

REAL ESTATE APPRAISERS: LICENSURE REVISIONS

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Senate Bill 1016 as passed by the Senate

Sponsor: Sen. Tom George

House Committee: Regulatory Reform

Senate Committee: Economic Development, Small Business and Regulatory Reform

First Analysis (7-11-06)

BRIEF SUMMARY: The bill would replace current educational, experience, and examination requirements for licensure as a real estate appraiser with criteria established by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation.

FISCAL IMPACT: There is no fiscal impact on the State of Michigan, or its local units of government.

THE APPARENT PROBLEM:

Investigations into the failures of many savings and loans institutions in the 1980s revealed to Congress that the very individuals who were determining the value of the underlying collateral for loans in real estate transactions were, for the most part, unregulated. When legislation was enacted to address issues contributing to the collapse of the financial institutions, a provision was included to mandate the regulation of real estate appraisers by the states. Known as Title XI of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), the legislation required each state to create and put in place a regulatory system to license real estate appraisers and investigate complaints involving appraisers.

According to information provided by the Department of Labor and Economic Growth (DLEG), Title XI also charged the Appraisal Foundation "with the responsibility of establishing, improving and promoting minimum uniform appraisal standards and appraiser qualifications criteria." The Foundation is a not-for-profit corporation that acts as the parent organization for two independent boards: the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB). Respectively, the boards promulgate and maintain the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraiser Qualifications Criteria – which establishes minimum education, examination, and experience criteria for licensure. States may adopt stricter licensing standards, but, at a minimum, must meet the AQB criteria. In addition, all appraisers certified by the state must conform to USPAP when performing appraisals in connection with federally related transactions (i.e., mortgages under Fannie Mae). Enforcement actions must also be based on USPAP.

Because the world of finance is continually evolving, the AQB reviews its *Criteria* approximately every four years. In 2004, the AQB increased the educational requirements for appraisers to include, among other changes, a college education and to

provide for more structure in the appraisal course topic list. Knowing that it would take state regulators, educational providers, and those in or considering the profession of real estate appraisal time to adjust to the changes, the AQB set a January 1, 2008 effective date for implementing the changes. DLEG has already posted on its website the 2008 AQB qualification criteria changes along with its plan to implement a "firm date scenario." This means that applicants submitting license applications after January 1, 2008 must meet all the new AQB criteria.

However, legislation is needed to amend the portions of the state Occupational Code regulating appraisers to repeal provisions that will be outdated when the federal regulations take effect and to adopt the new AQB qualifications criteria. Without doing so, state licensed appraisers could not continue to conduct appraisals of property for transactions that would involve federal loans.

THE CONTENT OF THE BILL:

The bill would amend Article 26 of the Occupational Code, entitled "Real Estate Appraisers," to repeal several sections of the code that list the licensing requirements for limited real estate appraisers, real estate appraisers, certified residential real estate appraisers, and certified general real estate appraisers, and the experience requirements for applicants. Applicants for licensure would have to be at least 18 years of age, of good moral character, and provide proof of having completed the minimum education, examination, and experience requirements contained in the AQB criteria for the appropriate license category.

Under the bill, the Department of Labor and Economic Growth would have to use criteria established by the AQB regarding the education, examination, and experience needed for licensure under Article 26, though the department could adopt, by departmental rule, a stricter standard than was otherwise in compliance with the minimum AQB criteria in effect at the time. The bill would also delete the requirements under Article 26 for prelicensure educational courses and continuing education courses and replace it with a requirement that educational courses comply with AQB criteria. Similarly, the appraisal log that applicants for licensure must provide would now have to include documentation or data required under the AQB criteria.

Furthermore, the bill would decrease, from three years to two years, the time that a score on the uniform real property appraiser examination would be valid.

MCL 339.2601 et al.

HOUSE COMMITTEE ACTION:

The committee reported the Senate-passed version of the bill.

ARGUMENTS:

For:

The bill would raise the educational level for appraisers contained in the Occupational Code to the federal level and would also accommodate future changes without having to repeatedly amend the act. In short, it would allow Michigan-licensed appraisers to continue to practice their profession well into the future and also allow them to continue to handle federally-related financial transactions involving real property (i.e., mortgages under Fannie Mae). Changing the law at this time, rather than waiting until closer to the federal implementation date, will ensure a smooth transition for those currently preparing to be appraisers, those considering appraisal as an occupation, and those wishing to seek a different state appraiser credential.

POSITIONS:

The Department of Labor and Economic Growth supports the bill. (6-27-06)

A representative of the Michigan Association of Realtors testified in support of the bill. (6-27-06)

A representative of the Oetzel-Hartman Group, real property appraisers and counselors, testified in support of the bill. (6-27-06)

Legislative Analyst: Susan Stutzky
Fiscal Analyst: Richard Child

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.