

Meeting Appraiser Qualifications

What You Need To Know About New AQB Appraiser Qualifications for Certification

By Jim Todora, CAE, MAI

Introduction

The International Association of Assessing Officers (IAAO) is confronted with one of its most problematic decisions and daunting challenges. The IAAO must decide if, and perhaps how, it will significantly alter its education program to meet the new state appraisal licensing and certification requirements. How has it come about that IAAO must make this determination?

History

Out of the savings and loan crisis of the 1980s the United States Congress created the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Title XI of FIRREA triggered a unique complementary relationship between the states, the private sector, and the Federal Government. Title XI recognized that the states were in the best administrative position to certify and license real estate appraisers and to supervise their activities. Title XI authorized a private sector, not-for-profit organization, The Appraisal Foundation (see further explanation of TAF below), through its two independent boards to establish uniform minimum appraiser qualifications standards and uniform standards of professional appraisal practice which would apply to the states. Title XI then created the Appraisal Subcommittee (ASC) to oversee the activities of the states and The Appraisal Foundation.

In 1986 the IAAO along with eight other leading appraisal organizations formed an Ad Hoc Committee on the Uniform Standards of Professional Appraisal Practice (USPAP). In 1987, the eight United States committee members adopted these generally accepted standards and established The Appraisal Foundation. The Appraisal Foundation in its present form was incorporated in 1989 and is affiliated with over eighty organizations, corporations and government agencies. Today, while there are sponsoring organizations (including the IAAO), there are no individual members of The Appraisal Foundation.

The Appraisal Foundation, through its Appraiser

Qualifications Board (AQB) establishes the minimum educational, experience and examination requirements for real property appraisers to obtain a state certification. The Appraisal Foundation itself does not certify appraisers. Rather, each individual state has established laws to regulate the certification and licensing of appraisers. Although it is not required, or necessary, for all appraisers to be state-licensed or certified, some must be in order to perform certain services and others voluntarily choose to become certified.

Revised Appraiser Qualifications

While revisions to the qualifications have been made in the past, at its February 20, 2004 meeting the AQB made sweeping changes to the educational segment of the requirements. The changes have an implementation date of January 1, 2008. Assuming all states adopt the new changes, anyone seeking an appraisal license or certification in 2008 must satisfy these new requirements. Existing credential holders shall be considered in compliance and thus do not have to complete the revised qualifying education. The new requirements apply to reciprocity, temporary practice, renewals, and applications for the same credential in another jurisdiction.

The AQB has placed the requirements into three distinct segments or components:

1. Education
2. Experience
3. Examination

Although the major area of change is in the Education segment, the Examination component will be updated to be consistent with the new education. No changes are being made to the Experience segment.

Appraiser Classifications

The AQB places real property appraisers into four classifications:

- Trainee

- Licensed
- Certified Residential
- Certified General

The Trainee classification was adopted in 1993, all of the other classifications were created in 1991. The scope of practice for individuals is limited by their classification. The Trainee must work under the direct supervision of a licensed or certified appraiser. The Licensed Real Property Appraiser classification applies to the appraisal of non-complex one to four residential units having a transaction value less than \$1,000,000 and complex one to four residential units having a transaction value less than \$250,000. The Certified Residential Real Property Appraiser classification applies to the appraisal of one to four residential units without regard to transaction value or complexity. The Certified General Real Property Appraiser classification applies to the appraisal of all types of real property.

Each of the classifications requires a certain number of prerequisite hours of qualifying education. Some of the course topics covered are legal considerations, economic principles,

the valuation process, highest and best use, and appraisal standards and ethics. With the exception of the standards and ethics program known as the national Uniform Standards of Professional Appraisal Practice (USPAP) course, the content of the qualifying education, currently, has been rather generally defined.

What effect will this have on the IAAO Professional Designation program?

Educational Requirements

The AQB has established a Course Approval Program as a service to state appraiser regulatory agencies and providers of real estate appraisal education. Participation in this program is entirely voluntary. Ultimately, it has been up to each state to determine if the education satisfies its licensing program. This has created some

inconsistency from state to state and from school to school. It is anticipated that with the January 2008 changes more uniformity will become inevitable. The AQB has not only defined what content the courses must include but also mandated a Required Core Curriculum. This curriculum states specific program titles and the required number of educational hours from each. In addition to mandating the minimum number of creditable class hours, the new rules also call for a college degree for certified appraisers. The Certified Residential classification requires an Associate degree or higher and the Certified General classification requires a Bachelor degree or higher.

Tables 1 and 2 provide a summarized comparison of the current and scheduled qualification requirements.

The Core Curriculum lists 16 distinct courses totaling 395 hours. The courses vary from 15 hours to 60 hours. Most are 30 hours each.

Regardless of which credential is being sought, three primary courses are required:

Table 1. Current course requirements

Classification	Hours of Qualifying Education	Degree	Hours of Work Experience	State Examination	Scope of Practice
Trainee	75	None	—	None	supervised only
Licensed	90	None	2,000	Yes	non-complex 1–4 res.
Certified Residential	120	None	2,500	Yes	all 1–4 family
Certified General	180	None	3,000	Yes	all types

Table 2. Course requirements as of January 1, 2008

Classification	Hours of Qualifying Education	Degree	Hours of Work Experience	State Examination	Scope of Practice
Trainee	75	None	—	None	supervised only
Licensed	150	None	2,000	Yes	non-complex 1–4 res.
Certified Residential	200	Associate	2,500	Yes	all 1–4 family
Certified General	300	Bachelor	3,000	Yes	all types

- Basic Appraisal Principles
- Basic Appraisal Procedures
- National USPAP Course.

After these three, the required courses follow separate paths depending on which credential is being pursued. Below is a listing of the Core Curriculum Courses as required for the respective credentials:

Trainee

Basic Appraisal Principles; 30 Hours
 Basic Appraisal Procedures; 30 Hours
 The 15-Hour National USPAP Course or its equivalent; 15 Hours

Trainee Education Requirements 75 Hours

Licensed

Basic Appraisal Principles; 30 Hours
 Basic Appraisal Procedures; 30 Hours
 The 15-Hour National USPAP Course or its equivalent; 15 Hours
 Residential Market Analysis and Highest And Best Use; 15 Hours
 Residential Appraiser Site Valuation and Cost Approach; 15 Hours
 Residential Sales Comparison and Income Approaches; 30 Hours
 Residential Report Writing and Case Studies; 15 Hours

Licensed Education Requirements 150 Hours

Certified Residential

Basic Appraisal Principles; 30 Hours
 Basic Appraisal Procedures; 30 Hours
 The 15-Hour National USPAP Course or its equivalent; 15 Hours
 Residential Market Analysis and Highest and Best Use; 15 Hours
 Residential Appraiser Site Valuation and Cost Approach; 15 Hours
 Residential Sales Comparison and Income Approaches; 30 Hours
 Residential Report Writing and Case Studies; 15 Hours
 Advanced Residential Applications and Case Studies; 15 Hours
 Appraisal Subject Matter Electives; 20 Hours
 Statistics, Modeling and Finance; 15 Hours

Certified Residential 200 Hours

Certified General

Basic Appraisal Principles; 30 Hours
 Basic Appraisal Procedures; 30 Hours
 The 15-Hour National USPAP Course or its equivalent; 15 Hours
 General Appraiser Market Analysis and Highest and Best Use; 30 Hours
 Statistics, Modeling and Finance; 15 Hours
 General Appraiser Sales Comparison Approach; 30 Hours
 General Appraiser Site Valuation and Cost Approach; 30 Hours

General Appraiser Income Approach; 60 Hours
 General Appraiser Report Writing and Case Studies; 30 Hours
 Appraisal Subject Matter Electives; 30 Hours

Certified General 300 Hours

Table 3 provides a composite summary of each credential along with the corresponding Core Curriculum Course Requirement including the number of hours.

Segmented versus Firm Date

Realizing that the January 1, 2008 deadline will present a dilemma for those aspiring appraisers that have completed some, but not all, of the current requirements the AQB is offering alternatives. States may choose to implement the new criteria on a "Segmented" basis or a "Firm Date" basis. Under the Segmented approach a state determines when a component was completed and then determines whether the applicant conformed to the AQB criteria in effect at the time. For example, an applicant may have completed all required education under the current criteria prior to January 1, 2008 but had not completed the examination. Therefore the State could grant approval of the education under the older criteria but require successful completion of the exam under the new criteria. Under the Firm Date approach, an applicant must conform to all components of the new 2008 criteria in order to have the credential issued after January 1, 2008.

Currently, of the 58 states, territories and districts employing the AQB standards, 23 have decided to implement the Firm approach, 12 have decided upon the Segmented approach and the balance are undecided or unknown.

Alternative Matrix Approach

As an alternative to developing courses that specifically follow the Core Curriculum outline listed in its guide note, the AQB offered a matrix approach. This alternative permits an

Table 3. Composite summary of course requirements for each credential

#	Course	Hours	* Classification				
			T	L	R	G	
1	Basic Appraisal Principles	30	T	L	R	G	
2	Basic Appraisal Procedures	30	T	L	R	G	
3	The 15-Hour National USPAP Course or Its Equivalent	15	T	L	R	G	
4	Residential Market Analysis and Highest and Best Use	15		L	R		
5	Residential Appraiser Site Valuation and Cost Approach	15		L	R		
6	Residential Sales Comparison and Income Approaches	30		L	R		
7	Residential Report Writing and Case Studies	15		L	R		
8	Advanced Residential Applications and Case Studies	15			R		
9	Appraisal Subject Matter Electives	20			R		
10	Statistics, Modeling and Finance	15			R	G	
11	General Appraiser Market Analysis and Highest and Best Use	30				G	
12	General Appraiser Sales Comparison Approach	30				G	
13	General Appraiser Site Valuation and Cost Approach	30				G	
14	General Appraiser Income Approach	60				G	
15	General Appraiser Report Writing and Case Studies	30				G	
16	Appraisal Subject Matter Electives	30				G	
	Total	395	75	150	200	300	

* Classification key: T = Trainee; L = Licensed; R = Certified Resident; G = Certified General

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education provider to cross-reference its existing material to the sub-topics listed in the guide note.

IAAO Options

The IAAO Executive Board directed the Professional Development Committee (PDC) to explore ways to meet the new AQB requirements. The PDC formulated three options to explore:

1. Independently develop the 16 courses
2. Partner with other education providers
3. Purchase the courses from another education provider

All three options are being investigated by the PDC. The AQB matrix alternative of cross-referencing courses was considered but rejected for several reasons. The current IAAO curriculum does not include enough hours of qualifying education to meet the hours called for under the AQB requirements. Significant supplements would have to be made in order to satisfy the new standards. Furthermore, attempting to use the IAAO basic courses "as is" for part of the AQB Qualifying Education requirements would likely not present a competitive option in the marketplace. Students are inclined to partake in qualifying education, which offers the most direct path to completing the requirements. Therefore, the matrix option was discarded.

To focus on option 1, independent course development, the PDC has surveyed course developers to determine the likely cost to develop all 16 courses, if the IAAO were to develop them independently. This option presents the most flexibility for the IAAO but also presents the largest immediate capital outlay.

As for option 2, partner with other education providers, during the latter part of 2004 the IAAO entered into a memorandum of understanding (MOU) with the American Society of Appraisers (ASA) and the National Association of Independent Fee Ap-

praisers (NAIFA) to form an education alliance. The initial phases of the understanding called for the organizations to see if an acceptable formal agreement could be developed to allow the alliance to collectively complete a course curriculum to satisfy not only the AQB but also all three organizations. It was agreed to pool the course materials from the inventory of all three groups and select the most suitable material to satisfy the AQB course topics. Two directors were selected from each organization as representatives on the Education Alliance. After selecting and correlating the education material, the directors drafted the framework for an agreement to be presented to their respective governing bodies for consideration.

If IAAO does nothing, will it remain a competitive force in appraisal education?

Option 3, purchase the courses from another education provider, is being considered in discussions with another appraisal organization. The Appraisal Institute (AI) has approached the IAAO and offered the use of its courses by various means to IAAO students. Currently, final terms for a working agreement have not been determined.

Decision

The Executive Board will make the final decision as to adopting any of these options. The IAAO could, of course, decide to do nothing and continue its education program as it now exists. If IAAO does nothing, will it remain a competitive force in appraisal education? If it decides to provide the courses as called for by the AQB Guide Note, what will it do with its current curriculum? Can it maintain its current curriculum in full as well as the new courses required by

the AQB? What financial influence will these decisions have on the association? What effect will this have on the IAAO Professional Designation program?

These are but a few of the questions that must be addressed in the decision-making process. The final choice must be made in the best interests of the IAAO membership, course providers, and students. The desire to continue as a major supplier of education to those pursuing state licensing or certification, coupled with a desire to remain the preeminent leader of mass appraisal and assessment administration courses will weigh heavily in the selection.

Conclusion

The future will show how the AQB changes will affect the public, influence the quality of appraisal services, and change those working in the field. However, current appraisers, those using appraisal services, and anyone planning to join the field should become familiar with these scheduled changes. ■

References

Appraisal Subcommittee,
www.asc.gov

The Appraisal Foundation,
www.appraisalfoundation.org

The International Association of
Assessing Officers, www.iaao.org

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