



TO: All Interested Parties

FROM: Joe Traynor, Chair
Appraiser Qualifications Board

RE: **Discussion Draft – Potential Areas of Change to the *Real Property Appraiser Qualification Criteria***

DATE: February 11, 2016

Introduction

In response to changes in the real property appraiser marketplace, the Appraiser Qualifications Board (AQB) is examining potential areas of change for the *Real Property Appraiser Qualification Criteria (Criteria)*. This examination commenced with a concept paper that was issued in July 2015, followed up by a public hearing in Washington, DC in October 2015. This paper is an extension of the issues brought forward by more than one hundred appraisers, users of appraisal services, educators, regulators, and others.

A major concern expressed was a perceived shortage of real estate appraisers in the near future because of recent declines in the number of licensed appraisers nationwide, and current barriers to entry in the profession. The biggest concern was in the 1-4 unit residential mortgage lending sector. Certain rural and other isolated markets may have already been impacted by appraiser shortages. A contributing factor is the fact that many users of residential appraisals now only accept those appraisals performed by Certified Residential appraisers. Accordingly, the ability to gain experience for Trainees and Licensed Residential appraisers is diminishing. Another barrier to entry to the profession concerns the lack of employment opportunities for entry-level appraisers.

The AQB believes it is addressing the needs of appraisers and users of appraisal services by introducing potential areas of change to the *Criteria* contained in this Discussion Draft. The areas of the *Criteria* under examination are:

- Alternative Track for Licensed Residential to Certified Residential
- Enhanced Practicum Curriculum
- Documenting Alternative Experience
- “Trainee” Nomenclature
- Three-Year Supervisory Residency Requirement

Discussion Draft: Potential Areas of Change to the *Real Property Appraiser Qualification Criteria*

Of paramount importance to the Board when considering any potential revisions to the *Criteria* is the issue of public trust. This umbrella of public trust, therefore, remains the primary consideration of the AQB in putting forth the concepts contained in this document.

All interested parties are encouraged to comment in writing to the AQB before the deadline of March 31, 2016. Respondents should be assured that each member of the AQB will thoroughly read and consider all comments. Comments are also invited at the AQB public meeting on April 8, 2016, in Phoenix, Arizona.

Please note that no specific changes to the *Criteria* are being proposed at this time. Based on feedback received, the AQB will issue exposure drafts that will solicit comments on specific proposed changes.

Written comments on this Discussion Draft can be submitted by mail, email and facsimile.

Mail: Appraiser Qualifications Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: aqbcomments@appraisalfoundation.org

Facsimile: (202) 347-7727

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached discussion paper, please contact Magdalene Vasquez, Qualifications Administrator at The Appraisal Foundation, via e-mail at magdalene@appraisalfoundation.org or by calling (202) 624-3074.

**Discussion Draft:
Potential Areas of Change to the
*Real Property Appraiser Qualification Criteria***

**Issued: February 10, 2016
Comment Deadline: March 31, 2016**

Each section of this document identifies the area(s) of the *Criteria* being considered for potential changes.

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

For ease in identifying the various issues being addressed, this Discussion Draft is presented in sections.

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Section 1: Alternative Track for Licensed Residential to Certified Residential

ISSUES

Effective January 1, 2015, the *Criteria* was revised, and changed the general education requirements for obtaining a Certified Residential credential. As stated in Section III.A (page 15) of the *Criteria* handbook, “*Applicants for the Certified Residential credential must hold a Bachelor’s degree or higher, from an accredited college or university.*” Accordingly, any Licensed Residential appraiser seeking to upgrade to the Certified Residential level would be required to possess a Bachelor’s degree to comply with the new *Criteria*.

Based on responses to the AQB Concept Paper issued in July 2015, and comments made by panelists at the public hearing in October 2015, considerable concern was expressed regarding a perceived shortage of residential appraisers in certain markets. Both respondents and panelists stated the biggest problem involved the lack of Certified Residential appraisers. Many offering comments on the topic suggested that qualified Licensed Residential appraisers be allowed to use extensive appraisal experience, as an alternative to a Bachelor’s degree.

The AQB is examining the viability of an alternative track to Certified Residential for Licensed Residential appraisers that meet a certain threshold of experience, as well as a history of being in “good standing” within their jurisdictions. Several thoughts have been expressed regarding minimal requirements to be considered for this alternative track process. The Licensed Residential appraiser seeking the upgrade would need to be current and in “good standing” with their jurisdiction. The amount of experience required stated by respondents and panelists ranged from five to ten years.

With the required experience and a positive license history, the applicant seeking upgrade would not be required to possess a Bachelor’s degree. However, these applicants would still be required to complete the additional qualifying education requirement of 50 hours, as detailed on page 16, Section III.D of the *Criteria* handbook. Upon completion of this additional qualifying education, the applicant would then be required to pass the Certified Residential examination.

The AQB is examining whether applicants who would meet these alternative track requirements for a Certified Residential credential, would have demonstrated a level of practice commensurate with public trust. Please provide your comments accordingly, including responses to the following questions:

- Do you believe there is a current or impending shortage of appraisers?
- Should an experienced Licensed Residential appraiser with a proven track record be allowed to upgrade to Certified Residential without a Bachelor’s degree? Why or why not?
- How many years of experience should be required before a Licensed Residential appraiser without a Bachelor’s degree could upgrade to Certified Residential?

Section 2: Enhanced Practicum Curriculum

ISSUES

One of the concerns presented to AQB at the October public hearing, as well as in response to the aforementioned Concept Paper, was the need to update Guide Note 4 (GN-4) of the *Criteria* in order to accommodate an enhanced practicum curriculum.

The revised practicum curriculum would, in most cases, involve an accredited college or university program based on a semester system. A proprietary school or professional organization could also offer the curriculum, provided they follow a similar time schedule as a college offering. The AQB's initial vision is that each class would encompass a semester time frame of approximately 45 hours. In order to accommodate the enhanced practicum course work, the existing GN-4 would require revision. The practicum curriculum may be comprised of a series of case studies based on actual or hypothetical properties. Each case study could involve a key aspect of appraisal practice. The goal at course completion would be to gain practical experience in the key aspects of the appraisal process. After successful course completion, the student would be assigned a block of core hours to be applied towards obtaining a credential. The experience obtained could qualify as much as 500 to 750 hours per semester, but not in excess of one-half of the actual experience required for a credential. The practicum curriculum would likely occur over multiple semesters.

Another aspect in analyzing practicum curriculum involves intern programs in which educators network with practicing appraisers as part of the process in gaining the core experience.

The AQB is currently reviewing responses to a questionnaire regarding the enhanced practicum curriculum concept that has been distributed to selected educators and panelists from the October public meeting. Those responses, along with comments obtained in response to this Discussion Draft, will assist the AQB in its examination of this issue.

Please provide your comments regarding this concept, including responses to the following questions:

- Is an enhanced practicum course like the one described above economically viable?
- Do you believe there would be a sufficient level of interest by educators and students to support this type of program?
- What are some drawbacks of an enhanced practicum curriculum?
- What is the appropriate length for an enhanced practicum curriculum?
- What are the appropriate number of hours of experience credit a student should receive for completing an enhanced practicum course?

Section 3: Alternative Experience

ISSUES

There has been a great deal of discussion and support for allowing experience from other types of professions related to appraising. These would include the work of property tax assessors, real estate brokers, market researchers, real estate investment professionals, and others. This related experience could comprise a partial level of the overall appraisal experience requirement. In addition, some have suggested that experience gained in partial appraisal work assignments (comprising less than the entire appraisal process) be allowed. This could include market research, data collection, or involvement in parts of an appraisal assignment. Various responders and panelists offered opinions suggesting that experience from alternative tracks or partial appraisal work assignments could comprise up to 50 to 60% of the appraisal experience total.

Another concern expressed involves the total required number of appraisal experience hours. The opinion is that the required experience hours are too cumbersome and restrict entry to the appraisal profession. Suggestions included revising cumulative experience hours and duration to 1,500 hours over 18 months for the Certified Residential classification, and 2,000 hours over 24 months for the Certified General level.

Multiple participants to the Concept Paper as well as panelists introduced the idea of deferring the appraisal experience requirement, whereby an applicant would complete qualifying education and the examination for a specific credential level and then be granted a credential with the ability to practice on a provisional basis for a designated time period. Experience would then be evaluated and approved after this time period.

The AQB seeks your feedback on these concepts, including responses to the following questions:

- Should alternative experience be allowed towards a real property appraiser credential? Why or why not?
- If alternative experience is allowed, which profession(s) should be considered?
- How could alternative experience be documented?
- Are the current number or hours of experience and length of time appraising reasonable? If not, what should it be?

Section 4: “Trainee” Nomenclature

ISSUES

Various individuals have suggested removing the “trainee” nomenclature, as they believe it can be viewed as a demeaning term. One suggested alternative term was “associate appraiser.” In addition, the concept of merging the Trainee License level with the Licensed Residential classification was also advocated.

The AQB seeks your feedback on these concepts, including responses to the following questions:

- Does the term “Trainee Appraiser” have negative connotations?
- What other terms could be considered in lieu of “Trainee Appraiser”?
- Should the Trainee License and Licensed Residential classifications be merged? Why or why not?

Section 5: Three Year Supervisory Residency Requirement

ISSUES

Section I.B of the Supervisory Appraiser Requirements (page 10) of the *Criteria* handbook states, in part:

Supervisory Appraisers shall be state-certified and in “good standing” in the jurisdiction in which the Trainee Appraiser practices for a period of at least three (3) years.

Concern has been expressed that this “residency” period restricts many otherwise-eligible supervisory appraisers in “good standing” from working in multiple states. The opinion expressed was that a jurisdiction should be allowed to grant an exception to this requirement for an appraiser in “good standing” that practices in multiple states and has demonstrated a proven record of competent and ethical behavior.

It is important to note that the AQB is not considering removing the requirement for Supervisory Appraisers to have been state-certified for a minimum of three (3) years; the question is whether or not the individual must be certified in the *particular* jurisdiction.

The AQB asks for your comments on this, including responses to the following questions:

- Is public trust harmed by allowing someone to be a Supervisory Appraiser, if he or she has not been credentialed in that *specific* jurisdiction for at least three (3) years?
- Is it reasonable for someone who may not have expertise in a certain region to be a competent and effective Supervisory Appraiser? Would any concerns of “geographic competency” be adequately addressed by the Supervisory Appraiser’s obligation to comply with the *Uniform Standards of Professional Appraisal Practice (USPAP)*?

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