



Economic Impact Analysis Virginia Department of Planning and Budget

18 VAC 130-20 – Real Estate Appraiser Board Rules and Regulations Department of Professional and Occupational Regulation September 20, 2001

The Department of Planning and Budget (DPB) has analyzed the economic impact of this proposed regulation in accordance with Section 9-6.14:7.1.G of the Administrative Process Act and Executive Order Number 25 (98). Section 9-6.14:7.1.G requires that such economic impact analyses include, but need not be limited to, the projected number of businesses or other entities to whom the regulation would apply, the identity of any localities and types of businesses or other entities particularly affected, the projected number of persons and employment positions to be affected, the projected costs to affected businesses or entities to implement or comply with the regulation, and the impact on the use and value of private property. The analysis presented below represents DPB's best estimate of these economic impacts.

Summary of the Proposed Regulation

Based on changes to the U.S. Appraisal Qualifications Board (AQB) criteria, the Virginia Real Estate Appraiser Board (board) proposes to make several changes to the regulations, including: 1) changing the required course time for the Uniform Standards of Professional Appraisal Practice (USPAP) update course, and 2) requiring that all USPAP courses taught for continuing education credit be taught by instructors certified by AQB. In addition, the board proposes to: 1) create an "inactive license" status, and 2) permit courses approved by the AQB to meet board requirements without further review.

Estimated Economic Impact

U.S. Title 11 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) requires the state licensing of real estate appraisers. FIRREA created the Appraisal Subcommittee, which monitors and reviews the practices, procedures, activities, and organizational structure of the Appraisal Foundation. The Appraisal Foundation consists of the

Appraisal Qualifications Board (AQB) and the Appraisal Standards Board (ASB). The AQB sets minimum qualifications all states must use in licensing appraisers. The ASB promulgates the Uniform Standards of Professional Appraisal Practice (USPAP), which are incorporated into the Virginia Real Estate Appraiser Board regulations.

As a condition of license renewal, real estate appraisers must satisfactorily complete at least 28 classroom hours of continuing education courses or seminars each licensing term (two years). Under the current regulations, three of the 28 classroom hours completed to satisfy continuing education requirements must include a course approved by the board that, among other topics, covers recent developments in the USPAP. To comply with AQB changes, the board will now require that seven of the 28 classroom hours completed to satisfy continuing education requirements be an update on the USPAP. In addition, the board proposes to add language to address the new AQB requirement that effective January 1, 2003, all USPAP courses taught for continuing education credit are taught by instructors certified by AQB. According to the Department of Professional and Occupational Regulation (DPOR), AQB has not yet established a fee for their planned two and a half day instructor certification course.

Currently, instructors certified by the board can teach pre-license or continuing education courses, including the three-hour board-approved course that covers USPAP updates. The proposal to require instructors who teach the USPAP update to be AQB certified will cost instructors two and a half days of their time, plus travel time and expenses, plus the yet to be determined fee. The instructors will likely pass on a portion of their additional costs to the appraisers taking their USPAP update course. The benefit of requiring that instructors of the USPAP update course take the AQB instructor certification class and become AQB certified depends on: 1) whether the instructors learn significantly more about USPAP updates than they otherwise would, 2) whether the AQB certification course enables instructors to teach USPAP updates significantly better, 3) whether appraisers would learn significantly more about USPAP updates when their instructors have AQB certification, and 4) whether having significantly more knowledge about USPAP updates enables appraisers to conduct significantly more accurate appraisals. If appraisers are able to make significantly improved appraisals, then their clients could make improved business decisions concerning real estate (sales, purchases, loans, etc.).

The AQB has yet to offer their planned instructor certification course. Thus, no evidence yet exists to estimate how much more instructors would learn about USPAP updates and whether their instruction would improve, and whether appraisers would learn significantly more about USPAP updates and whether the improved knowledge would significantly improve their appraisals. Since no relevant data on the potential benefits of requiring AQB instructor certification exist, an accurate estimate of the economic effects of the proposed change cannot be made.

The board proposes two changes to the regulations that are not mandated by the AQB. First, the board proposes to create an “inactive license” status. Currently, if a licensed appraiser fails to complete 28 hours of continuing education courses within their two-year license period, he must reapply for a new license. Obtaining a new license requires the individual to retake the qualifying exam, which costs \$75, time, and the possibility of failure. In addition the individual is required to pay a \$50 National Registry Fee Assessment as well as initial licensure fees that exceed renewal fees by \$10 to \$40, depending on the designation applied for. The proposed “inactive license” status would describe “a license that has been renewed without meeting the continuing education requirements ...” An individual with an inactive license would not legally be permitted to conduct appraisals, but would regain an active license that would permit normal appraisal activity once he completed the continuing education requirements. This proposed change would save affected appraisers the costs described above. Since the affected appraisers will have been exposed to the benefits of the full complement of information available in the 28 hours of continuing education courses prior to legally conducting appraisals, the proposed change does not appear to put the public at risk. Thus, this proposed change would likely produce a net economic benefit.

Second, the board proposes to permit courses approved by the AQB to meet board requirements without further review. The board currently reviews all appraisal educational courses for approval. This proposed change will save instructors offering courses already approved by the AQB time and a \$135 fee. Since the board consistently approves courses that have already been approved by the AQB,¹ the public does not appear to be put at any risk due to

¹ Source: DPOR

this proposed change. Thus, this proposed change would also likely produce a net economic benefit for the Commonwealth.

Businesses and Entities Affected

The proposed amendments affect the 2,618 licensed appraisers in Virginia, as well as the 58 appraiser course instructors certified by the Commonwealth.

Localities Particularly Affected

The proposed amendments will affect localities throughout the Commonwealth.

Projected Impact on Employment

The proposed amendments are not expected to significantly affect employment

Effects on the Use and Value of Private Property

The net value of some instructors' teaching practices will be negatively affected by the costs that they incur due to the proposed requirement that all instructors of the USPAP update course be certified by AQB. These additional costs will likely be partially passed on to appraisers taking the course, and thus will slightly decrease the value of their practice as well. The inactive license status will reduce costs and thus increase the value of practices with affected appraisers. The proposal to permit courses approved by the AQB to meet board requirements without further review will save costs for instructors and will increase their value commensurately. Instructors may pass on a portion of the savings to their students and thus may slightly increase the value of their practice as well.