



THE APPRAISAL FOUNDATION

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

Updates from The Appraisal Foundation



A.C.O.W.
Appraisers' Coalition of Washington

20th annual

Summer Conference

August 16 - 17, 2018

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Director of Appraisal Issues

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Agenda

■ The Appraisal Foundation

- USPAP Courses for 2018-19
- Investigator Training (with AARO and ASC)
- Q&A Forum
- Appraisal Practices Board

■ Appraisal Standards Board

- Yes, I Can Accept That Assignment!
- New Features for 2018-19 eUSPAP
- Potential revisions for 2020-21 edition of USPAP

■ Appraiser Qualifications Board

- Appraiser Credentials
- Appraiser Age Ranges
- Revisions to the *Real Property Appraiser Qualification Criteria*
- *Practical Applications of Real Estate Appraisal* (PAREA)
- Future Concept: Credential *Without* Experience?



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USPAP Courses for 2018-19

Course Title	Hours	Delivery Mechanism**	Audience	Count Toward Real Property USPAP Requirements?	Count Toward Real Property QE/CE Requirements?***
<i>7-Hour National USPAP Update Course</i>	7	Classroom and Online	Real Property Appraisers	Yes	CE Real Property Credit
<i>7-Hour USPAP Update Course for Non-Residential Real Property</i>	7	Online	Real Property Appraisers	Yes	CE Real Property Credit
<i>7-Hour USPAP Update Course for Mass Appraisal</i>	7	Classroom	Real Property and Mass Appraisers	Yes	CE Real Property Credit
<i>7-Hour USPAP Update Course for Personal Property</i>	7	Classroom	Personal Property Appraisers	No	No
<i>7-Hour Residential Review and Compliance Course</i>	7	Classroom and Online	Real Property Appraisers	No	CE Real Property Credit
<i>15-Hour National USPAP Course</i>	15	Classroom and Online	Real Property Appraisers	Yes	QE or CE Real Property Credit
<i>15-Hour USPAP Course for Business Appraisal</i>	15	Classroom	Business Appraisers	No	No
<i>15-Hour USPAP Course for Personal Property</i>	15	Classroom	Personal Property Appraisers	No	No



USPAP-Related Courses

Seminar Title	Hours	Format	Audience
<i>Evaluating a Report for USPAP Compliance*</i>	4	Online	Lenders, Underwriters
<i>Intro to Terms and Concepts of USPAP*</i>	4	Online	State Regulators, Attorneys, Investigators
<i>Residential Review and USPAP Compliance**</i>	7	Online	Real Property Appraisers
<i>Residential Review and USPAP Compliance**</i>	7	Classroom	Real Property Appraisers



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Corrective Education Courses

Corrective Education - Available Online Now			
Seminar Title	Hours	Format	Audience
<u><i>Appraiser Self Protection: Documentation and Record Keeping</i></u>	4	Online	Corrective Education
<u><i>Report Certifications: What Am I Signing and Why?</i></u>	4	Online	Corrective Education
<u><i>Residential Report Writing vs. Form Filing</i></u>	4	Online	Corrective Education
<u><i>Scope of Work: Appraisals and Inspections</i></u>	4	Online	Corrective Education



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Investigator Training

Level I

Date: June 4-6, 2018

Instructors: Tom Lewis & Larry Disney

Location: Tampa, FL

Prerequisite: Completion of the [15- Hour National USPAP Course](#) (or its equivalent), **OR** the 4-hour online course [Intro to Terms & Concepts of USPAP](#).

(Note that the *Intro* course is not eligible for CE credit).

Registration Cut-Off: 4/20/2018

REGISTER ↻

Level II

Date: July 9-11, 2018

Instructors: Larry Disney, Don Rodgers

Location: Tampa, FL

Prerequisite: Completion of Level 1 Investigator Training Course and the [15- Hour National USPAP Course](#) (or its equivalent)

Registration Cut-Off: 5/18/2018

REGISTER ↻

Level III

Date: August 27-29, 2018

Instructors: Tom Lewis, Larry Disney

Location: Tampa, FL

Prerequisite: Completion of Level 2 Investigator Training Course, which includes [15- Hour National USPAP Course](#) (or its equivalent).

Registration Cut-Off: 7/13/2018

REGISTER ↻



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Q&A Forum



Become an Appraiser ↗



Find an Appraiser ↗

Q&A

Q&A Forum ↗



Valuation Methods ↗



Q&A Forum

If you cannot locate your question by clicking on the currently available Q&As below, please visit our **Q&A Forum**, available at www.appraisal.answerbase.com. We have also detailed **instructions** on how to register for the Q&A Forum.



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Appraisal Practices Board

- Free Voluntary Guidance on Recognized Valuation Methods and Techniques
- Production Time and Guidance Too Lengthy
- Published Valuation Advisories:
 - *Adjusting Comparable Sales for Seller Concessions*
 - *Residential Appraising in a Declining Market*
 - *Identifying Comparable Properties*
 - *Identifying Comparable Properties in AVMs for Mass Appraisal*
 - *Valuation of Green and High Performance Property:*
 - *Background and Core Competency*
 - *One to Four Unit Residential*
 - *Commercial, Multi-Family, and Institutional*
 - *Collection and Verification of Residential Data in the Sales Comparison Approach*



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Appraisal Standards Board



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

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

Assignment Types	Some Examples	Allowed by USPAP?	How Does USPAP Apply?
<i>Oral Appraisal Reports</i>	A client does not require a written report	Yes	STANDARDS 2, 8, 10
<i>Purchase Price Negotiation</i>	A potential buyer is considering purchasing a property or business	Yes	STANDARDS 1 & 2, 7 & 8, 9 & 10
<i>Calculation Engagement</i>	A CEO is considering an acquisition and wants to know the calculated result given a specific valuation method	Yes	STANDARDS 9 & 10
<i>Consulting/Appraisal Consulting¹</i>	A client is considering developing a vacant parcel and is looking for maximum return	Yes	Advisory Opinion 21
<i>Appraisals for Litigation/Expert Witness Testimony</i>	An attorney needs an impartial opinion of value for legal proceedings	Yes	STANDARDS 1 & 2, 6, 7 & 8, 9 & 10
<i>Evaluations² for Lending</i>	A lender needs an evaluation providing an opinion of market value to ensure a loan is adequately collateralized	Yes	STANDARDS 1 & 2 and Advisory Opinion 13 ³
<i>Appraisals for Lending</i>	A lender needs an appraisal providing an opinion of value to ensure a loan is adequately collateralized	Yes	STANDARDS 1 & 2, 7 & 8
<i>Appraisal Review</i>	A client needs to know whether or not an appraisal is credible	Yes	STANDARD 3
<i>Appraisals for Charitable Contributions</i>	An individual donating real or personal property requires a qualified appraisal performed by a qualified appraiser ⁴	Yes	STANDARDS 1 & 2, 7 & 8
<i>Appraisals for Estates</i>	An executor needs to know the value of property in order to equitably settle an estate; an executor needs to know the Fair Market Value to pay estate taxes	Yes	STANDARDS 1 & 2, 7 & 8, 9 & 10
<i>Appraisals for Insurance</i>	A property owner wants to know how much insurance coverage is adequate; a property owner needs an independent appraisal to help settle a damage/loss claim	Yes	STANDARDS 1 & 2, 7 & 8
<i>Advocacy</i>	An individual who is an appraiser is asked to represent one party in a court proceeding	Yes (see footnote)	ETHICS RULE and Advisory Opinion 21 ⁵
<i>Assessment Appeals</i>	An appraiser is asked to work for a property owner in an assessment appeals hearing	Yes (see footnote)	ETHICS RULE and Advisory Opinion 21 ⁶
<i>Contingent Fee</i>	An appraiser agrees to be compensated for the appraisal only when the loan closes	No	Management Section, ETHICS RULE

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

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

1. Appraisal consulting is no longer defined in USPAP and the Real Property Appraisal Consulting Standards were retired, however, those services (formerly called appraisal consulting) are still permitted under USPAP.
 2. As defined in the *Integrity Appraisal and Calculation Guidelines*, December 2014.
 3. Advisory Opinion 13, *Performing Evaluations of Real Property Collateral to Conform with USPAP*, provides guidance on this topic.
 4. Internal Revenue Service, Publication 561.
 5. An individual may provide services as an advocate, or as an appraiser (one who expected to perform in a manner that is independent, impartial, and objective), however, one cannot act in both roles in the same assignment. When acting as an advocate, the individual must not misrepresent his or her role.
 6. Appraisers may perform assignments for assessment appeals, but cannot do so if the fee is based on a percentage of the cost savings or other events as stated in the *Management* section of the ETHICS RULE. Appraisers must also ensure they do not misrepresent their role in such assignments.
 7. *Restricted Appraisal Reports* are allowed under STANDARDS 2, 8 and 10.
 8. *Management* section of the ETHICS RULE.

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YES,
USPAP

Some appraiser
that is built on
concept in USPAP

Assignment Types

Oral Appraisal

Purchase Price

Calculation Eng

Consulting/App

Appraisals for

Witness Testim

Evaluations² f

set of standards
scope of work
flexibility:

AP Apply?

8, 10

& 2, 7 & 8, 9

& 10

in 21

& 2, 6, 7 & 8,

& 2 and Advisory

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Adopted Changes for 2018-19 Edition of USPAP

- *Summary of Actions* available on website at:
<https://appraisalfoundation.sharefile.com/share?#/view/s305094efde84bbda>
- Free webinar on 2018-19 USPAP Changes available on website at:
<https://www.appraisalfoundation.org/imis/TAF/Resources/Webinars/TAF/Webinars.aspx?hkey=abedc6ee-9b07-416e-a518-58dd00b1e621>





Potential Changes for 2020-21 Edition of USPAP

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





Proposed Changes for 2020-21 USPAP (1st Exposure Draft)

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





Proposed Changes for 2020-21 USPAP (1st Exposure Draft) - Reporting

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





Proposed Changes for 2020-21 USPAP (1st Exposure Draft) – SCOPE OF WORK RULE

- Create more robust reporting requirements in the SCOPE OF WORK RULE?
- Create a SCOPE OF REPORTING RULE?
- Move all reporting requirements into the applicable Standards?
- Remove any duplication between the SCOPE OF WORK RULE and the Standards?





Proposed Changes for 2020-21 USPAP (1st Exposure Draft) – Comments in Standards

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





Proposed Changes for 2020-21 USPAP (1st Exposure Draft) – DEFINITIONS

- Remove Comments from definitions
- Add definitions of commonly-used appraisal terms (e.g., “effective date,” “physical characteristics”) to assist users of appraisals?





Proposed Changes for 2020-21 USPAP (1st Exposure Draft) – Other Edits

- Revise “accept an assignment” to “agree to complete an assignment”
- Revise “intangible items” to “intangible assets”



Appraiser Qualifications Board



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12 Year Trend: Active Appraiser Credentials

	<u>2006</u>	<u>Today</u> ¹	
Certified General	34,812	39,960	+15%
Certified Residential	46,701	48,067	+3%
Licensed Residential	<u>29,921</u>	<u>7,520</u>	-75%
Total	111,434	94,547	-15%

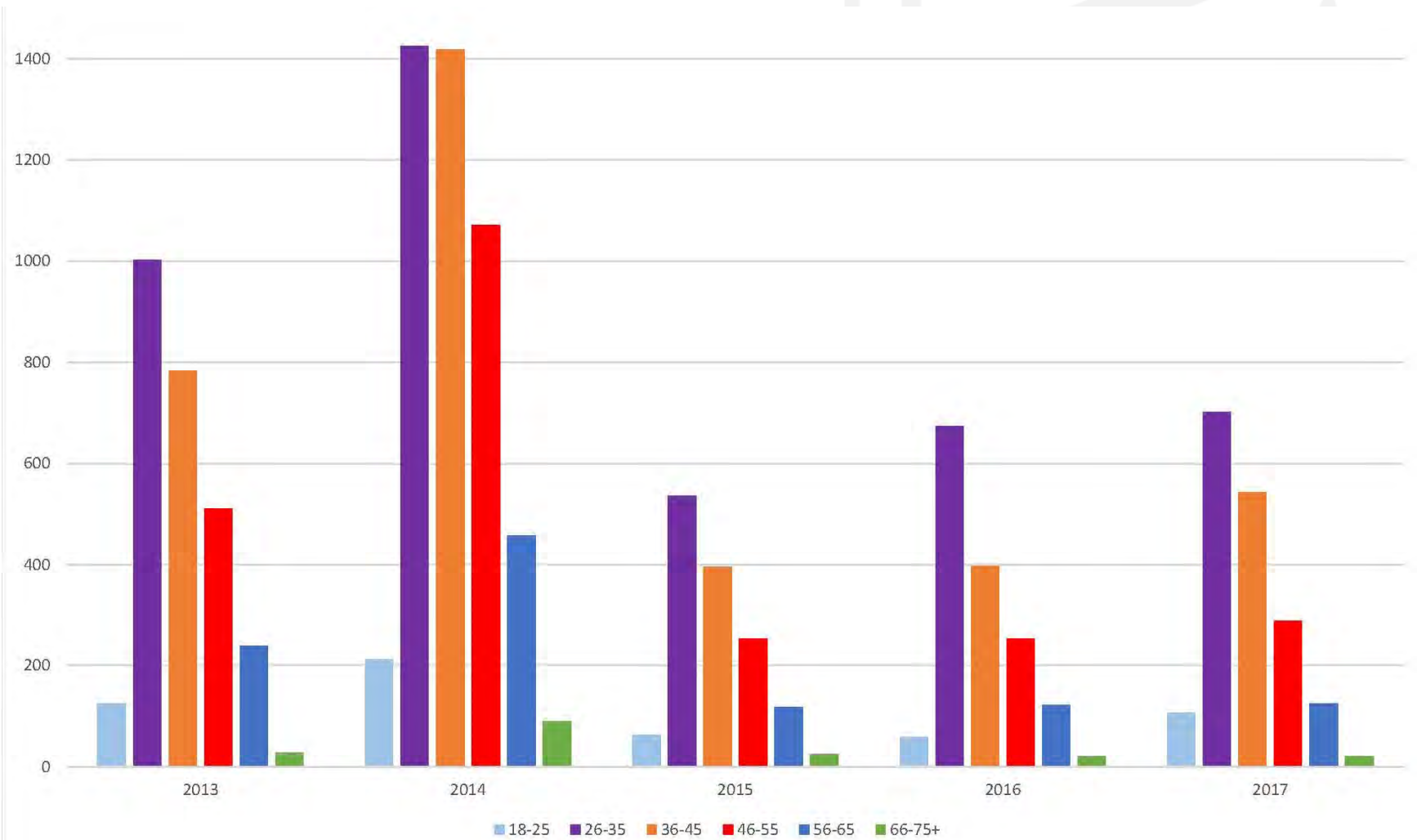
¹ Appraisal Subcommittee National Registry as of August 1, 2018



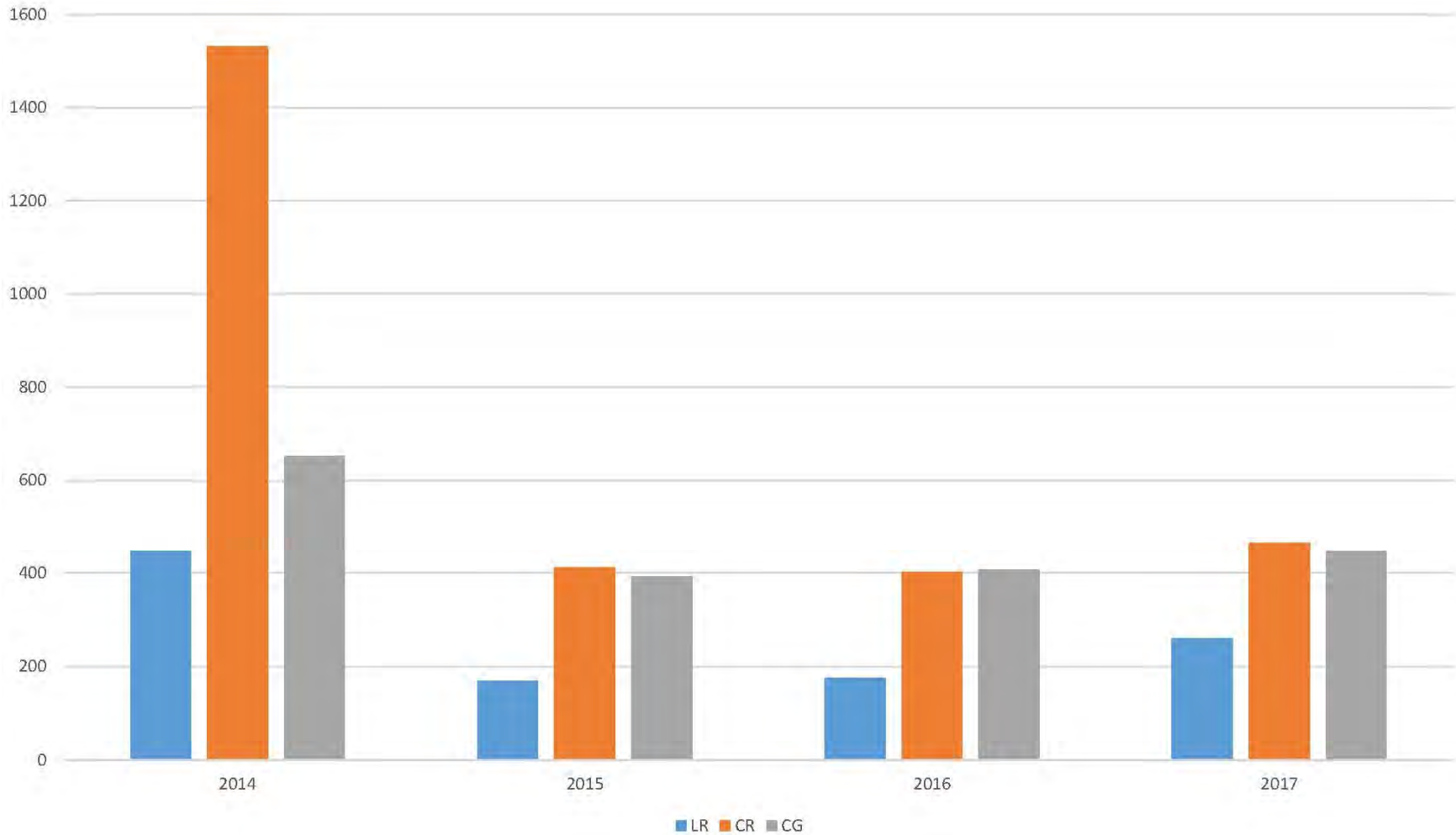
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Aging Appraiser Population?



1st Time Exams: 2014 – 2017



First Time Exams: 2013 – 2017

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

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



Attracting New Appraisers

Graduate Programs Approved:

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

Undergraduate Programs Approved:

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



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AQB Areas of Focus

Completed

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

In Progress

- *Practical Applications of Real Estate Appraisal*





Finding Solutions

- Concept Paper Issued on July 9, 2015
- Public Hearing in Washington, DC on October 16, 2015
- Discussion Draft issued February 11, 2016
- First Exposure Draft published on May 18, 2016
- Online Public Briefing August 25, 2016
- Second Exposure Draft published on September 15, 2016
- Third Exposure Draft published on March 15, 2017
- Focus Group Meeting on September 6, 2017
- Fourth Exposure Draft published on November 1, 2017





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

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





College-Level Education Changes: Licensed Residential

- Removal of all college-level education requirements





College-Level Education Changes: Certified Residential

Obtain Bachelor's Degree or:

- A. Obtain Associate's Degree with an emphasis in business or real estate;
- B. Complete at least 30 semester credit hours of specified College-Level Examination Program (CLEP) Exams;
- C. Complete 30 semester credit hours in specific college courses; or
- D. Any combination of "B" and "C" above, covering all topic areas.





Alternative Track: **Licensed Residential to Certified Residential**

- Document a minimum of five (5) years of experience as a Licensed Residential appraiser with no history of disciplinary actions;
- Complete 50 hours of additional specified qualifying education;
- Document required additional experience hours; and
- Pass Certified Residential examination.





Why Revise Experience Requirements?

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

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





Revisions to Experience Requirements

- Licensed Residential:
 - Current: 2,000 hours in 12 months
 - May 1, 2018: 1,000 hours in 6 months
- Certified Residential:
 - Current: 2,500 hours in 24 months
 - May 1, 2018: 1,500 hours in 12 months
- Certified General:
 - Current: 3,000 hours (1,500 non-residential) in 30 months
 - May 1, 2018: 3,000 hours (1,500 non-residential) in 18 months





Practical Applications of Real Estate Appraisal (PAREA)

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





Obtain an Appraiser Credential *Without* Experience in the Future?

Future Concept Paper

- Complete Qualifying Education
 - XX Hours in Required Core Curriculum
 - College-level education
- Pass “Super Examination”
- Receive Credential



Contact Us

Communicating with the Foundation and its Boards is easy:

- Website: www.appraisalfoundation.org
- Phone: 202.347.7722
- Address: 1155 15th Street NW, Suite 1111
Washington, DC 20005
- Email: info@appraisalfoundation.org
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