Updates from The Appraisal Foundation

A.C.O.W.
Appraisers’ Coalition of Washington
20th annual
Summer Conference
August 16 - 17, 2018

John S. Brenan
Director of Appraisal Issues
john@appraisalfoundation.org
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?
# USPAP Courses for 2018-19

<table>
<thead>
<tr>
<th>Course Title</th>
<th>Hours</th>
<th>Delivery Mechanism</th>
<th>Audience</th>
<th>Count Toward Real Property USPAP Requirements?</th>
<th>Count Toward Real Property QE/CE Requirements?</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-Hour National USPAP Update Course</td>
<td>7</td>
<td>Classroom and Online</td>
<td>Real Property Appraisers</td>
<td>Yes</td>
<td>CE Real Property Credit</td>
</tr>
<tr>
<td>7-Hour USPAP Update Course for Non-Residential Real Property</td>
<td>7</td>
<td>Online</td>
<td>Real Property Appraisers</td>
<td>Yes</td>
<td>CE Real Property Credit</td>
</tr>
<tr>
<td>7-Hour USPAP Update Course for Mass Appraisal</td>
<td>7</td>
<td>Classroom</td>
<td>Real Property and Mass Appraisers</td>
<td>Yes</td>
<td>CE Real Property Credit</td>
</tr>
<tr>
<td>7-Hour USPAP Update Course for Personal Property</td>
<td>7</td>
<td>Classroom</td>
<td>Personal Property Appraisers</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>7-Hour Residential Review and Compliance Course</td>
<td>7</td>
<td>Classroom and Online</td>
<td>Real Property Appraisers</td>
<td>No</td>
<td>CE Real Property Credit</td>
</tr>
<tr>
<td>15-Hour National USPAP Course</td>
<td>15</td>
<td>Classroom and Online</td>
<td>Real Property Appraisers</td>
<td>Yes</td>
<td>QE or CE Real Property Credit</td>
</tr>
<tr>
<td>15-Hour USPAP Course for Business Appraisal</td>
<td>15</td>
<td>Classroom</td>
<td>Business Appraisers</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>15-Hour USPAP Course for Personal Property</td>
<td>15</td>
<td>Classroom</td>
<td>Personal Property Appraisers</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>
# USPAP-Related Courses

<table>
<thead>
<tr>
<th>Seminar Title</th>
<th>Hours</th>
<th>Format</th>
<th>Audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluating a Report for USPAP Compliance*</td>
<td>4</td>
<td>Online</td>
<td>Lenders, Underwriters</td>
</tr>
<tr>
<td>Intro to Terms and Concepts of USPAP*</td>
<td>4</td>
<td>Online</td>
<td>State Regulators, Attorneys, Investigators</td>
</tr>
<tr>
<td>Residential Review and USPAP Compliance**</td>
<td>7</td>
<td>Online</td>
<td>Real Property Appraisers</td>
</tr>
<tr>
<td>Residential Review and USPAP Compliance**</td>
<td>7</td>
<td>Classroom</td>
<td>Real Property Appraisers</td>
</tr>
</tbody>
</table>
Corrective Education Courses

<table>
<thead>
<tr>
<th>Seminar Title</th>
<th>Hours</th>
<th>Format</th>
<th>Audience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraiser Self Protection: Documentation and Record Keeping</td>
<td>4</td>
<td>Online</td>
<td>Corrective Education</td>
</tr>
<tr>
<td>Report Certifications: What Am I Signing and Why?</td>
<td>4</td>
<td>Online</td>
<td>Corrective Education</td>
</tr>
<tr>
<td>Residential Report Writing vs. Form Filling</td>
<td>4</td>
<td>Online</td>
<td>Corrective Education</td>
</tr>
<tr>
<td>Scope of Work: Appraisals and Inspections</td>
<td>4</td>
<td>Online</td>
<td>Corrective Education</td>
</tr>
</tbody>
</table>
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

**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 16-Hour National USPAP Course (or its equivalent).
Registration Cut-Off: 5/18/2018

**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

The Appraisal Foundation
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications
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](http://www.appraisal.answerbase.com). We have also detailed instructions on how to register for the Q&A Forum.
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
Appraisal Standards Board
YES, I CAN ACCEPT THAT ASSIGNMENT!
USPAP FLEXIBILITY AT A GLANCE

Some appraisers may not be aware of the inherent flexibility built into the Uniform Standards of Professional Appraisal Practice (USPAP). Because USPAP is a set of standards that is based 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:

<table>
<thead>
<tr>
<th>Assignment Types</th>
<th>Some Examples</th>
<th>Allowed by USPAP?</th>
<th>How Does USPAP Apply?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oral Appraisal Reviews</td>
<td>A client does not require a written report</td>
<td>Yes</td>
<td>STANDARDS 8 &amp; 10</td>
</tr>
<tr>
<td>Purchase Price Negotiation</td>
<td>A potential buyer is considering purchasing a property or business</td>
<td>Yes</td>
<td>STANDARDS 1 &amp; 2, 7 &amp; 8, 9 &amp; 10</td>
</tr>
<tr>
<td>Calculation Engagement</td>
<td>A client is considering an acquisition or sale to know the current market value of a specific valuation method</td>
<td>Yes</td>
<td>STANDARDS 9 &amp; 10</td>
</tr>
<tr>
<td>Consulting/ADF Consulting</td>
<td>A client is considering developing a vacant parcel and is looking for maximum return</td>
<td>Yes</td>
<td>Advisory Opinion 21</td>
</tr>
<tr>
<td>Approvals for Litigation/Expert Witness Testimony</td>
<td>An attorney needs an impartial opinion on value for legal proceedings</td>
<td>Yes</td>
<td>STANDARDS 1 &amp; 2, 6, 7 &amp; 8, 9 &amp; 10</td>
</tr>
<tr>
<td>Valuations for Banking</td>
<td>A lender needs an evaluation providing an opinion of market value to ensure a loan is adequately collateralized</td>
<td>Yes</td>
<td>STANDARDS 2 &amp; 6 and Advisory Opinion 13</td>
</tr>
<tr>
<td>Approvals for Offering</td>
<td>A client needs an appraisal providing an opinion of value to ensure a loan is appropriately collateralized</td>
<td>Yes</td>
<td>STANDARDS 1 &amp; 2, 7 &amp; 8</td>
</tr>
<tr>
<td>Appraisal Review</td>
<td>A client needs to know whether or not an appraisal is necessary</td>
<td>Yes</td>
<td>STANDARDS 3</td>
</tr>
<tr>
<td>Appraisals for Charitable Contributions</td>
<td>An individual or personal property requires an appraisal performed by a qualified appraiser</td>
<td>Yes</td>
<td>STANDARDS 1 &amp; 2, 7 &amp; 8</td>
</tr>
<tr>
<td>Appraisals for Estates</td>
<td>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</td>
<td>Yes</td>
<td>STANDARDS 1 &amp; 2, 7 &amp; 8, 9 &amp; 10</td>
</tr>
<tr>
<td>Appraisals for Insurance</td>
<td>A property owner weight to how much insurance coverage is adequate; a property owner needs an independent appraisal to help settle a disagreement claim</td>
<td>Yes</td>
<td>STANDARDS 1 &amp; 2, 7 &amp; 8</td>
</tr>
<tr>
<td>Appraisals for Foreclosures</td>
<td>An individual or personal property requires an appraisal performed by a qualified appraiser</td>
<td>Yes (see footnote)</td>
<td>ETHICS RULE and Advisory Opinion 21</td>
</tr>
<tr>
<td>Appraisals for Assignment</td>
<td>An appraiser is asked to work for a property owner in an assignment planning hearing</td>
<td>Yes (see footnote)</td>
<td>ETHICS RULE and Advisory Opinion 21</td>
</tr>
<tr>
<td>Appraisals for Cost Estimate</td>
<td>An appraiser agrees to perform an appraisal only when the fees charged</td>
<td>No</td>
<td>Management Section, ETHICS RULE</td>
</tr>
</tbody>
</table>

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 permits only those assignments that are necessary for credible results, giving the intended user of the report the right to determine whether an appraisal is necessary. USPAP also includes provisions for an allowed reporting format.1

In order to protect public trust, USPAP does not permit assignments where an appraiser’s fee is contingent on the outcome, or a subsequent event directly related to the appraiser’s opinion.2

1. Appraisers should be aware that USPAP and the Market Value Rule define standards that are not necessarily what business appraisers would consider to be performance objectives. In some cases, appraisers may find it helpful to incorporate these standards into their practice. However, USPAP does not require that appraisers perform all of the tasks outlined in the Market Value Rule.
2. As a result, the following standards and guidelines for assignment planning should be considered when determining if an assignment meets the standards for USPAP.

Notes:
1. Appraisers should be aware that USPAP and the Market Value Rule define standards that are not necessarily what business appraisers would consider to be performance objectives. In some cases, appraisers may find it helpful to incorporate these standards into their practice. However, USPAP does not require that appraisers perform all of the tasks outlined in the Market Value Rule.
2. As a result, the following standards and guidelines for assignment planning should be considered when determining if an assignment meets the standards for USPAP.

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

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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”
12 Year Trend: Active Appraiser Credentials

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>Today¹</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified General</td>
<td>34,812</td>
<td>39,960</td>
<td>+15%</td>
</tr>
<tr>
<td>Certified Residential</td>
<td>46,701</td>
<td>48,067</td>
<td>+3%</td>
</tr>
<tr>
<td>Licensed Residential</td>
<td>29,921</td>
<td>7,520</td>
<td>-75%</td>
</tr>
<tr>
<td>Total</td>
<td>111,434</td>
<td>94,547</td>
<td>-15%</td>
</tr>
</tbody>
</table>

¹ Appraisal Subcommittee National Registry as of August 1, 2018
Aging Appraiser Population?
1st Time Exams: 2014 – 2017
# First Time Exams: 2013 – 2017

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td># Passed</td>
<td>Pass Rate</td>
<td># Passed</td>
<td>Pass Rate</td>
<td># Passed</td>
</tr>
<tr>
<td>LR</td>
<td>317</td>
<td>43%</td>
<td>447</td>
<td>53%</td>
<td>169</td>
</tr>
<tr>
<td></td>
<td>137</td>
<td></td>
<td>236</td>
<td></td>
<td>89</td>
</tr>
<tr>
<td>CR</td>
<td>796</td>
<td>69%</td>
<td>1531</td>
<td>67%</td>
<td>411</td>
</tr>
<tr>
<td></td>
<td>552</td>
<td></td>
<td>1033</td>
<td></td>
<td>262</td>
</tr>
<tr>
<td>CG</td>
<td>407</td>
<td>54%</td>
<td>652</td>
<td>64%</td>
<td>393</td>
</tr>
<tr>
<td></td>
<td>220</td>
<td></td>
<td>415</td>
<td></td>
<td>259</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1520</td>
<td>60%</td>
<td>2630</td>
<td>64%</td>
<td>973</td>
</tr>
<tr>
<td></td>
<td>909</td>
<td></td>
<td>1684</td>
<td></td>
<td>610</td>
</tr>
</tbody>
</table>

- 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
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](http://www.appraisalfoundation.org)
- Phone: 202.347.7722
- Address: 1155 15th Street NW, Suite 1111
  Washington, DC  20005
- Email: [info@appraisalfoundation.org](mailto:info@appraisalfoundation.org)
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