



TO: All Interested Parties

FROM: Joseph C. Traynor, Chair
Appraiser Qualifications Board

RE: Third Exposure Draft of **Proposed Changes to the *Real Property Appraiser Qualification Criteria***

DATE: March 15, 2017

For the last two years, the Appraiser Qualifications Board (AQB) has been examining potential areas of change to the *Real Property Appraiser Qualification Criteria (Criteria)*. This examination commenced in earnest with a Concept Paper issued in July 2015, followed by a Public Hearing in Washington, DC in October 2015.

On February 11, 2016, the AQB issued a Discussion Draft – Potential Areas of Change to the *Real Property Appraiser Qualification Criteria*. In response to the Discussion Draft, the AQB received over 270 written comments, as well as a number of verbal comments at a public meeting held in Phoenix, Arizona on April 8, 2016.

The AQB subsequently issued the First Exposure Draft of Proposed Changes to the *Criteria* on May 18, 2016, which took into consideration all comments received up to that time, and which focused on five major topic areas:

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

Most recently, the AQB issued the Second Exposure Draft of Proposed Changes to the *Criteria* on September 15, 2016, which took into consideration all comments received up to that time, and which addressed the following three topic areas:

- Licensed Residential and Certified Residential College-Level Education Requirements
- Practical Applications of Real Estate Appraisal
- Experience Requirements

After considering all of the feedback received from the first two exposure drafts, as well as that from its prior outreach efforts, the AQB is addressing the topics contained in the Third Exposure Draft as follows:

- **Degree Requirement for Licensed Residential and Certified Residential:** Section 1 of this document addresses college-level education requirements for the Licensed Residential and Certified Residential classifications.
- **Practical Applications of Real Estate Appraisal:** Section 2 of this document addresses the development of specific module guidelines for the *Practical Applications of Real Estate Appraisal*, including proposed changes to Guide Note 4 (GN-4) of the *Criteria*. The modules would be designed for use by colleges and universities, professional organizations, proprietary schools, and appraisal firms.
- **Experience Requirements:** Section 3 of this document contains proposed revisions to the current hours and timeframes required for the Licensed Residential, Certified Residential, and Certified General classifications, as was exposed in the Second Exposure Draft.

All interested parties are encouraged to comment in writing to the AQB before Friday, May 12, 2017. The AQB will also accept verbal comments at its public meeting in Tampa, Florida on Friday, April 7, 2017. Respondents are assured that each member of the AQB will thoroughly read and consider all comments.

Please submit written comments on this exposure draft by mail or email.

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

Email: aqbcomments@appraisalfoundation.org

IMPORTANT NOTE: The Appraisal Foundation will post on its website for public viewing all written comments exactly as submitted. Upon request, The Appraisal Foundation will redact the name(s) of the author(s) from the website.

The Appraisal Foundation reserves the right not to post written comments containing 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.

Third Exposure Draft of Proposed Changes to the *Real Property Appraiser Qualification Criteria (Criteria)*

**Issued: March 15, 2017
Comment Deadline: May 12, 2017**

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 the exposure draft, it is 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 for the AQB's consideration.

Where text is deleted from what currently appears in the *Criteria*, that text is shown as strikethrough. For example: ~~This is strikethrough text proposed for deletion.~~ Text added to what currently appears in the *Criteria* is underlined. For example: This is text proposed for insertion.

The primary mission of the AQB is to protect public trust in the appraisal profession. As such, multiple exposure drafts are required to adequately vet the significant issues contained in this document. Depending on the feedback received and timing of any subsequent exposure drafts, the AQB anticipates that any changes, if adopted, will go into effect no sooner than January 1, 2018.

**Third Exposure Draft:
Potential Changes to the
*Real Property Appraiser Qualification Criteria***

**Issued: March 15, 2017
Comment Deadline: May 12, 2017**

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

When commenting on various aspects of the discussion paper, it is helpful to explain, in detail, the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues for the AQB's consideration.

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

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Section 1: Licensed Residential and Certified Residential College-Level Education Requirements

Rationale

As indicated in the previous two exposure drafts, the AQB received a large number of comments from all stakeholders regarding the college-level education required for the Licensed Residential credential and Bachelor's degree required for the Certified Residential credential as of January 1, 2015. Comments received were both positive and negative regarding the necessary college education qualifications to maintain and promote public trust in the appraisal profession.

After considering the comments received in response to the Second Exposure Draft and prior outreach efforts including the First Exposure Draft, the AQB is proposing removing the college-level education requirement for the Licensed Residential credential in its entirety, and maintaining the Bachelor's degree requirement for the Certified Residential credential.

The AQB heard from a substantial number of stakeholders that many appraisers who hold the Licensed Residential credential have demonstrated their competency to provide quality residential appraisal services particularly if they have been practicing for several years with no record of disciplinary action.

While the AQB maintains the position a Bachelor's degree is a significant component towards ensuring the public trust in the appraisal process, the Board is aware of and understands the substantial time and financial commitment necessary for Licensed Residential credential holders to obtain a Bachelor's degree while operating a competent and ethical appraisal practice. Therefore, the AQB proposes the holders of the Licensed Residential credential have an option to demonstrate their ability to complete college level education while maintaining public trust in the appraisal process. This option will provide Licensed Residential credential holders with much of the educational benefit of a college degree, particularly related to the skill sets minimally required of a competent appraiser in order to maintain the public trust.

For holders of the Licensed Residential credential seeking a Certified Residential credential, the AQB is proposing two options to demonstrate specific college-level equivalency. The first option is to pass College-Level Examination Program (CLEP)¹ exams equivalent to a minimum of 21 semester credit hours in specified subject matter areas. CLEP is a well-recognized testing program accepted by 2,900 colleges and universities.² The specific subject areas considered necessary to protect the public trust include:

¹ CLEP exams involve "scaled scoring" without a pass/fail result. Applicants would be required to achieve exam scores that meet the minimums required to grant college credit at duly accredited colleges and universities.

² www.collegeboard.org

- College Algebra
- College Composition
- College Composition Modular
- College Mathematics
- Principles of Macroeconomics
- Principles of Microeconomics
- Introductory Business Law

These specific CLEP exams are available at many testing centers across the country and will serve to demonstrate an individual possesses the academic skills required to preserve and maintain public trust in the appraisal profession.

The second alternative to a Bachelor's degree is to allow Licensed Residential appraisers seeking the Certified Residential credential to document successful completion of 21 semester hours of specific collegiate courses from an accredited college, junior college, community college, or university. The specific subject matters proposed are:

- English Composition (6 semester hours)
- Economics or Finance (6 semester hours)
- Algebra, Geometry, Statistics, or higher mathematics (6 semester hours)
- Business Law or Real Estate Law (3 semester hours)

A third alternative to the Bachelor's degree includes any combination of CLEP tests and college semester hours as indicated above, provided all of the topics were covered.

The intent of the proposed revisions would also permit a mixture of traditional college courses, as outlined above, and the equivalent CLEP exam(s) for the specific subject matter. For example, an individual would receive the same credit for the 3 semester hours of Algebra, Geometry, Statistics, or higher mathematics by either taking a traditional college course or successfully completing the College Algebra CLEP exam.

LICENSED RESIDENTIAL REAL PROPERTY APPRAISER

III. Qualifying Education

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

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

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

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

~~BA. The Licensed Residential Real Property Appraiser classification requires completion of one hundred fifty (150) creditable class hours as specified in the *Required Core Curriculum*. As part of the 150 required hours, the applicant shall successfully complete the *15-Hour National USPAP Course*, or its AQB-approved equivalent, and successfully pass the examination. There is no alternative to successful completion of the USPAP Course and examination.~~

~~C. For college-level courses taken in a quarterly system versus a semester system, one-quarter hour credit is equivalent to .67 semester credit hours. Conversely, one semester credit hour is equivalent to 1.5 quarter credit hours. For example, to satisfy the 30-semester credit hour requirement for the Licensed Residential Real Property Appraiser classification, an applicant needs to successfully pass those applicable courses that generate 45 quarter credit hours, (i.e. 30 semester credit hours x 1.5 conversion factor).~~

37 ~~D~~B.Appraisers holding a valid **Trainee Appraiser** credential may satisfy the
 38 educational requirements for the Licensed Residential Real Property Appraiser
 39 credential by completing the following additional educational hours:

40	1. Residential Market Analysis and Highest and Best Use	15 Hours
41	2. Residential Appraiser Site Valuation and Cost Approach	15 Hours
42	3. Residential Sales Comparison and Income Approaches	30 Hours
43	4. Residential Report Writing and Case Studies	<u>15 Hours</u>
44	TOTAL	75 Hours

45 ~~E. **Trainee Appraisers** wishing to change to the Licensed Residential Real Property~~
 46 ~~Appraiser classification must also satisfy the college level education requirements~~
 47 ~~as specified in III.A.~~

48 ~~F~~C.Appraisers holding a valid **Certified Residential Real Property Appraiser**
 49 credential satisfy the educational requirements for the Licensed Residential Real
 50 Property Appraiser credential.

51 ~~G~~D.Appraisers holding a valid **Certified General Real Property Appraiser** credential
 52 satisfy the educational requirements for the Licensed Residential Real Property
 53 Appraiser credential.

CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER

III. Qualifying Education

54 A. Applicants for the Certified Residential credential must hold a Bachelor's degree,
55 or higher, from an accredited college or university. The college or university must
56 be a degree-granting institution accredited by the Commission on Colleges, a
57 national or regional accreditation association, or by an accrediting agency that is
58 recognized by the U.S. Secretary of Education.

59 Applicants with a college degree from a foreign country may have their education
60 evaluated for "equivalency" by one of the following:

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

70 As an alternative to the Bachelor's degree requirement, individuals who have held
71 a Licensed Residential credential for a minimum of three (3) years in good standing
72 must satisfy at least one of the following three options (III.A.1, III.A.2, or III.A.3):

73 1. Successful completion of at least 21 hours of College Level Examination
74 Program® (CLEP®) examinations from the following subject matter areas:

- 75 A. College Algebra
- 76 B. College Composition
- 77 C. College Composition Modular
- 78 D. College Mathematics
- 79 E. Principles of Macroeconomics
- 80 F. Principles of Microeconomics
- 81 G. Introductory Business Law

82 2. Successful completion of all courses in specific topic areas listed below from
83 an accredited college, junior college, community college, or university:

- 84 A. English Composition (6 semester hours)
- 85 B. Economics or Finance (6 semester hours)
- 86 C. Algebra, Geometry, or higher mathematics (6 semester hours)
- 87 D. Business or Real Estate Law (3 semester hours)

88 3. Any combination of III.A.1 and III.A.2 above that includes all of the topics
89 identified.

Alternatives to the Bachelor's Degree Requirement

Bachelor's Degree OR

At least 21 semester hours in any combination of:

CLEP Exams in the following topics/hours:

- College Algebra (3 semester hours)
- College Composition (6 semester hours)
- College Composition Modular (3 semester hours)
- College Mathematics (6 semester hours)
- Principles of Macroeconomics (3 semester hours)
- Principles of Microeconomics (3 semester hours)
- Introductory Business Law (3 semester hours)

College Education in the following topics/hours:

- English Composition (6 semester hours)
- Economics or Finance (6 semester hours)
- Algebra, Geometry, Statistics, or higher mathematics (6 semester hours)
- Business Law or Real Estate Law (3 semester hours)

*A combination of CLEP and college courses can be taken provided all college topics are successfully completed either via a college course or CLEP exam.

Equivalency Table

CLEP Exams	CLEP Exam Semester Hours	Applicable College Courses
College Algebra	3	Algebra, Geometry, Statistics, or higher mathematics
College Composition	6	English Composition
College Composition Modular	3	English Composition
College Mathematics	6	Algebra, Geometry, Statistics, or higher mathematics
Principles of Macroeconomics	3	Economics or Finance
Principles of Microeconomics	3	Economics or Finance
Introductory Business Law	3	Business Law or Real Estate Law

Section 2: Practical Applications of Real Estate Appraisal

Rationale

In the past two exposure drafts, the consideration of an experience training curriculum known as the ***Practical Applications of Real Estate Appraisal (PAREA)*** was developed. PAREA is an alternative to gaining experience in the traditional sense of training in an appraisal office with a supervisor mentoring the trainee. The PAREA curriculum will consist of a series of three modules that afford appraisal experience in both a classroom and external practice-based environment. The guidance and requirements for these experience modules require a rewrite of ***AQB Guide Note 4 (GN-4)*** in the ***Real Property Appraiser Qualification Criteria (Criteria)***. To reiterate, the basis for these changes was developed in the AQB's first two exposure drafts of proposed changes to the *Criteria*, respectively dated May 18, 2016 and September 15, 2016.

In both of the previous two exposure drafts, there was widespread support to develop alternatives to current training methods. Those in favor very much agreed that an alternate method of gaining experience was necessary, primarily because of the current lack of training opportunities in appraisal firms and the financial disincentives inherent in training programs for both the mentors and trainees. Also cited was the desire for an experience program offering a consistent educational format and qualified mentors.

Some respondents expressed concern, stating there is no substitute for actual field experience. However, the goal of the practical applications program is to emulate actual field experience. The module structures will include actual field experience. As a result, individuals completing these modules will perform actual and/or virtual appraisal assignments.

A major consideration for this alternate form of experience involves the manner in which the qualification criteria has evolved since the inception of licensing. The hours of qualifying education (QE) have increased dramatically for all credential levels with greater emphasis on case studies and report writing. In 2008, the licensing and certification examinations became far more robust and practice-based. The exam is now more of a gatekeeper in its present form. Allowing an alternate form of appraisal experience allows for greater balance of the qualifications.

The ***Practical Applications of Real Estate Appraisal*** modules will be designed with multiple educational methods. As previously stated, the offerings will be comprised of classroom hours as well as actual practice-based hours. Providers are anticipated to include college/universities, professional organizations, proprietary schools, and appraisal firms. The modules may be conducted over a traditional college semester timeframe, or other schedules that meet the module design requirements. Each module will consist of a minimum of 150 hours of training. The offerings may also be conducted in internship formats. Internships must be developed and overseen by the types of providers stated above.

A task force was created to assist the AQB in developing the module outlines and establishing general parameters for the offerings. The outlines will establish the basis from which module development will ensue. The three modules developed are:

Module	Module Title
1	Basic Practical Applications
2	Residential Case Studies – Complex Properties
3	Practical Applications – Non Residential/Income-Producing Properties

Each module will consist of experience in key areas of appraisal practice, completion of appraisal assignments, and a final exam. Properties utilized for experience can be actual or virtual. Clients will typically be non-traditional. For purposes of this discussion, it is assumed that the overall experience requirements will be revised as presented in Section 3 of this exposure draft as follows:

Credential Level	Required Experience Hours
Licensed Residential (LR)	1,000 hours
Certified Residential (CR)	1,500 hours
Certified General (CG)	2,000 hours (1,000 of which must be non-residential)

Applicants completing the PAREA modules will receive blocks of appraisal experience hours. Completion of Module 1 would satisfy the experience required for the LR credential. Completion of Modules 1 and 2 would satisfy the experience required for the CR level (individuals holding a LR credential could satisfy the experience required for the CR credential by completing only Module 2). Individuals completing Modules 1 and 3 would receive 1,500 hours towards the 2,000 hours required for the CG credential³ (individuals holding a LR or CR credential could receive 1,500 hours towards the CG credential by completing only Module 3).

Module	Experience Granted	Prerequisite
1	1,000 hours	QE for LR credential
2	500 hours	QE for CR credential, plus LR credential or Module 1
3	500 hours	QE for CG credential, plus LR or CR credential or Module 1

Prior to enrollment in a module, applicants must have successfully completed all of the qualifying education for the credential level being sought. An existing LR credential holder would qualify for enrollment in Module 2 without having to complete Module 1. The LR

³ Because of the vast diversity in property types and analytical procedures in non-residential assignments, candidates for the Certified General credential would be required to complete an additional 500 hours of actual experience beyond the hours attained in Module 3.

license would equate to the experience gained in Module 1. Likewise, the holders of LR or CR credentials could enroll in Module 3 without completion of the first two modules.

Module 1 will function as a basic core module for all licensing levels. It will contain appraisal practice basics that function as a foundation for the succeeding modules. Accordingly, Modules 2 and 3 will build on the fundamentals of Module 1. As the practice-based elements develop in a module or subsequent modules, the characteristics of a virtual property can expand to emphasize more complex attributes.

The following chart identifies the options for satisfying the experience requirements for each credential:

Credential Held	Credential Sought	Options
None	LR	A) 1,000 hours of experience; or B) Completion of Module 1
None	CR	A) 1,500 hours or experience; or B) Completion of Modules 1 and 2
None	CG	A) 2,000 hours of experience, of which 1,000 hours must be non-residential; or B) Completion of Modules 1 & 3 plus 500 hours of non-residential experience
LR	CR	A) 500 hours of experience; or B) Completion of Module 2
LR	CG	A) 1,000 hours of non-residential experience; or B) Completion of Module 3 plus 500 hours of non-residential experience
CR	CG	A) 1,000 hours of non-residential experience; or B) Completion of Module 3 plus 500 hours of non-residential experience

Currently, the *Criteria* allow up to 50% of the experience required to be obtained by completing assignments with non-traditional clients. The PAREA modules will qualify for 100% of the required experience for the LR and CR levels, and 75% of the required experience for the CG level. Therefore, a revision to the *Criteria* is required and is proposed as shown on the following page.

The revisions to Guide Note 4 (GN-4) are extensive and are tantamount to a rewrite. As a result, GN-4 is rewritten in its entirety and is not shown using strikethrough or underscore. Also, GN-4 as shown in this document assumes the adoption of the proposed revision to the *Criteria* as shown on the following pages.

The outline of each practical applications module will follow in the proposed GN-4.

90 **CRITERIA APPLICABLE TO ALL APPRAISER CLASSIFICATIONS**

91 V. Generic Experience Criteria

92 D. There need not be a client in a traditional sense (i.e., a client hiring an
93 appraiser for a business purpose) in order for an appraisal to qualify for
94 experience, ~~but e~~ Experience gained for work without a traditional client
95 derived from Practical Applications of Real Estate Appraisal modules can
96 account for up to 100% ~~cannot exceed 50%~~ of the total experience
97 requirement.

98 ~~Practicum courses that are approved by the AQB Course Approval Program~~
99 ~~or state appraiser regulatory agencies can satisfy the nontraditional client~~
100 ~~experience requirement. A practicum course must include the generally~~
101 ~~applicable methods of appraisal practice for the credential category.~~
102 ~~Content includes, but is not limited to: requiring the student to produce~~
103 ~~credible appraisals that utilize an actual subject property; performing market~~
104 ~~research, containing sales analysis; and applying and reporting the~~
105 ~~applicable appraisal approaches in conformity with USPAP. Assignments~~
106 ~~must require problem solving skills for a variety of property types for the~~
107 ~~credential category. Experience credit shall be granted for the actual~~
108 ~~classroom hours of instruction, and hours of documented research and~~
109 ~~analysis as awarded from the practicum course approval process.~~

110 **AQB Guide Note 4 (GN-4)**

111 **AQB Guidance for Criteria Implementation**

112 THIS GUIDE NOTE RELATES TO PRACTICAL APPLICATIONS OF REAL ESTATE APPRAISAL
113 MODULES TO BE USED FOR EXPERIENCE CREDIT, AS SPECIFIED IN THE REAL PROPERTY
114 APPRAISER QUALIFICATION CRITERIA.

115 Under “Criteria Applicable to All Appraiser Classifications” in the Real Property Appraiser
116 Qualification Criteria, Section V Generic Experience Criteria, Paragraph D, reads as
117 follows:

118 *There need not be a client in a traditional sense (i.e., a client hiring an appraiser*
119 *for a business purpose) in order for an appraisal to qualify for experience.*
120 *Experience gained for work without a traditional client derived from Practical*
121 *Applications of Real Estate Appraisal modules can account for up to 100% of the*
122 *total experience requirement.*

123 *Practical Applications of Real Estate Appraisal* modules that are approved by The
124 Appraisal Foundation can satisfy the non-client experience requirement. Practical
125 application modules must include the generally applicable methods and techniques of
126 appraisal practice for the credential category being instructed. These modules include
127 exercises that augment and encapsulate previous qualifying education as specified in the
128 Required Core Curriculum of the *Criteria*. Successful completion of all qualifying
129 education relevant to a particular credential level is required prior to enrollment in a
130 practical applications module.

131 Content of these modules include, but is not limited to: requiring the student to produce
132 credible appraisals that utilize an actual or virtual subject property; performing market
133 research; conducting all facets of sales analysis; applying the applicable appraisal
134 approaches; and communicating the assignment results in compliance with USPAP.

135 In order to facilitate full understanding of appraisal concepts, case studies may also be
136 utilized in critical specific areas of analysis. Assignments must require problem-solving
137 skills for a variety of property types eligible under the respective credential category. Each
138 module must include a closed-book final examination. Blocks of experience hours shall
139 be granted, as outlined below, for successful completion of each class.

140 The language above sets forth the broad requirements for practical application modules.
141 However, more detailed guidance is needed for developers of such courses, as well as
142 state appraiser regulatory agencies seeking to approve such courses. The following is
143 designed to offer this guidance:

144 **1. Practical Applications of Real Estate Appraisal Module Guidelines**

145 a. Practical Applications of Real Estate Appraisal modules are an alternative
146 means of obtaining appraisal experience hours. The modules may be
147 conducted in a timeframe similar to a college semester offering with a minimum
148 requirement of 150 hours. Variation in specific timeframes is acceptable so long

- 149 as the minimum hours' requirement is satisfied. These hours will consist of both
150 classroom as well as practice-based hours. Providers may include
151 colleges/universities, professional organizations, proprietary schools, and
152 appraisal firms. When offered by colleges and universities the modules will be
153 designed to generate three units of college credit, in addition to the block of
154 experience hours awarded. The modules can be conducted in an internship
155 structure. The Appraisal Foundation must approve all PAREA programs.
- 156 b. Modules will comprise both case studies and appraisal assignments involving
157 real and virtual properties covering the applications of concepts and
158 methodology learned in appraisal qualifying education.
- 159 c. Module outlines, presented below, are designed to identify the topics of
160 appraisal practice and methodology. Actual course development will be based
161 on the outlines presented herein.
- 162 d. Case study assignments can be developed to emphasize specific items of
163 methodology that can be instructed in a manner not necessarily requiring a
164 complete appraisal assignment. For example, a case study might be limited to
165 comparable rental research analysis, property inspection, or site analysis, etc.
- 166 e. Each module will include several actual appraisal assignments for the students
167 to complete individually, or in assigned groups. Virtual properties will be
168 allowed. As a module progresses, the attributes of a virtual property can
169 change in order to facilitate more complex scenarios. The provider can
170 generate all data. It is the student's responsibility, with appropriate supervision,
171 to analyze and select the most appropriate data.
- 172 f. Each student must independently complete appraisal assignments as a module
173 requirement. The instructor will select the subject properties. Again, virtual
174 properties may be included. In these required assignments, an appraisal
175 problem will be presented that will require the student to competently employ
176 analytical skills, and to demonstrate ethical conduct and USPAP compliance.
- 177 g. The maximum number of students per module should be consistent with best
178 practices for proper student/instructor ratios. Module instructors are not
179 considered supervisory appraisers as defined in the *Criteria* and are not,
180 therefore, subject to the restriction of three students per instructor.
- 181 h. All appraisal assignments, or portions thereof, must comply with USPAP. The
182 provider will function as the client and the intended user. The intended use of
183 the report should be indicated as, "For experience credit."
- 184 i. Each module must include a closed-book final examination that incorporates
185 all concepts of prior instruction.

186 j. The modules for experience credit are as follows:

Module	Module Title
1	Basic Practical Applications
2	Residential Case Studies — Complex Properties
3	Practical Applications — Non-Residential/Income Producing Properties

187 k. The module curriculum is summarized in the following table:

Module	Experience Granted	Prerequisite
1	1,000 hours	QE for LR credential
2	500 hours	QE for CR credential, plus LR credential or Module 1
3	500 hours	QE for CG credential, plus LR or CR credential or Module 1

188 2. Appraisal/Case Study Assignment Guidelines

189 a. The goal of the case studies and appraisal assignments is to provide the
190 experience element for the previously learned methodology and techniques.
191 Assignments must be USPAP-compliant and properly incorporate recognized
192 valuation methods and techniques.

193 b. A case study must emulate an entire appraisal assignment (or a portion
194 thereof), applicable to the appraisal process.

195 c. Appraisal assignments must provide experience involving all the traditional
196 approaches to value.

197 d. Property types and complexity must be commensurate with the respective
198 credential category.

199 e. Assignments must include the physical inspection of subject property(ies). The
200 final appraisal must incorporate the complete appraisal process.

201 f. Virtual assignments must include the opportunity for data verification.

202 3. Internships

203 a. Internships will be developed and managed by a college or university,
204 professional organization, proprietary school, or appraisal firm.

205 b. The experience will take place in an actual appraisal office.

- 206 c. Module content will include a prescribed number of properties involving specific
207 property attributes.
- 208 d. Assignments performed under an internship may involve a portion of an
209 appraisal assignment or case study, specifically incorporating the appraisal
210 process.
- 211 e. Assignments performed under an internship must follow the above stated
212 course objectives in Section 1.
- 213 f. Internships must follow the module outlines presented below.

214 **4. Instructor Guidelines**

- 215
- 216 a. An instructor conducting a residential experience PAREA module must hold
217 either a Certified Residential or Certified General credential in good standing.
- 218 b. An instructor conducting a general experience PAREA module must hold a
219 Certified General credential in good standing.
- 220 c. The instructor must ensure compliance with all rules, standards, and standard
221 rules of USPAP for each appraisal assignment and case study.
- 222 d. The instructor must independently administer, grade, and correct all
223 assignments and examinations in order to ensure USPAP compliance.
- 224 e. The instructor must be available for consult. Adequate time must be allocated
225 in order to discuss assignments completed during practice-based hours.

226 **MODULE CONTENT OUTLINES**

227 **A. Module One: Basic Practical Applications**

228 Goal: The primary goal for PAREA Module One is to simulate real estate appraisal
229 experience scenarios that emphasize the basic elements of appraisal practice. This
230 includes problem identification, scope of work, property identification and inspection,
231 data collection and verification, and analysis. Property types include non-complex
232 single-unit residences, 2-4 multi-unit properties, and vacant single-unit residential
233 sites. This module will serve as a foundation of the basic elements of appraisal
234 practice experience that Modules Two and Three will augment.

235 **1. Introduction/Problem Identification:**

- 236
- 237 • Hardware/Software options
 - 238 • Assignment engagement
 - 239 • Initial client/consumer communication
 - 240 • Appraiser professionalism
 - Defining assignment elements and conditions

- 241
 - Scope of Work
- 242 2. Property Identification and Inspection:
- 243
 - Physical inspection of the subject property (live or virtual)
- 244
 - Identifying property characteristics, including legal elements, zoning, flood,
- 245
 - physical and unique attributes.
- 246 3. Market Analysis:
- 247
 - Performing economic and neighborhood market research
- 248
 - Process of sales analysis
- 249 4. Appraisal Analysis:
- 250
 - Sources and types of sales/rental data verification
- 251
 - Data analysis
- 252
 - Valuation approaches & techniques
- 253
 - Reconciliation
- 254 5. Appraisal Delivery:
- 255
 - Report development
- 256
 - Communication of assignment results
- 257
 - Demonstration of adherence to USPAP & assignment conditions
- 258
 - Subsequent revisions/corrections

259 **B. Module Two: Residential Case Studies – Complex Properties**

260 Goal: In this module, the appraiser is required to engage in residential appraisal
261 assignments that are complex or atypical in nature due to physical, market, locational,
262 or ownership conditions or restrictions. Key issues in this module include identifying
263 complex properties, understanding the relevant scope of work parameters pertaining
264 to these property types, and performing appropriate supporting analysis. Property
265 report types include single-unit residences, multi-unit (2-4 units) properties, and
266 appraisal review assignments.

- 267 1. Problem Identification
- 268
 - Identification of complex properties
- 269
 - Relevant Scope of Work and competency issues involved
- 270 2. Complex Ownership & Market Conditions
- 271
 - Co-Ops
- 272
 - Life estates
- 273
 - Natural disasters
- 274
 - Significant economic influences
- 275
 - Rental restrictions in condominium associations
- 276
 - Private road issues
- 277
 - Easements/Encroachments

- 278 3. Residential Market Analysis/Highest & Best Use
279 • Growth corridor
280 • Demand and supply
281 • Transportation adjacency; changing area attributes, amenities
282 • Re-gentrification of neighborhood
283 • House on non-residential land or subject to road widening change of use
284 • Bonded indebtedness/assessment pay-off
- 285 4. Physical Characteristics of Complex Properties
286 • Unique design features
287 • High quality/amenity properties
288 • Over-improvements
289 • Physical deficiencies of improvements
290 • Positive or negative locational influences
291 • Functional inadequate & super adequate impact
292 • Vacant sites (including view amenities, surplus land)
- 293 5. Use of Key Statistical Concepts
294 • Key market driving influences
295 • Adjustment support
296 • Population/employment trends
- 297 6. Site & Cost Approaches
298 • Functional incurable (e.g., 1 bedroom floor plan in 3 bedroom market)
299 • External obsolescence (e.g., high-tension wires, railroad tracks, gas lines,
300 highway proximity)
301 • Adjustment support using cost/income methods
- 302 7. Sales Comparison Approach
303 • Sales concessions
304 • Identifying significant adjustments (e.g., time adjustments, conditions of sale)
305 • Adjustment support through matched pairs/statistical methods
306 • One-off (Unique) property sale (e.g., water facing)
307 • Sale confirmation process (e.g., realtor/principal interviews)
308 • Cash equivalency
- 309 8. Income Approach
310 • 2-4 Units (e.g., units of comparison, student-housing market)
311 • Single-unit rental dominant areas
312 • Seasonal rental
- 313 9. Writing & Reasoning skills
314 • Data presentation
315 • Discussion of approaches to value
316 • Support for conclusions

- 317 • Summary of data and reconciliation of value approaches
- 318 • Proper use of English diction/understandable presentation

319 **C. Module Three: Practical Applications – Non Residential/Income-Producing**
320 **Properties**

321 Goal: The goal for Module Three is to replicate real estate appraisal experience for
322 property types encountered at the Certified General credential level. Emphasis is
323 given to practical applications incumbent in income producing properties. This module
324 augments the basic appraisal practice experience gained in Module One. Properties
325 include income producing commercial properties, multi-unit properties, vacant land,
326 and land development projects.

327 1. Problem Identification

- 328 • Basic property identification
- 329 • Letter of Engagement and relevant assignment conditions
- 330 • Overview of Scope of Work process
- 331 • Types of reporting formats

332 2. Property Identification and Inspection

- 333 • Overview of income producing property types
- 334 • Zoning, taxes, bonded indebtedness
- 335 • Calculation of Net Rentable Area
- 336 • Overview of vacant and developable land assignments

337 3. Appraisal Analysis

- 338 • Area, neighborhood and relevant market analysis
- 339 • Related statistical analysis
- 340 • Highest and Best Use overview

341 4. Valuation Process

- 342 • Relevant Highest and Best Use concepts
- 343 • Lease analysis
- 344 • Sales and rental data verification
- 345 • Identification of relevant units of comparison for improved and vacant land/sites
- 346 • Overview of three valuation approaches
- 347 • Direct capitalization and Overall Rate analysis
- 348 • Discounted cash flow support and analysis

349 5. Report Development

- 350 • Narrative report formats
- 351 • Use of form reports
- 352 • Communication with effective writing skills

Section 3: Experience Requirements

Rationale

As indicated in the first two exposure drafts, the role experience plays in determining an individual's eligibility for a real estate appraiser credential has been an item of substantial debate. The model that has been in place since the inception of state licensing and certification in the early 1990's, whereby applicants must document completion of education, experience, and an examination, is familiar and seems "natural" to many. The AQB adopted this model because it was, in essence, what was used by professional appraiser organizations for decades beforehand. As a result, whether it is reducing the number of hours of experience needed for a credential or doing away with the experience requirement altogether, there are many who consider such concepts unacceptable. Comments were received that supported, as well as opposed, any reduction in the current experience requirements.

Nevertheless, the AQB's charge is to maintain and promote public trust in the appraisal profession by establishing the *minimum* qualifications necessary to obtain a credential. In that regard, the experience requirements in the *Criteria* have not increased since January 1, 1998. However, since that time:

- The number of hours of qualifying education required for a credential has 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 the pre-2008 exams were;
- 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.

With these enhancements to the education and examination components of the *Criteria*, the AQB believes it is appropriate to consider offering a more balanced approach to the qualifications needed for a credential by reducing the number of hours of experience required. Therefore, the AQB is proposing revising the experience hours required as follows:

- Licensed Residential: 1,000 hours of experience (no minimum time frame)
- Certified Residential: 1,500 hours of experience (no minimum time frame)

- Certified General: 2,000 hours of experience, with at least 1,000 hours in non-residential appraisal (no minimum time frame)

353 **LICENSED RESIDENTIAL REAL PROPERTY APPRAISER**

354 **IV. Experience**

355 ~~Two thousand (2,000)~~ One thousand (1,000) hours of experience are required to
356 ~~be obtained in no fewer than 12 months.~~

357 **CERTIFIED RESIDENTIAL REAL PROPERTY APPRAISER**

358 **IV. Experience**

359 ~~Two thousand five hundred (2,500)~~ One thousand five hundred (1,500) hours of
360 experience ~~obtained during no fewer than twenty-four (24) months is~~ are required.
361 ~~While the hours may be cumulative, the required number of months must accrue~~
362 ~~before an individual can be certified.~~

363 **CERTIFIED GENERAL REAL PROPERTY APPRAISER**

364 **IV. Experience**

365 ~~Three thousand (3,000)~~ Two thousand (2,000) hours of experience ~~obtained during~~
366 ~~no fewer than thirty (30) months is~~ are required, of which ~~one thousand five~~
367 ~~hundred (1,500)~~ one thousand (1,000) hours must be in non-residential appraisal
368 work. ~~While the hours may be cumulative, the required number of months must~~
369 ~~accrue before an individual can be certified.~~