



TO: All Interested Parties

FROM: Rick Baumgardner, Chair
Appraiser Qualifications Board

RE: **Fourth Exposure Draft of Proposed Revisions to the Future *Real Property Appraiser Qualification Criteria***

DATE: June 17, 2011

The goal of the *Real Property Appraiser Qualification Criteria (Criteria)* is to promote and maintain a high level of public trust in appraisal practice by establishing minimum education, experience, and examination requirements for real property appraisers. With this goal in mind, the Appraiser Qualifications Board (AQB) periodically examines the *Criteria* to determine if they are serving their intended purpose under Title XI of FIRREA. In addition, the AQB regularly receives comments and suggestions from appraisers, educators, regulators, and others on how to improve the *Criteria*. As indicated above, all proposed changes are intended to promote and maintain public trust in appraisal practice.

As mentioned in the first three exposure drafts, the AQB held a public hearing in Minneapolis, Minnesota, on June 25, 2010, where a wide range of constituents, including representatives from professional appraiser organizations, educators, regulators, and users of appraisal services provided comments to the Board suggesting the types of revisions to the *Criteria* that should be considered for the future. The AQB spent a considerable amount of time reviewing those comments and on October 19, 2010, issued a First Exposure Draft of potential changes to the *Criteria* for public comment and feedback.

In response to the First Exposure Draft, the Board received a number of written comments, as well as oral comments at its public meeting in New Orleans, Louisiana on December 3, 2010. Based on the feedback received, the AQB published a Second Exposure Draft on January 14, 2011 and received numerous written comments, as well as oral comments at its public meeting in Tampa, Florida on February 25, 2011. Based on the feedback received from that exposure draft, on March 18, 2011, the AQB issued its Third Exposure Draft of Proposed Revisions to the *Real Property Appraiser Qualification Criteria*.

Again the Board received a number of written comments in response to the Third Exposure Draft, as well as oral comments at its public meeting in Salt Lake City, Utah on April 29, 2011. Based on that feedback, the AQB is now issuing this Fourth Exposure Draft.

The AQB *may* publish one additional exposure draft in 2011, with the ultimate adoption date of any proposed revisions to the *Criteria* to occur near the end of the year. As indicated in all prior exposure drafts, **the effective date of any proposed revisions to the Criteria is not likely to be any earlier than January 1, 2015.** This extended lead time is necessary to ensure proper exposure of the proposed revisions, as well as to allow state appraiser regulatory agencies ample time to make any necessary revisions to their laws or regulations in advance of the effective date.

IMPORTANT NOTE: As noted in the Third Exposure Draft, some comments received by the Board reflected some respondents' misunderstanding that the proposed changes to the *Real Property Appraiser Qualification Criteria* would apply to individuals who already possess an appraiser credential. The AQB again wishes to clarify that the proposed changes would apply only to those individuals seeking to obtain an initial credential, to change the level of their existing credential (e.g. "upgrade" from Licensed Residential to Certified Residential or Certified Residential to Certified General), or possibly to obtain a credential in a different jurisdiction (depending on the requirements of the applicable state appraiser regulatory agency). The only exception to this contained in this exposure draft is related to proposed background checks on currently credentialed appraisers (please refer to lines 218-220 on page 16).

All interested parties are encouraged to comment in writing to the AQB before the deadline of September 30, 2011. 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 October 14, 2011, in Washington, DC.

The first three exposure drafts and all written comments received in response to them can be viewed on The Appraisal Foundation's website at:

<http://netforum.avectra.com/eweb/DynamicPage.aspx?Site=TAF&WebCode=AQBDrafts>

Written comments on this exposure 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 exposure draft, please contact Magdalene Vasquez, Qualifications Administrator at The Appraisal Foundation, via e-mail at magdalene@appraisalfoundation.org or by calling (202) 624-3074.

Fourth Exposure Draft of Proposed Revisions for the Future Real Property Appraiser Qualification Criteria (Criteria)

Issued June 17, 2011

Comment Deadline: September 30, 2011

Each section of this exposure draft begins with a rationale for the proposed changes. 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 for the reader those parts that explain the changes 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 that the AQB should consider.

Please note that where text is to be deleted from what appeared in the Third Exposure Draft, that text is shown as ~~strikeout~~. For example: ~~This is strikeout text proposed for deletion.~~ Text added to what appeared in the Third Exposure Draft is underlined. For example: This is text proposed for insertion.

NOTE: All current Interpretations of the *Criteria* will be incorporated into the main text of the *Criteria* when any revisions are adopted by the AQB (unless an Interpretation applies to a section of the *Criteria* that is being proposed for deletion). In the sections shown in this document where Interpretations would be included, they are shown in underlined text in the same manner as the proposed revisions to the *Criteria* itself are shown.

For ease in identifying the various issues being addressed, the exposure draft is presented in sections.

TABLE OF CONTENTS

Section	Issue	Page
1	Proposed Revision to Require Education <u>and</u> Experience as Prerequisites for the Examination	5
2	Proposed Revision to College Degree Requirements and Removal of “In Lieu Of” Option for College-Level Education	8
3	Proposed Requirement for Background Checks	15
4	Proposed Revisions Pertaining to College Degrees in Real Estate	18
5	Proposed Revision to <i>7-Hour National USPAP Update Course</i> Eligibility	21
6	Proposed Removal of Segmented Approach to <i>Criteria</i> Implementation	22
7	Proposed Restriction on Continuing Education Course Offerings	23
8	Proposed Revisions to Distance Education Requirements	25
9	Proposed Revisions to Trainee Appraiser Qualifications	27
10	Proposed Supervisory Appraiser Requirements	31
11	Proposed Revisions to Guide Note 1 (GN-1)	35
12	Proposed Revisions to Illustrative List of Continuing Education Topics	40

Section 1: Proposed Revision to Require Education and Experience as Prerequisites for the Examination

RATIONALE

There has been no change in this proposal since the First Exposure Draft. As stated in previous exposures, the only prerequisite in the current *Criteria* for taking the *National Uniform Licensing and Certification Examinations* is successful completion of the specific educational requirements for the particular classification. It has been noted that several states have already added the requirement of the completion of experience requirements prior to taking the examination.

The AQB began collecting some demographic information on candidates sitting for the exams in January 2010. Data collected thus far strongly indicate that those candidates possessing substantive experience perform better on the exam than those without such experience. This is consistent with expectations of the AQB as the examination, since January 1, 2008, is now largely a “practice-based” examination. It measures more than just the ability to recall one’s coursework, but also seeks to measure one’s ability to apply educational concepts to real world problems.

The completion of experience requirements prior to the examination also resolves another complication under the current *Criteria*. The *Criteria* require Certified General candidates to possess 30 months of acceptable experience, but limits the validity period of the examination results to 24 months. Those candidates who pass the examination without having any eligible experience clearly cannot complete this experience requirement within the specified timeframe.

Most of the comments received by the AQB have supported making a practice-based exam the capstone of the application process. The AQB did receive a few comments expressing concern over the proposal. One regulatory authority was concerned that the AQB should work to maximize flexibility and that this change lessens that flexibility. The commenter also was concerned that the change would result in additional costs for the regulatory authority. The AQB takes those comments to heart, recognizing that there should be no unnecessary hurdles in the application process, and the AQB is certainly concerned about any unnecessary costs. However, given the experience of other commenting regulatory authorities, it does not appear that this change would lead to any significant change in regulatory costs. The AQB is also of the opinion that the benefits of the proposal outweigh the minor loss in flexibility to candidates.

One respondent noted that their data indicate that test-takers do better soon after receiving relevant education. The AQB acknowledges that this may be true, but the AQB is more concerned that candidates have retained the important concepts from their education, and learned how to apply that knowledge to real-world situations. Placing the examination at the end of the process helps to achieve those goals.

LICENSED RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION

1 III. Examination

2 A. The AQB approved Licensed Residential Real Property Appraiser Examination
3 must be successfully completed. The only alternative to successful completion of
4 the Licensed Residential examination is the successful completion of the Certified
5 Residential or Certified General examination.

6 B. The prerequisites for taking the AQB approved examination are completion of: a)
7 one hundred fifty (150) creditable class hours as specified in the Required Core
8 Curriculum; and b) 2,000 hours of qualifying experience in no fewer than 12
9 months.

10 IV. Qualifying Education

11 A. The Licensed Residential Real Property Appraiser classification requires
12 completion of one hundred fifty (150) creditable class hours as specified in the
13 Required Core Curriculum. The applicant shall successfully complete the 15-hour
14 National USPAP Course, or its AQB-approved equivalent, and the examination.
15 There is no alternative to successful completion of the USPAP Course and
16 examination.

CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION

17 II. Examination

18 A. The AQB approved Certified Residential Real Property Appraiser Examination
19 must be successfully completed. The only alternative to successful completion of
20 the Certified Residential examination is the successful completion of the Certified
21 General examination.

22 B. The prerequisites for taking the AQB approved examination are completion of: a)
23 two hundred (200) creditable class hours as specified in the Required Core
24 Curriculum; and b) two thousand five hundred (2,500) hours of qualifying
25 experience obtained in no fewer than 24 months.

26 III. Qualifying Education

27 C. The Certified Residential Real Property Appraiser classification requires
28 completion of two hundred (200) creditable class hours as specified in the
29 Required Core Curriculum. The applicant shall successfully complete the 15-hour
30 National USPAP Course, or its AQB-approved equivalent, and the examination.
31 There is no alternative to successful completion of the USPAP Course and
32 examination.

CERTIFIED GENERAL REAL PROPERTY APPRAISER CLASSIFICATION

33 II. Examination

34 A. The AQB approved Certified General Real Property Appraiser Examination must
35 be successfully completed. There is no alternative to successful completion of the
36 exam.

37 B. The prerequisites for taking the AQB approved examination are completion of: a)
38 three hundred (300) creditable class hours as specified in the Required Core
39 Curriculum; and b) three thousand (3,000) hours of qualifying experience
40 obtained in no fewer than 30 months, where one thousand five hundred (1,500)
41 hours must be obtained in non-residential appraisal work.

42 III. Qualifying Education

43 C. The Certified General Real Property Appraiser classification requires completion
44 of three hundred (300) creditable class hours as specified in the Required Core
45 Curriculum. The applicant shall successfully complete the 15-hour National
46 USPAP Course, or its AQB-approved equivalent, and the examination. There is
47 no alternative to successful completion of the USPAP Course and examination.

Section 2: Proposed Revision to College Degree Requirements and Removal of “In Lieu Of” Option for College-Level Education

RATIONALE

Currently, the only requirements in the *Criteria* pertaining to college degrees as part of qualifying education relate to the Certified Residential and Certified General classifications. The college degree requirements applicable to the appraiser classifications in the current *Criteria* are summarized as follows:

- Applicants for the Certified Residential classification must currently hold an Associate degree, or higher; or applicants may utilize the “in lieu” option outlined in Section III.B. of the Certified Residential criteria which requires the college course equivalent of 21 semester credit hours in specified collegiate subject matter courses.
- Applicants for the Certified General classification must currently hold a Bachelor’s degree, or higher; or applicants may utilize the “in lieu” option outlined in Section III.B. of the Certified General criteria which requires the college course equivalent of 30 semester credit hours in specified collegiate subject matter courses.
- There are currently no college degree requirements for applicants for the Trainee or Licensed Residential classifications.

In early 2010, the AQB solicited comments from users, providers and regulators of appraisal services pertaining to college degree prerequisites. Additional comments were provided at the AQB public hearing held at Minneapolis in June 2010, as well as public meetings held in New Orleans in December 2010, in Tampa in February 2011, and in Salt Lake City in April 2011. As a result of written and oral comments received, there is support to require a Bachelor’s degree with no “in lieu” option for the Certified General classification, and to increase the college degree requirement for the Certified Residential classification from an Associate degree to a Bachelor’s degree (also with no “in lieu” option). In addition, there is support to increase the college-level education required for the Licensed Residential classification, but not to the level of requiring an Associate Degree. The rationale for the increase was varied and comprehensive as summarized below:

- The new college-level education requirements will not impact *existing* appraisers that maintain a current credential. After the implementation of these requirements (currently proposed for January 1, 2015), any existing appraiser who wishes to change classifications or (depending on the requirements of the jurisdiction) seek a credential in a different jurisdiction must meet the requirements for the new classification.
- The United States has some of the lowest education requirements for the credentialing of valuation professionals worldwide. Many nations require a minimum of a Bachelor’s degree, if not a Master’s degree, in a specified field of study such as business, real estate, architecture or engineering.
- In light of downturns in real estate markets experienced during the past few years, users and regulators of appraisal services believe appraisers would benefit from additional

higher education to better understand influences affecting real property to enhance public trust. Although the college degree requirements proposed by the AQB are not related to a specific area of study, it is believed the college requirements would incorporate the current “in lieu” requirements, as well as provide an additional broader base of knowledge needed for valuation professionals in the future.

- As stated in the First and Second Exposure Drafts, information gathered from applicants sitting for the *National Uniform Licensing and Certification Exams* support the conclusion that exam takers with higher levels of education (Bachelor’s degrees or higher) perform better on the exam than those with Associate degrees and those without degrees. The collection of data obtained subsequent to the First Exposure Draft continues to support higher test scores for those who have college degrees.
- Also as stated in the First and Second Exposure Drafts, regulators, applicants and grantors of appraiser credentials all expressed difficulties in evaluating the equivalency of the “in lieu” option.

A college degree, or in the case of the Licensed Residential classification, the obtaining of 30 semester hours of college-level education, indicates that the individual can successfully complete post-secondary level education.

In summary, the current “in lieu” option is viewed by applicants, users and regulators of appraisal services, as being very subjective and difficult to administer. As such, the majority of respondents recommended the elimination of the “in lieu” option pertaining to qualifying education in the Certified Residential and Certified General classifications. The proposal for the Licensed Residential classification does not create an “in lieu” requirement. Those candidates would simply be required to produce a transcript from a college or university, accredited as indicated in the *Criteria*, which shows the individual has successfully completed 30 semester hours.

The comments following the Third Exposure Draft were almost equally for and against the proposed revisions. There were two comments which suggested the Licensed Residential classification require an Associates Degree. The AQB is exposing the proposed requirements again with the same 30-hour college-level education requirement, partially because a Trainee could be enrolled in a four-year university that does not offer an Associate Degree. This Trainee could have 30 or more hours but not qualify to become a Licensed Residential appraiser simply because the university does not grant an Associate Degree. Under this proposal, such candidates could continue their education while appraising under the Licensed Residential credential and after completing the four year degree, obtain a Certified Residential or Certified General credential.

Following are the proposed revisions to the qualifying education requirements for the Licensed Residential, Certified Residential and Certified General classifications.

LICENSED RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION

48 III. Qualifying Education

49 A. Applicants for the Licensed Residential credential shall successfully complete 30
50 semester hours of college-level education, from an accredited college, junior
51 college, community college, or university. The college or university must be a
52 degree-granting institution accredited by the Commission on Colleges, a regional
53 or national accreditation association, or by an accrediting agency that is
54 recognized by the U.S. Secretary of Education. If an accredited college or
55 university accepts the College-Level Examination Program® (CLEP) and
56 examination(s) and issues a transcript for the exam, showing its approval, it will
57 be considered as credit for the college course.

58 Applicants holding an Associate degree, or higher, from an accredited college,
59 junior college, community college, or university satisfy the 30-hour college-level
60 education requirement.

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

- 63 • An accredited, degree-granting domestic college or University;
- 64 • The American Association of Collegiate Registrars and Admissions
65 Officers (AACRAO);
- 66 • A foreign degree credential evaluation service company that is a member
67 of the National Association of Credential Evaluation Services (NACES);
68 or
- 69 • A foreign degree credential evaluation service company that provides
70 equivalency evaluation reports accepted by an accredited degree-granting
71 domestic college or University or by a state licensing board that issues
72 credentials in another discipline.

73 B. The Licensed Residential Real Property Appraiser classification requires
74 completion of one hundred fifty (150) creditable class hours as specified in the
75 Required Core Curriculum. The applicant shall complete the 15-hour National
76 USPAP Course, or its AQB-approved equivalent, and the examination. There is
77 no alternative to successful completion of the USPAP Course and examination.

78 C. Appraisers holding a valid Trainee Real Property Appraiser credential may satisfy
79 the educational requirements for the Licensed Residential Real Property
80 Appraiser credential by completing the following additional educational hours:

81	1. Residential Market Analysis and Highest and Best Use	15 Hours
82	2. Residential Appraiser Site Valuation and Cost Approach	15 Hours
83	3. Residential Sales Comparison and Income Approaches	30 Hours
84	4. Residential Report Writing and Case Studies	<u>15 Hours</u>
85	Total	75 Hours

- 86 D. Trainee Real Property Appraisers wishing to change to the Licensed Residential
 87 Real Property Appraiser classification must also satisfy the college-level
 88 education requirements as specified in III.A.
- 89 E. Appraisers holding a valid Certified Residential Real Property Appraiser
 90 credential satisfy the educational requirements for the Licensed Residential Real
 91 Property Appraiser credential.
- 92 F. Appraisers holding a valid Certified General Real Property Appraiser credential
 93 satisfy the educational requirements for the Licensed Residential Real Property
 94 Appraiser credential.

CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION

95 III. Qualifying Education

- 96 A. Applicants for the Certified Residential license must hold Bachelor’s degree, or
 97 higher, from an accredited college, or university. The college or university must
 98 be a degree-granting institution accredited by the Commission on Colleges, a
 99 regional or national accreditation association, or by an accrediting agency that is
 100 recognized by the U.S. Secretary of Education.

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

- 103 • An accredited, degree-granting domestic college or University;
- 104 • The American Association of Collegiate Registrars and Admissions
 105 Officers (AACRAO);
- 106 • A foreign degree credential evaluation service company that is a member
 107 of the National Association of Credential Evaluation Services (NACES);
 108 or
- 109 • A foreign degree credential evaluation service company that provides
 110 equivalency evaluation reports accepted by an accredited degree-granting
 111 domestic college or University or by a state licensing board that issues
 112 credentials in another discipline.

- 113 B. The Certified Residential Real Property Appraiser classification requires
 114 completion of two hundred (200) creditable class hours as specified in the
 115 Required Core Curriculum. The applicant shall complete the 15-hour National
 116 USPAP Course, or its AQB-approved equivalent, and the examination. There is
 117 no alternative to successful completion of the USPAP Course and examination.

- 118 C. Appraisers holding a valid Trainee Real Property Appraiser credential may satisfy
 119 the educational requirements for the Certified Residential Real Property Appraiser
 120 credential by completing the following additional educational hours:

- | | | |
|-----|---|----------|
| 121 | 1. Residential Market Analysis and Highest and Best Use | 15 Hours |
| 122 | 2. Residential Appraiser Site Valuation and Cost Approach | 15 Hours |

123	3. Residential Sales Comparison and Income Approaches	30 Hours
124	4. Residential Report Writing and Case Studies	15 Hours
125	5. Statistics, Modeling and Finance	15 Hours
126	6. Advanced Residential Applications and Case Studies	15 Hours
127	7. Appraisal Subject Matter Electives	<u>20 Hours</u>
128	Total	125 Hours

129 D. Appraisers holding a valid Licensed Residential Real Property Appraiser
130 credential may satisfy the educational requirements for the Certified Residential
131 Real Property Appraiser credential by completing the following additional
132 educational hours:

133	1. Statistics, Modeling and Finance	15 Hours
134	2. Advanced Residential Applications and Case Studies	15 Hours
135	3. Appraisal Subject Matter Electives	<u>20 Hours</u>
136	Total	50 Hours

137 E. Trainee Real Property Appraisers and Licensed Residential Real Property
138 Appraisers wishing to change to the Certified Residential Real Property Appraiser
139 classification must also satisfy the college degree requirements as specified in
140 III.A.

141 F. Appraisers holding a valid Certified General Real Property Appraiser credential
142 satisfy the educational requirements for the Certified Residential Real Property
143 Appraiser credential.

CERTIFIED GENERAL REAL PROPERTY APPRAISER CLASSIFICATION

144 III. Qualifying Education

145 A. Applicants for the Certified General license must hold a Bachelor’s degree, or
146 higher, from an accredited college or university. The college or university must
147 be a degree-granting institution accredited by the Commission on Colleges, a
148 regional or national accreditation association, or by an accrediting agency that is
149 recognized by the U.S. Secretary of Education.

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

- 152 • An accredited, degree-granting domestic college or University;
- 153 • The American Association of Collegiate Registrars and Admissions
154 Officers (AACRAO);
- 155 • A foreign degree credential evaluation service company that is a member
156 of the National Association of Credential Evaluation Services (NACES);
157 or
- 158 • A foreign degree credential evaluation service company that provides
159 equivalency evaluation reports accepted by an accredited degree-granting

160 domestic college or University or by a state licensing board that issues
161 credentials in another discipline.

162 B. The Certified General Real Property Appraiser classification requires completion
163 of three hundred (300) creditable class hours as specified in the Required Core
164 Curriculum. The applicant shall complete the 15-hour National USPAP Course,
165 or its AQB-approved equivalent, and the examination. There is no alternative to
166 successful completion of the USPAP Course and examination.

167 C. Applicants must demonstrate that their education includes the core courses listed
168 in these criteria, with particular emphasis on non-residential properties.
169 Residential is defined as “composed of one to four residential units.”

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

173	1. General Appraiser Market Analysis and Highest and Best Use	30 Hours
174	2. Statistics, Modeling and Finance	15 Hours
175	3. General Appraiser Sales Comparison Approach	30 Hours
176	4. General Appraiser Site Valuation and Cost Approach	30 Hours
177	5. General Appraiser Income Approach	60 Hours
178	6. General Appraiser Report Writing and Case Studies	30 Hours
179	7. Appraisal Subject Matter Electives	<u>30 Hours</u>
180		Total 225 Hours

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

185	1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
186	2. Statistics, Modeling and Finance	15 Hours
187	3. General Appraiser Sales Comparison Approach	15 Hours
188	4. General Appraiser Site Valuation and Cost Approach	15 Hours
189	5. General Appraiser Income Approach	45 Hours
190	6. General Appraiser Report Writing and Case Studies	15 Hours
191	7. Appraisal Subject Matter Electives	<u>30 Hours</u>
192		Total 150 Hours

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

197	1. General Appraiser Market Analysis and Highest and Best Use	15 Hours
198	2. General Appraiser Sales Comparison Approach	15 Hours
199	3. General Appraiser Site Valuation and Cost Approach	15 Hours
200	4. General Appraiser Income Approach	45 Hours

201	5. General Appraiser Report Writing and Case Studies	<u>10 Hours</u>
202	Total	100 Hours

203 G. Trainee Real Property Appraisers, Licensed Residential Real Property Appraisers,
 204 and Certified Residential Real Property Appraisers wishing to change to the
 205 Certified General Real Property Appraiser classification must also satisfy the
 206 educational requirements as specified in III.C.

207 H. Trainee Real Property Appraisers, Licensed Residential Real Property Appraisers,
 208 and Certified Residential Real Property Appraisers wishing to change to the
 209 Certified General Real Property Appraiser classification must also satisfy the
 210 college degree requirements as specified in III.A.

Section 3: Proposed Requirement for Background Checks

RATIONALE

As stated in the first three exposure drafts, the current *Criteria* do not address background requirements for individuals applying for (or already holding) real estate appraiser credentials. However, several state appraiser regulatory agencies have exercised their sovereign right to go above the minimum AQB *Criteria* and conduct background investigations on their own, to comply with their individual jurisdiction's law or regulations.

The AQB is charged with establishing requirements that maintain and promote public trust in the appraisal profession. As stated in the First and Second Exposure Drafts, because state appraiser regulatory agencies issue credentials to individuals who may enter private properties, have access to sensitive financial data, or possess the potential to create significant financial harm, it is crucial that credentialed appraisers do not possess a background that could be deemed as having a negative effect on public trust.

Individuals in many other professions, including those associated with mortgage lending transactions (examples include mortgage brokers and loan originators) are now regulated and as part of their credentialing process, must undergo a background check prior to being credentialed (the Secure and Fair Enforcement for Mortgage Licensing Act of 2008, otherwise known as the S.A.F.E. Act, mandates minimum standards, in part, for licensing and registration as a state-licensed loan originator).

Comments received in response to the First Exposure Draft generally indicate strong support to require background checks for appraisers in order to maintain and support public trust. And as stated above, some state appraiser regulatory agencies already perform such checks. However, some jurisdictions recognized the additional cost and authority they may need in order to implement background check requirements. In addition, some jurisdictions also voiced concern that without some sense of the types of backgrounds that should be prohibited, they may have difficulty implementing such requirements. As a result, the Second Exposure Draft included examples of minimum background requirements that applicants must satisfy in order to obtain (or maintain) a credential. The Second Exposure Draft also included examples of other background requirements a state appraiser regulatory agency may wish to consider as unacceptable. The Third Exposure Draft further refined this language based on comments received.

Comments received to the Third Exposure Draft generally continue to indicate strong support to require background checks for all new appraisers in order to maintain the public trust. While there were a few comments concerning some technicalities of the language, the AQB has further researched these matters, finding support for this requirement as necessary to preserve the public trust in the appraisal profession that allows appraisers the continued access to private real estate and sensitive financial information.

CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

211 VI. Background Checks

212 A. All candidates for a real property appraiser credential must undergo background
213 screening. State appraiser regulatory agencies shall, *at a minimum*, obtain
214 fingerprints of the individual, in digital form if practicable, and any appropriate
215 identifying information for submission to the Federal Bureau of Investigation
216 and/or any governmental agency or entity authorized to receive such information
217 in connection with a State and national background check.

218 B. In addition to all applicants for new credentials, State appraiser regulatory
219 agencies are strongly encouraged to perform background checks on *existing*
220 credential holders; as well as ~~new applicants for a credential~~.

221 C. State appraiser regulatory agencies must ensure that all candidates for a real
222 property appraiser credential do not possess a background that could call into
223 question public trust. State appraiser regulatory agencies must take proper steps
224 to ensure those applicants found to possess a background which calls into
225 question the applicant's ability to maintain public trust are not issued a real
226 property appraiser credential. State appraiser regulatory agencies shall not issue a
227 real property appraiser credential if:

228 1. The applicant has had an appraiser license or certification revoked in any
229 governmental jurisdiction within the five (5) year period immediately
230 preceding the date of application.

231 2. The applicant has been convicted of, or pled guilty or *nolo contendere* to, a
232 felony in a domestic, or foreign, ~~or military~~ court:

233 i. during the five (5) year period immediately preceding the date of the
234 application for licensing or certification; or

235 ii. at any time preceding ~~such~~ the date of application, if such felony involved
236 an act of fraud, dishonesty, or a breach of trust, or money laundering.

237 3. The applicant has failed to demonstrate character and general fitness such as
238 to command the confidence of the community and to warrant a determination
239 that the appraiser will operate honestly, fairly, and efficiently within the
240 purposes of this *Criteria*.

241 D. Additional background issues that a state appraiser regulatory agency shall
242 evaluate and consider ~~before~~ prior to issuing (or taking disciplinary action
243 against) a real property appraiser credential include, but are not limited to:

244 1. Convictions of any criminal offense involving dishonesty, breach of trust, or
245 money laundering against the individual or organizations controlled by the
246 individual, or agreements to enter into a pretrial diversion or similar program
247 in connection with the prosecution for such offense(s);

- 248
249
250
251
2. Civil judicial actions against the individual in connection with financial services-related activities, dismissals with settlements, or judicial findings that the individual violated financial services-related statutes or regulations, except for actions dismissed without a settlement agreement;
- 252
253
3. Actions or orders by a State or Federal regulatory agency or foreign financial regulatory authority that:
- 254
255
256
257
258
- i. Found the individual to have made a false statement or omission or been dishonest, unfair or unethical; to have been involved in a violation of a financial services-related regulation or statute; or to have been a cause of a financial services-related business having its authorization to do business denied, suspended, revoked, or restricted;
- 259
260
- ii. Are entered against the individual in connection with a financial services-related activity;
- 261
262
263
264
- iii. Denied, suspended, or revoked the individual's registration or license to engage in a financial services-related activity; disciplined the individual or otherwise by order prevented the individual from associating with a financial services-related business or restricted the individual activities; or
- 265
266
267
- iv. Barred the individual from association with an entity or its officers regulated by the agency or authority or from engaging in a financial services-related business;
- 268
269
270
4. Final orders issued by a State or Federal regulatory agency or foreign financial regulatory authority based on violations of any law or regulation that prohibits fraudulent, manipulative, or deceptive conduct;
- 271
272
5. Revocation or suspension of the individual's authorization to act as an attorney, accountant, or State or Federal contractor; and
- 273
274
275
6. Customer-initiated financial services-related arbitration or civil action against the individual that required action, including settlements, or which resulted in a judgment.

Section 4: Proposed Revisions Pertaining to College Degrees in Real Estate

RATIONALE

As noted in the prior exposure drafts, the AQB believes holders of degrees in real estate or related study have invested significant post-secondary time and effort becoming educated in the topics contained in the Required Core Curriculum and appraisal subject matter electives in GN-1 of the *Criteria*. Requiring such degree holders to also successfully complete the entire qualifying education curriculum in the *Criteria* may be redundant and counter-productive.

The intent of this change is to allow graduates with Bachelor's, Master's or Doctoral degrees in Real Estate from approved accredited colleges or Universities to have their degree satisfy applicable portions of the qualifying education requirements for the various credentials.

Comments received in response to the first three exposure drafts have been positive. Some jurisdictions have already recognized these efforts, evaluated the undergraduate curricula at universities and approved degree-holders for the majority of the qualifying education curriculum in the *Criteria*.

CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

276 E. Criteria Specific to Qualifying Education

277 1. Class hours will be credited only for educational offerings with content that
278 follows the Required Core Curriculum in the Appendix for each respective
279 credential. Course content requirements may be general or specific to property
280 types. The Required Core Curriculum is to be followed by major headings with
281 the classroom hours for each. Guide Note 1 (GN-1) contains guidance for
282 curriculum contents with subtopics listed under each major module listed in the
283 Appendix. Guide Note 1 (GN-1) with subtopics will be used for developing
284 examination content outlines for each applicable credential level and may also be
285 amended from time to time to reflect changes in technology or in the Body of
286 Knowledge. Guide Note 1 (GN-1) is not mandatory for meeting the Required
287 Core Curriculum in the Appendix.

288 2. Credit toward qualifying education requirements may also be obtained via the
289 completion of a degree in Real Estate from an accredited degree-granting college
290 or University approved by the Association to Advance Collegiate Schools of
291 Business, or a regional or national accreditation agency recognized by the U.S.
292 Secretary of Education, **provided that the college or university has had its**
293 **curriculum reviewed and approved by the AQB.**

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

301 3. Class hours may be obtained only where:
302 i. the minimum length of the educational offering is at least 15 hours; and
303 ii. the individual successfully completes an approved closed-book examination
304 pertinent to that educational offering.

305 4. Where the qualifying education course includes multiple modules as listed in the
306 Required Core Curriculum, there must be appropriate testing of each module
307 included in a course.

308 5. Courses taken to satisfy the qualifying education requirements must not be
309 repetitive. USPAP Courses taken in different years are not repetitive. Courses
310 shall foster problem-solving skills in the education process by utilizing case
311 studies as a major teaching method when applicable.

312 6. Applicants must take the 15-Hour National USPAP Course, or its equivalent, and
313 pass the associated 15-Hour National USPAP Course Examination. At least one
314 of the course instructors must be an AQB Certified USPAP Instructor who is also

315 a state certified appraiser in good standing. Equivalency shall be determined
316 through the AQB Course Approval Program or by an alternate method established
317 by the AQB. USPAP education presented in a distance education format must be
318 designed to foster appropriate student-to-student, student to instructor, and student
319 to material interaction.

320 7. In addition to the generic requirements described in III. E, distance education
321 courses intended for use as qualifying education must include a written
322 examination proctored by an official approved by the college or university, or by
323 the sponsoring organization. The testing must be in compliance with the
324 examination requirements of this section.

Section 5: Proposed Revision to 7-Hour *National USPAP Update Course* Eligibility

RATIONALE

The current *Criteria* require that the *7-hour National USPAP Update Course*, or its AQB-approved equivalent, be taken every two years to maintain a credential. The appraiser may take the *7-hour National USPAP Update Course*, or its AQB-approved equivalent, at anytime during that two-year period.

The first two exposure drafts proposed a new requirement that all credentialed appraisers take the *7-hour National USPAP Update Course*, or its AQB-approved equivalent, within six months of its effective date. The thought was that by adding this requirement, appraisers would become aware of all applicable changes and new rules, and be able to incorporate them into their work product in a timely manner.

Comments in response to the first two exposure drafts followed three general lines of reasoning:

1. Most respondents acknowledged appraisers are required to be aware of changes to USPAP immediately upon its effective date. So, when completing an appraisal on January 2, an appraiser is required to comply with standards that may have gone into effect on January 1, whether or not they have taken the 7-hour update.
2. Several respondents (course providers and state appraiser regulatory officials) expressed concern over the process of obtaining appraiser regulatory agency approval in all 55 jurisdictions of newly written courses in a timely manner, and the process of physically running thousands of credential holders through the course in a six (or nine) month period.
3. Finally, several jurisdictions indicated that despite their support for the concept of early course attendance, given the varying renewal dates for credential holders, there was recognition that enforcing the new requirement could create significant financial burdens on state appraiser regulatory agency resources.

Thus, in the Third Exposure Draft the AQB opted not to move forward with the proposal to require the *7-hour National USPAP Update Course* attendance within six months after the effective date. While the AQB supports the concept that credential holders should educate themselves appropriately on USPAP changes as soon as possible, The Appraisal Foundation will also pursue the posting of a brief video, summarizing changes to USPAP, on the Foundation website within its recently-created eLibrary section. While this would not substitute for the in-depth coverage in the 7-hour update course, it would highlight the changes for credential holders, users of appraisals, and the public.

Section 6: Proposed Removal of Segmented Approach to *Criteria* Implementation

RATIONALE

As stated in the previous exposure drafts, considering other proposed revisions to the *Criteria*, particularly revisions outlined in Section 1 of this exposure draft, it is the opinion of the AQB that the “Segmented” option should be retired. Comments in response to the previous exposure drafts generally supported requiring education *and* experience as prerequisites to the examination, which would render the “Segmented” approach as moot. And because the “Segmented” approach would no longer exist, the need to specify requirements under the “Firm Date” approach would no longer be required.

Relatively few comments have been received pertaining to this proposal. Of those, most were favorable. Two regulatory authorities stated their preference that no change be made; one noting that candidates who began the process in a “segmented” fashion should be able to finish in that manner. The AQB is concerned about the potentially adverse impact on individuals who have begun the process of obtaining appraiser credentials under one set of criteria and then having the “rules changed” on them. In fact, that is the reason the “segmented” approach exists, allowing for flexibility for those who were in the process of obtaining credentials when the 2008 *Criteria* were implemented. It is also one of the reasons for the significant lead time that was given prior to the implementation of the 2008 *Criteria* and for delaying implementation of the proposed *Criteria* being exposed now until 2015. It is the opinion of the AQB that this change will affect very few candidates and with the 2015 implementation date, individuals currently on a “segmented” path should be able to complete the process prior to 2015.

NOTE: Because the AQB proposes deleting the “Firm Date” and “Segmented” scenarios, no edits are shown on the following pages.

Section 7: Proposed Restriction on Continuing Education Course Offerings

RATIONALE

As stated in the previous exposure drafts, several states have already implemented their own requirement that appraisers may not repeat the same course or seminar for continuing education within a continuing education cycle. Prohibiting appraisers from completing the same continuing education offerings in the same continuing education cycle will create a greater opportunity to expand their skill and knowledge base. This should result in a greater level of competency and produce a better work product.

Comments in response to the previous exposure drafts largely supported adding this requirement to the *Criteria*. Some states have already implemented such a requirement. One appraiser stated that it would be better for an appraiser to retake a class which had significant relevance to one's practice, if one needed additional understanding of the concepts, than to take a different class with no relevance to one's practice. The AQB acknowledges that this may be true, but would counter that it would be better still to take a different class with relevance to one's practice, and to review the materials from the earlier class or even audit the earlier class without the benefit of continuing education credit if the information were necessary for competence in an area of the appraiser's practice.

A couple of respondents noted that some courses change content each year, yet the course name remains the same. The AQB is concerned with content, not course titles. If different material is being taught, the AQB does not believe this change would prohibit a regulatory authority from accepting the newer edition of the course for continuing education credit.

There is no change in this proposal from the earlier exposure drafts.

CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

325 F. Criteria Specific to Continuing Education

326 1. The purpose of continuing education is to ensure that appraisers participate in a
327 program that increases their skill, knowledge, and competency in real property
328 appraising.

329 Aside from complying with the requirements to complete the *7-hour National*
330 *USPAP Update Course*, or its equivalent, appraisers may not receive credit for
331 completion of the same continuing education course offering within an appraiser's
332 continuing education cycle.

Section 8: Proposed Revisions to Distance Education Requirements

RATIONALE

As noted in the first three exposure drafts, the current *Criteria* require a written examination be successfully completed by a student at the completion of a qualifying education course delivered via distance education. The written exam must be proctored by an official approved by the college or university, or by the sponsoring organization.

Similarly, a proctored, written examination may be utilized at the end of a continuing education course delivered via distance education as the mechanism by which students demonstrate mastery of the material (or by which a student may seek additional credit for time spent taking the examination).

The AQB recognizes that the term “written” may be viewed as limiting education providers and students to a pencil and paper administration of the course exam. Therefore, in recognition of the proliferation of electronic testing centers and in contemplation of other innovative delivery systems, the term “written” is expanded to include such electronic systems.

A proctor still must be present at the exam location (an examination may not be administered such that the student is remote from the proctor). Finally, other than a necessary accommodation under the Americans with Disabilities Act (ADA), an oral examination may not be administered.

Comments received in response to the first three exposure drafts support the recommended revision to this section as a logical transition to the digital age.

CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

333 E. Criteria Specific to Qualifying Education

334 6. In addition to the generic requirements described in III. E, distance education
335 courses intended for use as qualifying education must include a written
336 examination (proctored by an official approved by the college or university, or by
337 the sponsoring organization). The term “written” as used herein refers to an exam
338 that might be written on paper, or administered electronically on a computer
339 workstation or other device. Oral exams are not acceptable. The testing must be
340 in compliance with the examination requirements of this section.

341 F. Criteria Specific to Continuing Education

342 6. In addition to the generic requirements described in III. E., distance education
343 courses intended for use as continuing education must include at least one of the
344 following:

345 i. A written examination proctored by an official approved by the college or
346 university, or by the sponsoring organization. The term “written” as used
347 herein refers to an exam that might be written on paper, or administered
348 electronically on a computer workstation or other device. Oral exams are not
349 acceptable; or

350 ii. Successful completion of prescribed course mechanisms required to
351 demonstrate knowledge of the subject matter.

Section 9: Proposed Revisions to Trainee Appraiser Qualifications

RATIONALE

Under the existing *Real Property Appraiser Qualification Criteria*, credentialing jurisdictions are required to implement requirements for the Certified General and Certified Residential real property appraiser classifications that are no less stringent than those issued by the AQB.

Until recently, the AQB criteria for the Trainee Appraiser and Licensed Residential Appraiser classifications were only voluntary. As a result, the criteria established for Trainee Appraisers, or other similar type classifications (e.g. Apprentice, Registered, Provisional, etc.) could be established independently by the individual credentialing jurisdictions.

Although many credentialing jurisdictions did meet or exceed the voluntary criteria issued by the AQB for Trainee Appraisers, some implemented requirements that were below the criteria established by the AQB. With the recent enactment of the Dodd-Frank Reform Act, Title XI of FIRREA (Section 1116) has been amended to state:

Any requirements established for individuals in the position of ‘Trainee Appraiser’ and ‘Supervisory Appraiser’ shall meet or exceed the minimum qualification requirements of the Appraiser Qualifications Board of The Appraisal Foundation.

As a result, the following pages include the AQB’s proposed minimum criteria for Trainee Appraisers, or other similar type classifications (e.g. Apprentice, Registered, Provisional, etc.) that a jurisdiction must require.

At the conclusion of the Third Exposure Draft written comment period, as well as public comments made at both the AQB public meetings in Tampa, Florida and Salt Lake City, Utah, the majority of responses were in support of the proposed changes to the criteria for Trainee Appraisers. As such, this Fourth Exposure Draft contains only a few proposed revisions from the Third Exposure Draft. One clerical revision has been made to correct an errant reference relating to the number of years a Supervisory Appraiser must not be subject to a disciplinary action. The Third Exposure Draft referenced a period of five (5) years; however, this was intended to be three (3) years. Another revision reflects the Appraisal Standards Board’s recent adoption of a new RECORD KEEPING RULE to replace the Record Keeping section of the ETHICS RULE. And lastly, there was a revision made to clarify inspection of the subject property.

NOTE: The revisions to Title XI do not require a jurisdiction to offer a Trainee Appraiser credential. However, if a jurisdiction does offer one, it must meet, at a minimum, the requirements as proposed on the following pages.

REAL PROPERTY APPRAISER TRAINEE CLASSIFICATION

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

352 I. General

353 A. The Trainee Appraiser classification is intended to incorporate any documented non-
354 certified/non-licensed real property appraisers which are subject to the *Real Property*
355 *Appraiser Qualification Criteria*. Recognizing that individual credentialing
356 jurisdictions may use different terminologies, “Trainees” include, but are not limited
357 to: registered appraisers, apprentice appraisers, provisional appraisers, or other similar
358 designations created by state appraiser regulatory agencies.

359 B. The scope of practice for the Trainee Appraiser classification is the appraisal of those
360 properties which the ~~supervising-Certified~~ state-certified Supervisory Appraiser is
361 permitted by his/her current credential and that the Supervisory Appraiser is
362 competent to appraise.

363 C. The Trainee Appraiser, as well as the Supervisory Appraiser, shall be entitled to
364 obtain copies of appraisal reports and/or permitted appropriate access and retrieval
365 arrangements for all workfiles for appraisals in which he or she participated, in
366 accordance with the ~~Record Keeping section of the ETHICS RULE~~ RECORD
367 KEEPING RULE of USPAP.

368 D. All Trainee Appraisers must comply with the COMPETENCY RULE of USPAP for
369 all assignments.

370 II. Examination: There is no examination requirement for the Trainee Appraiser
371 Classification, but the Appraiser Trainee shall pass the appropriate end-of-course
372 examinations in all of the prerequisite courses in order to earn credit for those courses.

373 III. Qualifying Education

374 A. As the prerequisite for application, an applicant must have completed 75 creditable
375 hours of qualifying education as specified in the Required Core Curriculum.
376 Additionally, applicants must pass the course examinations and pass the *15-Hour*
377 *National USPAP Course* (or its equivalent) and examination as part of the 75
378 creditable hours. All qualifying education must be completed within the five (5) year
379 period prior to the date of submission of a Trainee application.

380 B. Appraisers holding a valid Licensed Residential Real Property Appraiser credential
381 satisfy the educational requirements for the Trainee Appraiser credential.

382 C. Appraisers holding a valid Certified Residential Real Property Appraiser credential
383 satisfy the educational requirements for the Trainee Appraiser credential.

- 384 D. Appraisers holding a valid Certified General Real Property Appraiser credential
385 satisfy the educational requirements for the Trainee Appraiser credential.
- 386 IV. Experience: No experience is required as a prerequisite for the Trainee Appraiser
387 Classification.
- 388 V. Training
- 389 A. The Trainee Appraiser shall be subject to direct control and supervision by a
390 Supervisory Appraiser in good standing, who shall be state-certified. A Trainee
391 Appraiser is permitted to have more than one Supervisory Appraiser.
- 392 B. The Supervisory Appraiser shall be responsible for the training, guidance, and direct
393 control and supervision of the Trainee Appraiser by:
- 394 1. Accepting responsibility for the appraisal by signing and certifying the appraisal
395 complies with USPAP;
- 396 2. Reviewing and signing the Trainee Appraiser appraisal report(s); and
- 397 3. Personally inspecting each appraised property with the Trainee Appraiser until the
398 Supervisory Appraiser determines the Trainee Appraiser is competent to inspect
399 the property, in accordance with the COMPETENCY RULE of USPAP for the
400 property type.
- 401 C. The Trainee Appraiser is permitted to have more than one Supervisory Appraiser, but
402 a ~~supervising~~ Supervisory appraiser may not supervise more than three trainees, at
403 one time, unless a state program in the licensing jurisdiction provides for progress
404 monitoring, supervising certified appraiser qualifications, and supervision and
405 oversight requirements for supervising appraisers.
- 406 D. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser
407 and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser
408 and Trainee Appraiser to ensure the appraisal experience log is accurate, current and
409 complies with the requirements of the Trainee's credentialing jurisdiction. At a
410 minimum, the appraisal log requirements are:
- 411 1. Type of property;
- 412 2. Date of report;
- 413 3. Address of appraised property;
- 414 4. Description of work performed by the Trainee Appraiser and scope of the review
415 and supervision of the supervisory appraiser;
- 416 5. Number of actual work hours by the Trainee Appraiser on the assignment; and
- 417 6. The signature and state certification number of the Supervisory Appraiser.
418 Separate appraisal logs shall be maintained for each Supervisory Appraiser, if
419 applicable.

- 420 E. The state-certified Supervisory Appraiser shall be in good standing in the training
421 jurisdiction and not subject to any disciplinary action within the last ~~five (5)~~ three (3)
422 years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal
423 practice.
- 424 F. Trainee Appraisers shall be required to complete a course that, at minimum, complies
425 with the specifications for course content established by the AQB, which is
426 specifically oriented to the requirements and responsibilities of Supervisory
427 Appraisers and Trainee Appraisers.

Section 10: Proposed Supervisory Appraiser Requirements

RATIONALE

Under the existing *Real Property Appraiser Qualification Criteria*, credentialing jurisdictions are required to implement requirements for the Certified General and Certified Residential real property appraiser classifications that are no less stringent than those issued by the AQB.

Until recently, the AQB criteria for Supervisory Appraisers (which was contained as part of the Trainee Appraiser requirements), Trainee Appraisers, and Licensed Residential Appraiser classifications were only voluntary. As a result, the criteria for Supervisory Appraisers could be established independently by the individual credentialing jurisdictions.

Although many credentialing jurisdictions did meet or exceed the voluntary criteria issued by the AQB for Supervisory Appraisers, some implemented requirements that were below the criteria established by the AQB. With the recent enactment of the Dodd-Frank Reform Act, Title XI of FIRREA (Section 1116) has been amended to state:

Any requirements established for individuals in the position of ‘Trainee Appraiser’ and ‘Supervisory Appraiser’ shall meet or exceed the minimum qualification requirements of the Appraiser Qualifications Board of The Appraisal Foundation.

As a result, the following pages include the AQB’s proposed minimum criteria for Supervisory Appraisers that a jurisdiction must require.

At the conclusion of the Third Exposure Draft written comment period, as well as public comments made at both the AQB public meetings in Tampa, Florida and Salt Lake City, Utah, the majority of responses were in support of the proposed changes to the criteria for Supervisory Appraisers. As such, there is only one proposed revision from the Third Exposure Draft, clarifying inspection of the subject property.

NOTE: The minimum requirements for Supervisory Appraisers that appear on the following pages apply to those individuals acting as Supervisory Appraisers for Trainee Appraisers. The requirements do not apply to those individuals who may be acting as “supervisory appraisers” for individuals possessing other real property appraiser credentials (for example, a Certified General appraiser acting as a “supervisory appraiser” over a Certified Residential appraiser).

SUPERVISORY APPRAISER REQUIREMENTS

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

434 I. General

435 A. Supervisory Appraisers shall be responsible for the training, guidance, and direct
436 supervision of the Trainee Appraiser by:

437 1. Accepting responsibility for the appraisal by signing and certifying the report
438 complies with USPAP;

439 2. Reviewing and signing the Trainee Appraiser appraisal report(s); and

440 3. Personally inspecting each appraised property with the Trainee Appraiser until the
441 Supervisory Appraiser determines the Trainee Appraiser is competent to inspect
442 the property, in accordance with the COMPETENCY RULE of USPAP for the
443 property type.

444 B. Supervisory Appraisers shall be state-certified and in good standing in the jurisdiction
445 in which the Trainee Appraiser practices. Supervisory Appraisers shall not have been
446 subject to any disciplinary action within any jurisdiction within the last three (3) years
447 that affects the Supervisory Appraiser's legal eligibility to engage in appraisal
448 practice.

449 C. Supervisory Appraisers shall have been state-certified for a minimum of three (3)
450 years prior to being eligible to become a Supervisory Appraiser.

451 D. Supervisory Appraisers must comply with the COMPETENCY RULE of USPAP for
452 the property type and geographic location the Trainee Appraiser is being supervised.

453 E. Whereas a Trainee Appraiser is permitted to have more than one Supervisory
454 Appraiser, Supervisory Appraisers may not supervise more than three (3) Trainee
455 Appraisers at one time, unless a state program in the credentialing jurisdiction
456 provides for progress monitoring, supervisory certified appraiser qualifications, and
457 supervision and oversight requirements for Supervisory Appraisers.

458 F. An appraisal experience log shall be maintained jointly by the Supervisory Appraiser
459 and the Trainee Appraiser. It is the responsibility of both the Supervisory Appraiser
460 and Trainee Appraiser to ensure the experience log is accurate, current and complies
461 with the requirements of the Trainee Appraiser's credentialing jurisdiction. At a
462 minimum, the appraisal log requirements shall include:

463 1. Type of property;

- 464 2. Date of report;
- 465 3. Address of appraised property;
- 466 4. Description of work performed by the Trainee Appraiser and the scope of the
467 review and supervision of the Supervisory Appraiser;
- 468 5. Number of actual work hours by the Trainee Appraiser on the assignment; and
- 469 6. The signature and state certification number of the Supervisory Appraiser.
470 Separate appraisal logs shall be maintained for each Supervisory Appraiser, if
471 applicable.
- 472 G. Supervisory Appraisers shall be required to complete a course that, at a minimum,
473 complies with the specifications for course content established by the AQB, which is
474 specifically oriented to the requirements and responsibilities of Supervisory
475 Appraisers and Trainee Appraisers.

Section 11: Proposed Revisions to Guide Note 1 (GN-1)

RATIONALE

Guide Note 1 (GN-1) has been slightly modified in an attempt to make it easier to understand and more meaningful to users. As a Guide Note, the contents are not “binding” like those contained in the *Criteria*, or in Interpretations of the *Criteria*; rather, it is designed to make the *Criteria* more understandable.

In this Fourth Exposure Draft, two proposed additional subtopics have been added to both residential and commercial course modules: seller concessions and energy efficient items (i.e. “green buildings”). These two new suggested subtopics reflect the intent of the Comment to Standards Rule 1-1(c) in the Uniform Standards of Professional Appraisal Practice, which states:

This Standards Rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in the real estate field have a substantial impact on the appraisal profession. Important changes in the cost and manner of constructing and marketing commercial, industrial, and residential real estate as well as changes in the legal framework in which real property rights and interests are created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.

AQB GUIDE NOTE 1 (G N-1)

AQB GUIDANCE FOR REQUIRED CORE CURRICULUM CONTENT

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

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

489 I. BASIC APPRAISAL PRINCIPLES (required for Trainee, Licensed Residential, 490 Certified Residential, and Certified General Classifications)

491 *30 HOURS*

- 492 A. Real Property Concepts and Characteristics
- 493 1. Basic Real Property Concepts
- 494 2. Real Property Characteristics
- 495 3. Legal Description
- 496 B. Legal Considerations
- 497 1. Forms of Ownership
- 498 2. Public and Private Controls
- 499 3. Real Estate Contracts
- 500 4. Leases
- 501 C. Influences on Real Estate Values
- 502 1. Governmental
- 503 2. Economic
- 504 3. Social
- 505 4. Environmental, Geographic and Physical
- 506 D. Types of Value
- 507 1. Market Value
- 508 2. Other Value Types
- 509 E. Economic Principles
- 510 1. Classic Economic Principles
- 511 2. Application and Illustrations of the Economic Principles
- 512 F. Overview of Real Estate Markets and Analysis
- 513 1. Market Fundamentals, Characteristics, and Definitions
- 514 2. Supply Analysis
- 515 3. Demand Analysis
- 516 4. Use of Market Analysis

- 517 G. Ethics and How They Apply in Appraisal Theory and Practice
- 518 **II. BASIC APPRAISAL PROCEDURES (required for Trainee, Licensed Residential,**
519 **Certified Residential, and Certified General Classifications)**
520 *30 HOURS*
- 521 A. Overview of Approaches to Value
- 522 B. Valuation Procedures
- 523 1. Defining the Problem
- 524 2. Collecting and Selecting Data
- 525 3. Analyzing
- 526 4. Reconciling and Final Value Opinion
- 527 5. Communicating the Appraisal
- 528 C. Property Description
- 529 1. Geographic Characteristics of the Land/Site
- 530 2. Geologic Characteristics of the Land/Site
- 531 3. Location and Neighborhood Characteristics
- 532 4. Land/Site Considerations for Highest and Best Use
- 533 5. Improvements - Architectural Styles and Types of Construction
- 534 6. Special Energy Efficient Characteristics of the Improvements
- 535 D. Residential or General Applications
- 536 **III. THE 15-HOUR NATIONAL USPAP COURSE OR ITS EQUIVALENT (required**
537 **for Trainee, Licensed Residential, Certified Residential, and Certified General**
538 **Classifications)**
539 *15 HOURS*
- 540 **IV. RESIDENTIAL MARKET ANALYSIS AND HIGHEST AND BEST USE (required**
541 **for Licensed Residential and Certified Residential Classifications)**
542 *15 HOURS*
- 543 A. Residential Markets and Analysis
- 544 1. Market Fundamentals, Characteristics and Definitions
- 545 2. Supply Analysis
- 546 3. Demand Analysis
- 547 4. Use of Market Analysis
- 548 B. Highest and Best Use
- 549 1. Test Constraints
- 550 2. Application of Highest and Best Use
- 551 3. Special Considerations
- 552 4. Market Analysis
- 553 5. Case Studies
- 554 **V. RESIDENTIAL APPRAISER SITE VALUATION AND COST APPROACH**
555 **(required for Licensed Residential and Certified Residential Classifications)**
556 *15 HOURS*
- 557 A. Site Valuation

- 558 1. Methods
- 559 2. Case Studies
- 560 B. Cost Approach
- 561 1. Concepts and Definitions
- 562 2. Replacement/Reproduction Cost New
- 563 3. Accrued Depreciation
- 564 4. Methods of Estimating Accrued Depreciation
- 565 5. Case Studies

566 **VI. RESIDENTIAL SALES COMPARISON AND INCOME APPROACHES (required**
 567 **for Licensed Residential and Certified Residential Classifications)**
 568 *30 HOURS*

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

579 **VII. RESIDENTIAL REPORT WRITING AND CASE STUDIES (required for Licensed**
 580 **Residential and Certified Residential Classifications)**
 581 *15 HOURS*

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

587 **VIII. STATISTICS, MODELING AND FINANCE (required for Certified Residential**
 588 **and Certified General Classifications)**
 589 *15 HOURS*

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

593 **IX. ADVANCED RESIDENTIAL APPLICATIONS AND CASE STUDIES (required**
594 **for Certified Residential Classification)**
595 *15 HOURS*

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

602 **X. GENERAL APPRAISER MARKET ANALYSIS AND HIGHEST AND BEST USE**
603 **(required for Certified General Classification)**
604 *30 HOURS*

- 605 A. Real Estate Markets and Analysis
- 606
 - 1. Market Fundamentals, Characteristics and Definitions
 - 607 2. Supply Analysis
 - 608 3. Demand Analysis
 - 609 4. Use of Market Analysis
- 610 B. Highest and Best Use
- 611
 - 1. Test Constraints
 - 612 2. Application of Highest and Best Use
 - 613 3. Special Considerations
 - 614 4. Market Analysis
 - 615 5. Case Studies

616 **XI. GENERAL APPRAISER SALES COMPARISON APPROACH (required for**
617 **Certified General Classification)**
618 *30 HOURS*

- 619 A. Value Principles
- 620 B. Procedures
- 621 C. Identification and Measurement of Adjustments
- 622 D. Reconciliation
- 623 E. Case Studies
- 624 1. Seller Concessions
- 625 2. Special Energy Efficient Items (i.e. "Green Buildings")

626 **XII. GENERAL APPRAISER SITE VALUATION AND COST APPROACH (required**
627 **for Certified General Classification)**
628 *30 HOURS*

- 629 A. Site Valuation
- 630
 - 1. Methods
 - 631 2. Case Studies
- 632 B. Cost Approach
- 633
 - 1. Concepts and Definitions

- 634 2. Replacement/Reproduction Cost New
- 635 3. Accrued Depreciation
- 636 4. Methods of Estimating Accrued Depreciation
- 637 5. Case Studies

638 **XIII. GENERAL APPRAISER INCOME APPROACH (required for Certified General**
639 **Classification)**

640 *60 HOURS*

- 641 A. Overview
- 642 B. Compound Interest
- 643 C. Lease Analysis
- 644 D. Income Analysis
- 645 E. Vacancy and Collection Loss
- 646 F. Estimating Operating Expenses and Reserves
- 647 G. Reconstructed Income and Expense Statement
- 648 H. Stabilized Net Operating Income Estimate
- 649 I. Direct Capitalization
- 650 J. Discounted Cash Flow
- 651 K. Yield Capitalization
- 652 L. Partial Interests
- 653 M. Case Studies

654 **XIV. GENERAL APPRAISER REPORT WRITING AND CASE STUDIES (required for**
655 **Certified General Classification)**

656 *30 HOURS*

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

Section 12: Proposed Revisions to Illustrative List of Continuing Education Topics

RATIONALE

Section III.F.3 of the *Criteria* contains a list of topics for which continuing education may qualify. It is important to note that this list is *illustrative, not exhaustive*; in other words, the AQB recognizes that topics other than those listed may be perfectly acceptable and appropriate for continuing education purposes (examples may include any of the subject matter topics listed in Guide Note 1 for qualifying education purposes). This is further underscored by the language preceding the topics listed, which states “including, but not limited to.”

Nevertheless, the AQB has heard some concerns that continuing education is often not as meaningful or beneficial to appraisers as it could be. As previously noted in Section 11 of this exposure draft, the Comment to Standards Rule 1-1(c) in the Uniform Standards of Professional Appraisal Practice states:

This Standards Rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in the real estate field have a substantial impact on the appraisal profession. Important changes in the cost and manner of constructing and marketing commercial, industrial, and residential real estate as well as changes in the legal framework in which real property rights and interests are created, conveyed, and mortgaged have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.

Additions are also being proposed for Guide Note 1 for *qualifying* education in Section 11. In this section, three proposed additional topics have been added to help stimulate more meaningful *continuing* education.

CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS

661 F. Criteria Specific to Continuing Education

662 3. Credit may be granted for education offerings that are consistent with the purpose
663 of continuing education and cover those real property related appraisal topics,
664 including, but not limited to:

665 i. Ad valorem taxation;

666 ii. Arbitration, dispute resolution;

667 iii. Courses related to the practice of real estate appraisal or consulting;

668 iv. Development cost estimating;

669 v. Ethics and standards of professional practice, USPAP;

670 vi. Land use planning, zoning;

671 vii. Management, leasing, timesharing;

672 viii. Property development, partial interests,

673 ix. Real estate law, easements, and legal interests;

674 x. Real estate litigation, damages, condemnation;

675 xi. Real estate financing and investment;

676 xii. Real estate appraisal related computer applications; ~~and/or~~

677 xiii. Real estate securities and syndication;

678 xiv. Developing opinions of real property value in appraisals that also include
679 personal property and/or business value;

680 xv. Seller concessions and impact on value; and/or

681 xvi. Energy efficient items and “green building” appraisals.