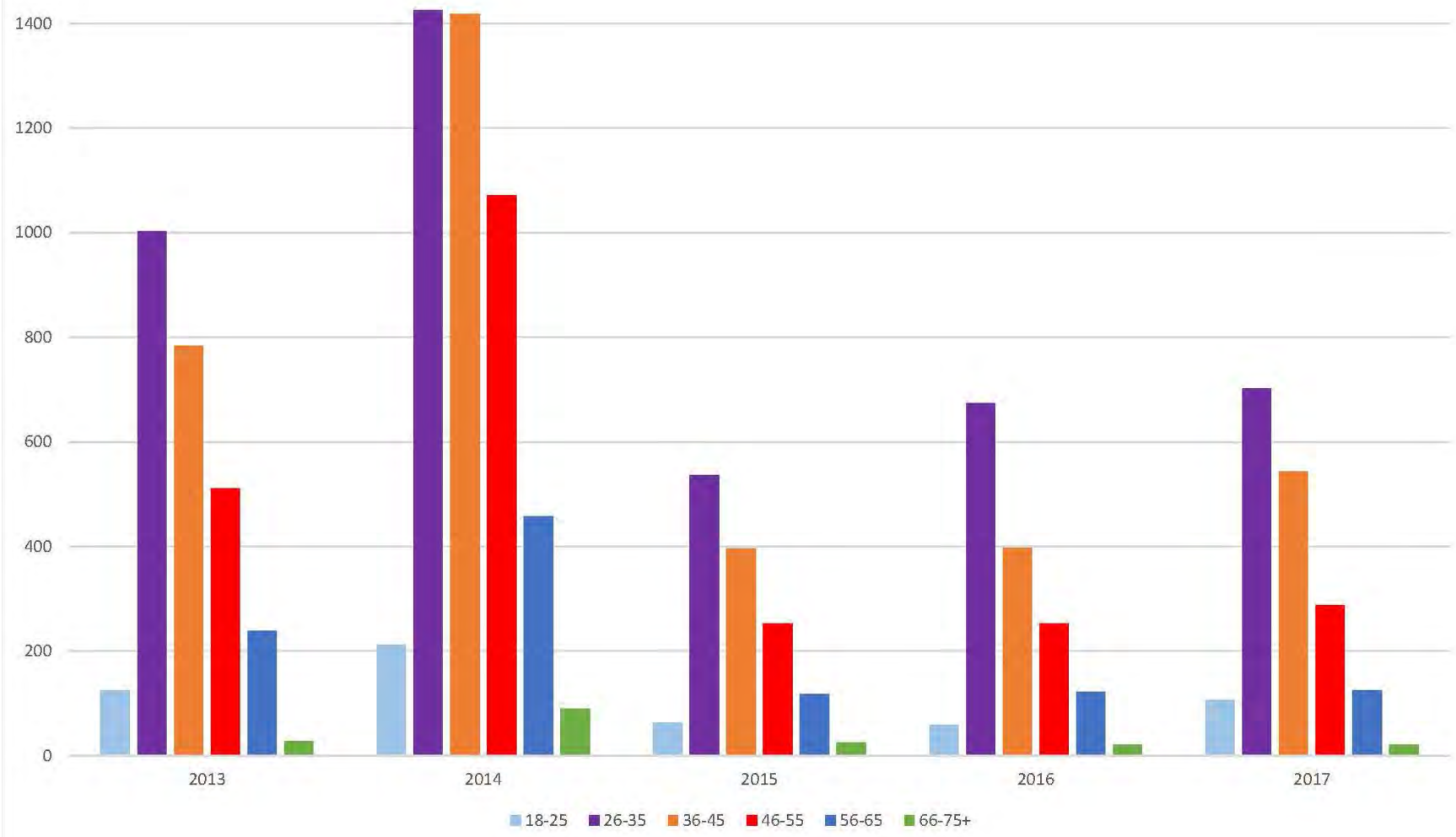

Exams Taken January-June (2016-2018)
600
500
400
300
200
100
0
Jan-June 2016
Jan-June 2017
Jan-June 2018
LR
CR
CG

First Time Exams: 2013 – 2017

2013-2017 National Uniform Licensing and Certification Examination Pass Rates										
	2013		2014		2015		2016		2017	
	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate	# Passed	Pass Rate
LR	317	43%	447	53%	169	53%	175	62%	260	67%
	137		236		89		108		173	
CR	796	69%	1531	67%	411	64%	402	66%	465	73%
	552		1033		262		267		338	
CG	407	54%	652	64%	393	66%	407	71%	447	71%
	220		415		259		287		319	
TOTAL	1520	60%	2630	64%	973	63%	984	67%	1172	71%
	909		1684		610		662		830	

- Data applies to first time test-takers only
- Because there is no Trainee Appraiser examination, many states require Trainees to take the Licensed Residential exam

Aging Appraiser Population?



Attracting New Appraisers

Graduate Programs Approved:

- Florida International University
- University of Denver
- University of Florida
- Texas A&M
- Virginia Commonwealth University
- University of Wisconsin – Madison

Undergraduate Programs Approved:

- Colorado State University
- University of Denver
- Indiana University
- Lehigh University
- University of Nebraska – Omaha
- University of Northern Iowa
- Texas A&M University
- Virginia Commonwealth University
- University of Wisconsin – Madison

Real Property Appraiser Qualification Criteria

AQB Areas of Focus

Completed

- College-level Education Requirements
- Alternative Track for Licensed Residential to Certified Residential
- Experience Hours

In Progress

- *Practical Applications of Real Estate Appraisal*

AQB *Minimum* Qualifications

Qualified vs. Competent

- What does it mean to be ***minimally qualified***?
- AQB is charged with setting *minimum qualifications*
- Competency comes with *time and experience*
- USPAP COMPETENCY RULE

Revisions to the *Real Property Appraiser Qualification Criteria* were adopted by the AQB in a public meeting on February 1, 2018

- All revisions became effective on May 1, 2018
- States could implement on or after May 1, but not before
- States may elect not to implement some or all of the new *Criteria*

Changes to College-Level Education Requirements

Licensed Residential

January 1, 2015 – April 30, 2018	May 1, 2018
30 Semester Hours of College-Level Education	No College-Level Education

NOTE: The requirement to complete 150 classroom hours in qualifying education remains unchanged for the Licensed Residential classification.

Certified Residential

January 1, 2015 – April 30, 2018	May 1, 2018
Bachelor's Degree	Six Options

NOTE: The requirement to complete 200 classroom hours in qualifying education remains unchanged for the Certified Residential classification.

Certified Residential

Option #1	Option #2
Bachelor's Degree in any field of study	Associate's Degree in any field of study related to: • Business Administration; • Accounting; • Finance; • Economics; or • Real Estate

Certified Residential

Option #3

Successful completion of 30 semester hours of college-level courses that cover a minimum of 3 semester hours in each of the following topic areas:

- *English Composition*
- *Microeconomics*
- *Macroeconomics*
- *Finance*
- *Algebra, Geometry, or Higher Math*
- *Statistics*
- *Computer Science*
- *Business Law* ***or*** *Real Estate Law*
- Two elective courses in any of the above topics or in *Accounting, Geography, Agricultural Economics, Business Management,* or *Real Estate* (3 hours each)

Certified Residential

Option #4

Successful completion of 30 semester hours of College Level Examination Program (CLEP®) examinations that cover each of the specific topic areas:

CLEP Exams	Applicable College Courses
College Algebra	Algebra, Geometry, Statistics, or Higher Mathematics
College Composition	English Composition
College Composition Modular	English Composition
College Mathematics	Algebra, Geometry, Statistics, or Higher Mathematics
Principles of Macroeconomics	Macroeconomics *or* Finance
Principles of Microeconomics	Microeconomics *or* Finance
Introductory Business Law	Business Law *or* Real Estate Law
Information Systems	Computer Science

Certified Residential

Option #5	Option #6
Any combination of Option #3 and Option #4 that includes all of the topics and hours identified in Option #3.	No college-level education required. (see next slide)

Certified Residential

Option #6: Licensed Residential to Certified Residential Alternative Path

No college-level education required. This option applies only to appraisers who have held a Licensed Residential credential for a *minimum* of five (5) years **and** have 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.

Changes to Experience Requirements

Why Revise Experience Requirements?

Experience requirements in the *Criteria* had not changed since January 1, 1998. However, since that time:

- Qualifying education hours have increased dramatically;
- Qualifying education must now follow a specified Required Core Curriculum, including completion of case study and report writing courses;
- Successful completion of each qualifying education course requires a candidate to pass a closed-book, proctored, final examination;
- College-level education is now required;
- Applicants must pass the practice-based *National Uniform Licensing and Certification* examinations, which are far more robust and challenging than pre-2008 exams;
- A comprehensive program for instruction related to the *Uniform Standards of Professional Appraisal Practice* (USPAP) has been implemented; and
- There are qualification requirements for supervisory appraisers.

Revisions to Experience Requirements

- Licensed Residential:
  - Previous: 2,000 hours in 12 months
  - Current: 1,000 hours in 6 months
- Certified Residential:
  - Previous: 2,500 hours in 24 months
  - Current: 1,500 hours in 12 months
- Certified General:
  - Previous: 3,000 hours (1,500 non-residential) in 30 months
  - Current: 3,000 hours (1,500 non-residential) in 18 months

What’s Next?

Practical Applications of Real Estate Appraisal **(PAREA)**

- Concept being evaluated separately
- Structured environment producing USPAP-compliant appraisals on actual and virtual properties
- Licensed Residential and Certified Residential applicants could receive some, but not all, of the required experience hours

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