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BILL ANALYSIS

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Senate Bill 1016 (as introduced 1-31-06)

Sponsor: Senator Tom George

Committee: Economic Development, Small Business and Regulatory Reform

Date Completed: 5-31-06

CONTENT

The bill would amend Article 26 (Real Estate Appraisers) of the Occupational Code to do the following:

- Replace the Code's experience, education, and continuing education requirements for licensure as a real estate appraiser with criteria established by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation.**
- Replace the requirements for educational courses and an appraisal log with AQB criteria.**
- Provide that a score on the uniform real property appraiser examination would be valid for two years, instead of three.**

Criteria for Practice & Licensure

Under the Code, at a minimum, licensed real estate appraisers must use the uniform standards of professional appraisal practice. The Director of the Department of Labor and Economic Growth (DLEG) may supplement or adopt by reference any amendments to the uniform standards of professional appraisal practice through the promulgation of rules if he or she determines that the amendments or supplemental standards serve as a basis for the competent development and communication of an appraisal and are not in conflict with Federal requirements.

Under the bill, beginning January 1, 2008, DLEG would have to use the AQB 04 criteria regarding education, experience, and other related standards for licensure under Article

26. The AQB 04 criteria would be adopted by reference. The Department could, by promulgation of a rule by the Director, supplement or amend the standards by adoption of a stricter standard that was otherwise in compliance with the minimum AQB 04 criteria or by adoption of subsequent amendments to that standard adopted by the Appraiser Qualifications Board of the Appraisal Foundation.

"AQB 04 criteria" would mean the criteria established by the Appraiser Qualifications Board of the Appraisal Foundation entitled "Real Property Appraiser Qualification Criteria and Interpretation of the Criteria", adopted by the Appraiser Qualifications Board on February 20, 2004, effective January 1, 2008.

Limited Real Estate Appraiser

Under the Code, DLEG must license as a limited real estate appraiser an individual who is at least 18 years of age, is of good moral character, and provides proof of having completed at least 75 classroom hours of courses related to developing and communicating appraisals of real property, at least 15 of which relate to the uniform standards of professional appraisal practice (USPAP). Under the bill, beginning January 1, 2008, an individual would have to provide proof of having completed at least the number and type of courses required for an appraisal trainee as specified by the AQB 04 criteria (i.e., 75 hours, which includes a 15-hour national USPAP course or its equivalent).

State Licensed Real Estate Appraiser

Under the Code, DLEG must license as a State licensed real estate appraiser an individual who demonstrates to the satisfaction of the Department, that he or she meets the following conditions:

- Has completed at least 90 classroom hours of courses emphasizing the appraisal of residential real property meeting the standards in Article 26.
- Possesses at least 2,000 hours of experience meeting the standards of Article 26, at least 1,500 hours of which are in appraising residential real property.

Under the bill, beginning January 1, 2008, the individual would have to possess, instead, at least the minimum education and experience requirements contained in the AQB 04 criteria. (Under AQB 04 criteria, the minimum education requirement is 150 hours and the experience requirement is 2,000 hours in not less than 12 months.)

Certified Residential Real Estate Appraiser

The Code requires DLEG to license as a certified residential real estate appraiser an individual who demonstrates, to the satisfaction of the Department, that he or she meets the following conditions:

- Possesses at least 2,500 hours of experience meeting the standards of Article 26 in appraising real property, at least 2,000 hours of which must be in appraising residential real property, completed over 24 or more months.
- Has completed at least 120 classroom hours of courses meeting the standards of Article 26 and emphasizing all types and values of residential real property appraisals. An applicant may apply the classroom hours used to obtain a prior real estate appraiser license toward the requirement of the 90 classroom hours.

Under the bill, beginning January 1, 2008, the individual would have to possess, instead, at least the minimum experience and education requirements contained in the AQB 04 criteria. (Under AQB 04 criteria, the minimum education requirement is 200 hours and the possession of an associate degree (or, in lieu of a degree, 21 semester hours credit covering specified topics) and

an individual must have 2,500 hours of experience in not less than 24 months.)

Certified General Real Estate Appraiser

Under the Code, DLEG must license as a certified general real estate appraiser an individual who demonstrates to the satisfaction of the Department that he or she meets the following conditions:

- Possesses at least 3,000 hours of experience, at least 1,500 hours of which must be in appraising nonresidential real property completed over 30 or more months preceding application for licensure.
- Has completed 180 classroom hours of courses meeting the standards of Article 26 and emphasizing all types and values of real property appraisals. An applicant may apply the 90 classroom hours used to obtain a prior real estate appraiser license toward the requirement.

Under the bill, beginning January 1, 2008, the individual would have to possess, instead, the minimum experience and education requirements contained in the AQB 04 criteria. (Under the AQB criteria, the minimum education requirement is 300 hours and the possession of a bachelors degree or higher (or, in lieu of a degree, 30 semester credit hours covering specified topics) and an individual must have 3,000 hours of experience in not less than 30 months.)

Educational Courses

The Code authorizes the DLEG Director to promulgate rules regulating the offering of educational courses required under Article 26, including the type and conditions of instruction, the qualification of instructors, the methods of grading, the means of monitoring and reporting attendance, and the representations made by course sponsors.

All educational courses required for licensure must be courses offered by one of the following:

- An institution of higher education authorized to grant degrees, being a college, university, or community or junior college.

- A private school licensed by the Department of Education, or authorized to operate in any other state or jurisdiction.
- A State or Federal agency or commission.
- A nonprofit association related to real property or real property appraisal.

Under the bill, until January 1, 2008, educational courses required under Article 26 would have to comply with AQB 94 criteria. Beginning January 1, 2008, educational courses would have to comply with AQB 04 criteria. (Under the bill, "AQB 94 criteria" would mean the criteria established by the Appraiser Qualifications Board of the Appraisal Foundation entitled "Real Property Appraiser Qualification Criteria and Interpretation of the Criteria" adopted by the Appraiser Qualifications Board on February 16, 1994, effective January 1, 1998, and as revised and effective January 1, 2003.)

Under the Code, prelicensure courses, being those courses offered as a qualification for licensure, must meet certain minimum requirements. The bill would delete the Code's provisions relating to prelicensure courses.

Examination

Except as otherwise provided, an individual seeking licensure under Article 26 as a State licensed real estate appraiser, certified general real estate appraiser, or certified residential real estate appraiser must first successfully pass the Appraiser Qualifications Board endorsed uniform real property appraiser examination or its equivalent as appropriate to the level of licensure sought that is acceptable to the Real Estate Appraisers Board and DLEG. Examination scores are considered valid for three years from the date of the examination. Under the bill, they would be valid for two years.

Experience Requirements

Under the Code, experience required of applicants for licensure under Article 26 must meet the following requirements:

- Consist of at least the required number of hours of appraisal experience obtained over not less than the required number of months.

- Be experience obtained while properly licensed or exempt from licensure under the standards applicable at the time the experience was obtained.
- Be capable of being documented in writing by the applicant or licensee upon the request of DLEG in the form of reports, file memoranda, or affidavits of a supervisor.

The bill would delete these requirements. Under the bill, the experience required of applicants for licensure would have to meet the following requirements:

- Until January 1, 2008, the minimum experience requirements described in the AQB 94 criteria.
- Beginning January 1, 2008, the minimum experience requirements described in the AQB 04 criteria.

Continuing Education

Under the Code, as a condition for the renewal of licensure as a certified general real estate appraiser, a certified residential real estate appraiser, or a State licensed real estate appraiser, a licensee must complete 14 classroom hours of continuing education meeting the standards set forth in Article 26 for each year since the expiration of his or her previous license. Effective the third year of licensure as a real estate valuation specialist or as a limited real estate appraiser, a licensee must complete at least 14 classroom hours of continuing education for each year since the expiration of his or her previous license. This continuing education must meet the standards of the Article.

An individual who has authored a textbook, prepared and taught a prelicensure or continuing education course, or undertaken some other activity that he or she believes may meet the continuing education requirements may request continuing education credit for the activity from DLEG. An individual who has completed continuing education required for the renewal of an appraiser license in another state or jurisdiction may submit proof of the acceptance of that continuing education by that state as evidence of meeting the continuing education requirements in this State.

A course covering the uniform standards of professional appraisal practice must be completed as part of the continuing education requirement every third licensing period.

The bill would delete all of these provisions.

Under the bill, as a condition for the renewal of licensure as a certified general real estate appraiser, a certified residential real estate appraiser, or a State licensed real estate appraiser, the licensee would have to complete the minimum continuing education requirements described in the AQB 04 criteria. (Under AQB 04 criteria, individuals must complete the equivalent of 14 hours of continuing education per year. As part of that overall hour requirement, the 7-Hour National USPAP Update Course or its equivalent must be taken every two calendar years.)

Lapsed License

Relicensure of an individual whose license as a certified general real estate appraiser, a certified residential real estate appraiser, or a State licensed real estate appraiser has lapsed for three or more continuous years must require that the applicant complete the licensing examination for the type of license sought.

The continuing education requirements do not apply to an individual renewing his or her license in the year in which the original license is issued. The bill would delete this provision.

Books & Records

The Code requires a licensee to maintain a system of books and records open to DLEG upon request during normal business hours. The books and records must be maintained in accordance with the uniform standards of professional appraisal practice, the requirements of Article 26, and any requirements imposed by rules promulgated under the article. The books and records must show all appraisals undertaken by name of client and the address or description of the property appraised. In addition, applicants for licensure as a State licensed real estate appraiser, a certified residential real estate appraiser, or a certified general real estate appraiser must

provide an appraisal log that includes, at minimum, the following for each appraisal:

- Type of property.
- Date of report.
- Address of appraised property.
- Description of work performed.
- Number of work hours.

The bill would delete these requirements for the content of an appraisal log. Under the bill, the log would have to include, at minimum, the documentation or data required to be kept under the AQB 04 criteria. (Under the AQB 04 criteria, the log must include the client name and address, and the signature and state license/certification number of the supervising appraiser.)

Under the Code, a licensee who fails to make available to DLEG upon request books and records that are required to be kept is subject to the penalties set forth in Article 6 of the Code (e.g., license suspension or revocation, a maximum civil fine of \$10,000, censure, probation, or a requirement to make restitution). Under the bill a licensee also would be subject to penalty for failure to maintain the required books and records.

MCL 339.2601 et al.

Legislative Analyst: J.P. Finet

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.