

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

C. Focus on Appraisal Reform

2. Communication with the Real Estate Industry

- c. Information from the American Institute
of Real Estate Appraisers and the
Society of Real Estate Appraisers
regarding their actions in regard to
appraisal reform



April 16, 1987

James A. Graaskamp, Chairman
Real Estate Department
University of Wisconsin
Madison, WI 53705

Dear Professor Graaskamp:

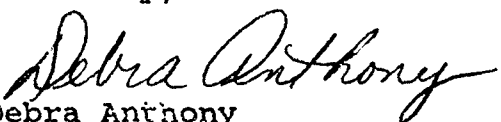
We have read with interest the interviews with you in Pensions & Investment Age, in December 1986 and March 1987, and noticed that you mentioned the proposals for self-regulatory structures for the appraisal profession. We have also seen the brochure concerning the seminar at which you are speaking on April 23. Donald Conley, our General Counsel, suggested that I send you a copy of the Appraisal Institute's proposal. This information includes a Position Paper and chart describing the proposal, in addition to a draft of Model Certification Legislation and summaries of the Congressional report that recommends the certification of real estate appraisers.

We are working closely with the Society of Real Estate Appraisers and other appraisal groups on the recommendation for self-regulatory structures for the appraisal profession.

We have heard from Lee Minnerly that you plan to attend the research forum sponsored by the Appraisal Institute on May 16 and 17. I look forward to meeting you at the research forum, for I have heard of you frequently, starting when my husband and I were students at the University of Wisconsin and continuing in conversations with many appraisers, including Dave Peatfield. Last week I met Fred Rendahl at Real Estate Research Corporation, who I understand is one of your students.

I hope you find the enclosed information helpful. Please feel free to contact us if you would like additional information.

Sincerely,


Debra Anthony
Director of Legal and
Legislative Affairs

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Although Prof. Graaskamp did not author the following papers, these documents

NEWS FROM THE APPRAISAL INSTITUTE...

are included because of his dedication to appraisal reform -

For Release: **IMMEDIATELY**

Janet Laurain
Contact: 312/329-8461

CHICAGO (September 29, 1986)--The House Subcommittee on Commerce, Consumer, and Monetary Affairs, a congressional subcommittee chaired by Congressman Doug Barnard, Jr., (D-GA), has released the results of an investigation into the impact of fraudulent and inadequate real estate appraisals on lending institutions. The subcommittee found that faulty appraisals, inappropriate lending practices by financial institutions, and the lack of proper regulatory mechanisms has resulted in a loss of billions of dollars by federally insured banks and thrift institutions.

In response to this problem, the subcommittee has called for the creation of a nationwide, industry-regulated appraiser certification and review system. This recommendation is consistent with proposals made by the American Institute of Real Estate Appraisers in its testimony before the subcommittee last December. Peter D. Bowes, MAI, president of the Appraisal Institute, complimented the subcommittee on its comprehensive analysis of a complex problem and praised its suggestion that all states make full real estate sales and loan data, which are essential to accurate appraisals, available to the public.

In addition to the establishment of a nationwide certification system for appraisers, the subcommittee urged that lending institutions be required to strengthen their current policies and internal controls on real estate loans.

- more -

AMERICAN INSTITUTE OF
REAL ESTATE APPRAISERS
of the National Association of Realtors



CONGRESSIONAL SUBCOMMITTEE REPORT press release, add one

Bowes noted that the Appraisal Institute, which is dedicated to raising the quality of appraisal services and preventing abuses such as those mentioned in the report, is currently developing a proposed, self-regulatory structure for the appraisal profession, similar to that recommended by the subcommittee. "The Appraisal Institute agrees that appropriate action is required and looks forward to working with legislators on the implementation of an effective program," Bowes said.

The American Institute of Real Estate Appraisers, founded in 1932, awards the MAI (Member, Appraisal Institute) and RM (Residential Member) designations and is the only appraisal organization affiliated with the NATIONAL ASSOCIATION OF REALTORS^R. Members and candidates of the Institute subscribe to a strict Code of Professional Ethics and Standards of Professional Practice. Continuing education for appraisers is encouraged through a certification program.

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Appraisal

From page 1

mony we delivered in December 1985, and they've identified that there are a number of culpable people."

Bowes added that the Appraisal Institute is now ready to move to the next step—getting legislation drafted and implemented to institute a self-regulatory structure.

The appraisal industry, lenders and financial regulators all share the blame for faulty appraisals, according to the report.

A prime source of the problem is lenders' ignorance or misunderstanding of the role of an appraisal, it said. "The prevailing attitude among (officials of lending institutions) is that the appraisal is simply an obstacle to overcome or a rubber stamp needed to establish the maximum amount of a loan. Worse still, many such officials maintain that it is not difficult to find an accommodating appraiser who can be counted on to come up with whatever results are desired," the report said.

It also cited implicit, and sometimes explicit, threats that if the appraiser fails to "come up with the numbers" needed to justify the transaction the appraiser will not get future business. Appraisal Institute officials said such pressures are sometimes placed on appraisers, but they added that the professional background and training of appraisers who are members of the Appraisal Institute gives them recognition in the business community that enables them to resist such pressures.

The report noted that only about one-third of the 150,000-250,000 appraisers now working across the nation are affiliated with a highly regarded professional organization. Bowes said his estimate is even lower, with as few as one-tenth of all appraisers covered by meaningful standards through membership in respected professional organizations.

The effective absence of federal regulation and minimal regulation by states were other factors highlighted by the report. It noted that only 12 states have any form of licensing or certification for appraisers, and in most of those instances the regulations are enforced through the real estate licensing mechanism.

"Indeed, that most state regulations place appraisers within the real estate licensing framework is fraught with potential problems since real estate sales stress wholly different legal, contractual and client-agent relationships than those involved in an appraisal assignment, and, unlike the appraiser, a real estate agent or broker has a vested interest in seeing that a sale/loan transaction is consummated," the report said.

The subcommittee report also charged that the appraisal industry's enforcement of its own codes of ethics and standards of professional practice has been ineffective.

"For many years, leading appraisal groups have had procedures for disciplining their members for cause, including admonishment, censure, reprimand, suspension and expulsion. These procedures, however, have been applied so sparingly that they have become almost meaningless as an effective enforcement tool," it said.

"Indicative of this industrywide failure to deal with poor performance and misconduct, out of some 1,600 complaints screened and submitted for further consideration within four of the leading appraisal groups... only about 10 per-

cent of the complaints resulted in meaningful disciplinary action, which translates to a miniscule four-tenths of 1 percent in terms of the total membership" of about 40,000, the report said.

Bowes said there is some disagreement about what constitutes "meaningful" discipline. "We think it is a quality education of those who are educable and expulsion of those who are not, with gradations in between," Bowes said.

Appraisal Institute officials noted that the institute recognized the enforcement problem several years ago and has implemented a new system of enforcement that is proving to be more effective than when the report was researched. They added that the proposed certification system would provide even more effective enforcement.

In addition to a national certification system, the report recommended a variety of other steps to improve appraisal quality. Among these were proposals to give the federal banking agencies authority to discipline appraisers and establish uniform requirements concerning appraisals. The

"Indeed, that most state regulations place appraisers within the real estate licensing framework is fraught with potential problems since real estate sales stress wholly different legal, contractual and client-agent relationships than those involved in an appraisal assignment, and, unlike the appraiser, a real estate agent or broker has a vested interest in seeing that a sale/loan transaction is consummated," the report said.

report also called upon VA and FHA to correct "ongoing deficiencies" in their existing appraisal review and monitoring procedures. In addition, it called upon the Federal National Mortgage Association and the Federal Home Loan Mortgage Corp. to consider reducing their reliance on lenders to be responsible for appraiser selection and appraisal quality.

It also recommended that the federal bank regulators, plus VA, FHA, Fannie Mae, Freddie Mac and other government agencies that use appraisals, develop procedures for sharing information on problem appraisers with each other and with the appraisal industry. Appraisal Institute officials said the institute favors information-sharing, but only if rights of due process are fully maintained to prevent unsubstantiated accusations from resulting in punishment.

Institute officials praised the recommendation that all states make available to the public full real estate sales and loan data, which are essential to accurate appraisals. This also would benefit the public, they noted, by reducing the time needed to perform an appraisal.

The report's authors acknowledged that Fannie Mae, Freddie Mac and others have taken steps recently to improve the quality of appraisals they use.

SUMMARY OF SUGGESTED SELF-REGULATORY STRUCTURES FOR
THE REAL ESTATE APPRAISAL PROFESSION

Proposed by the American Institute of Real Estate Appraisers

The Governing Council of the American Institute of Real Estate Appraisers (Appraisal Institute) passed a resolution in November 1985

"that the Appraisal Institute support legislation and regulations adopting the Institute's Standards of Professional Practice and/or programs for the certification of appraisers when the legislation or regulations lead to and support a national program for the appraisal profession, similar to the Certified Public Accountant program for the accounting profession, that is based upon a certifying board for appraisers and an appraisal standards board to set standards for the profession."

The Certified Public Accountant system includes an independent Financial Accounting Standards Board appointed by a foundation and a state Board of Accountancy established by statute in each state that administers minimum qualification criteria established by the AICPA. The CPA system identifies those members of the accounting profession who are qualified to perform certain types of more difficult work, such as auditing financial statements upon which the public relies. The CPA system does not prohibit persons who are not "certified" from stating that they are accountants and doing some types of accounting work.

The essential elements of a regulatory program include an independent Real Estate Appraisal Standards Board, an independent Real Estate Appraiser Qualification Board, appropriate legislation for the state certification of qualified appraisers, state enforcement provisions with penalties for violations of standards and other rules, and the adoption by federal and state regulatory agencies of appropriate requirements relating to both the qualifications of appraisers and appraisal standards.

The suggested self-regulatory structures for the real estate appraisal profession are as follows:

A. Real Estate Appraisal Standards Board

The Appraisal Institute recommends the establishment of a broad based Real Estate Appraisal Foundation to select and appoint the members of a Real Estate Appraisal Standards Board (in addition to arranging funding for, and approving the budgets of, such Standards Board). The Appraisal Institute also recommends that an Appraisal Standards Advisory Council (composed of a minimum of 20 real estate related organizations) be created to work closely with the Real Estate Appraisal Standards Board in an advisory capacity.

B. Real Estate Appraiser Qualification Board

The Appraisal Institute recommends that the Real Estate Appraisal Foundation also establish a Real Estate Appraiser Qualification Board to develop minimum requirements for the certification and recertification of qualified real estate appraisers, furnish the qualification criteria to each state, and assist each state in establishing and maintaining an appropriate system for the certification and recertification of qualified real estate appraisers. The requirements to become "certified" would include: appropriate education and experience, passing a comprehensive examination, and agreeing to follow the appraisal standards and other rules. No groups would be "grandfathered."

C. Certification Program

The Appraisal Institute recommends that a Real Estate Appraisal Board be established in each state to administer a program for the certification and recertification of qualified appraisers based upon the minimum qualification criteria established from time to time by the Real Estate Appraiser Qualification Board.

Persons who are not "certified" would not be prohibited from stating that they are appraisers, nor would they be prohibited from accepting appraisal assignments except in those instances where a regulatory agency has decided that the use of a "certified" appraiser is required.

D. Enforcement of Rules and Standards

The Appraisal Institute has developed a Model Bill that gives each state the primary responsibility for enforcing the appraisal standards that certified appraisers must follow. This means that an appraiser's "certification" could be removed or suspended if the person did not follow the standards. Since the state has subpoena powers and immunity privileges, enforcement by the states will be more effective than enforcement by a private professional organization.

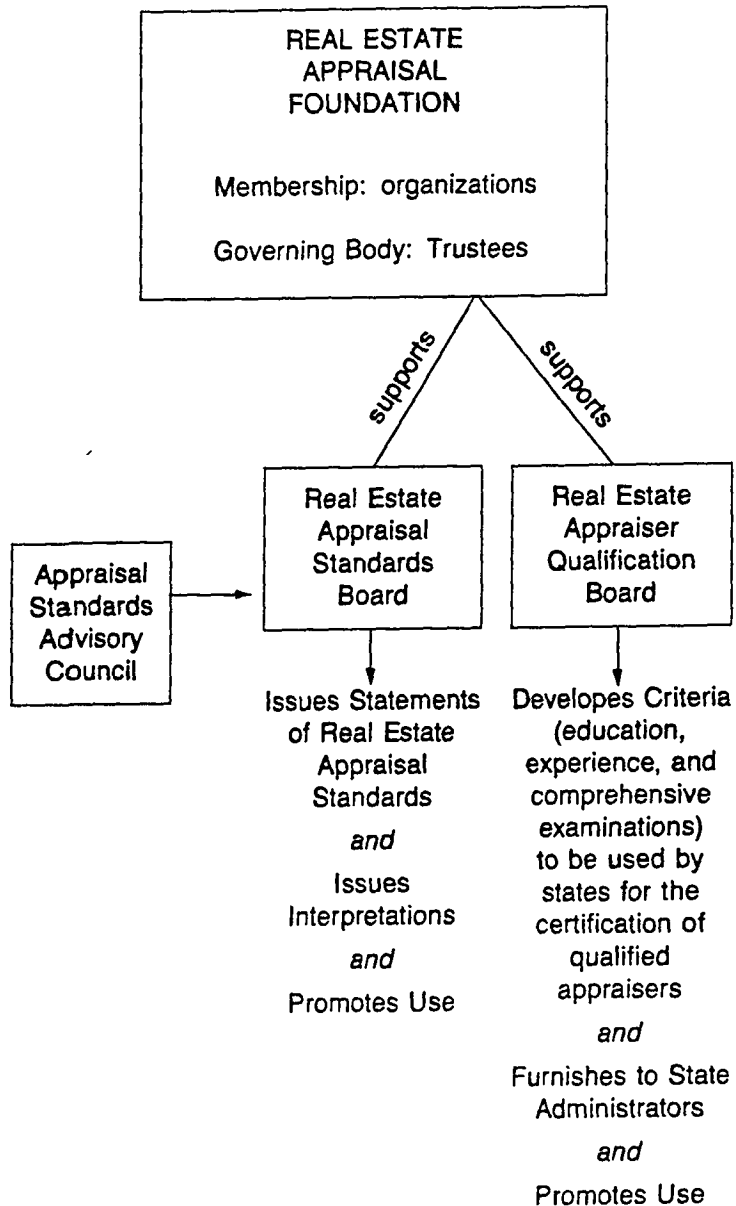
The Model Bill provides that the appraisal community will be represented on the state Real Estate Appraisal Board and participate in its work. Maintaining a certifying board and accepting responsibility for enforcement would not be a financial burden on the state because the fees to become certified and to renew one's certification could be high enough to cover the cost of administering the program. The Certified Public Accountant program is not a financial burden on states.

E. Utilization by Federal and State Regulatory Agencies

With the self-regulatory system described above in place, federal and state regulatory agencies would be in a position to adopt meaningful and effective regulatory requirements, relating to both the qualifications of appraisers and to appraisal standards. Regulatory agencies could require that certain types of appraisal services be performed only by persons who are certified. For example, the Securities and Exchange Commission could adopt a rule that (i) only appraisals prepared by state certified appraisers (from states which observe the minimum criteria set

by the Real Estate Appraiser Qualification Board) would be acceptable for use in connection with the issuance of securities, and (ii) all such appraisals must meet the standards promulgated by the Real Estate Appraisal Standards Board.

CHART A



State Administrators

Use Criteria Developed by the Real Estate Appraiser Qualification Board to:

1. Check education and experience and administer examination (before issuing certificates for state certified real estate appraisers)
2. Supervise continuing education program for renewal of certificates

and

Enforce the Standards developed by the Real Estate Appraisal Standards Board (with penalties for violation)

State and Federal Regulators

Adopt (when appropriate) the Standards Developed by the Real Estate Appraisal Standards Board

and

Restrict Certain Types of Appraisal Services to State Certified Real Estate Appraisers (certified by states that use the criteria developed by the Real Estate Appraiser Qualification Board)

POSITION PAPER

SELF-REGULATORY STRUCTURES FOR
THE REAL ESTATE APPRAISAL PROFESSION
PROPOSED BY THE AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS
OF THE NATIONAL ASSOCIATION OF REALTORS

This Position Paper describes the self-regulatory structures proposed by the Appraisal Institute for the real estate appraisal industry. Part I addresses the Real Estate Appraisal Foundation, the Real Estate Appraisal Standards Board and the Real Estate Appraiser Qualification Board. Part II addresses the State Certification Legislation that will enable a State to administer a certification and recertification system for qualified appraisers and to enforce the appraisal standards adopted by the Standards Board. Part III describes the manner in which this self-regulatory system can be utilized by the various regulatory agencies at the State and federal level that now indirectly regulate appraisal activity.

I. Real Estate Appraisal Foundation and its Boards

The Real Estate Appraisal Foundation, an Illinois not for profit corporation, will create and support both the Real Estate Appraisal Standards Board and the Real Estate Appraiser Qualification Board. Various organizations will be the members of the Foundation. The governing body of the Foundation will be a Board of Trustees composed of twenty Trustees, chosen by various organizations.

The Trustees of the Real Estate Appraisal Foundation will select and appoint the members of the Real Estate Appraisal Standards Board and the members of the Real Estate Appraiser Qualification Board. The Trustees will also arrange funding and approve the budgets for both Boards.

The Trustees will also establish and maintain an Appraisal Standards Advisory Council to advise the Standards Board. This Advisory Council will be composed of a minimum of 20 real estate related organizations who will work closely with the Standards Board in an advisory capacity in much the same way that the Financial Accounting Standards Advisory Council assists the work of FASB.

The Trustees of the Foundation will not be allowed to serve on the Real Estate Appraisal Standards Board, the Real Estate Appraiser Qualification Board, or the Appraisal Standards Advisory Council.

A. Real Estate Appraisal Standards Board

The Real Estate Appraisal Standards Board ("Standards Board") will issue formal Statements of real estate appraisal standards and Interpretations of the Statements. It will also promote their use. The Standards Board will consist of five members who have extensive knowledge of the real estate business and a concern for the public interest in matters concerning real estate appraisals. The members will serve three year terms on a full time basis and would be salaried. The members cannot have financial or other obligations to previous employers or clients that might actually impair, or create the impression of impairing, objectivity.

An Appraisal Standards Advisory Council ("Advisory Council") will be established by the Board of Trustees to work closely with the Standards Board in an advisory capacity. This Advisory Council will consist of at least twenty organizations or entities that are either knowledgeable with respect to the use of real estate appraisals in the marketplace and the problems relating to such use, or have demonstrated a concern related to the implementation of sound real estate appraisal practices and procedures.

The Advisory Council will represent varied professions and occupations as a means of involving the public in the work of the Foundation and would include, if possible, organizations representing homebuilders, real estate brokers, investors, financial institutions, the securities industry, consumers, regulators and the general public. Each organization or entity serving on the Advisory Council will designate an individual to be its representative at meetings of the Advisory Council.

B. Real Estate Appraiser Qualification Board

The Real Estate Appraiser Qualification Board ("Qualification Board") will develop minimum requirements for the certification and recertification of qualified real estate appraisers, furnish the qualification criteria to each State, and assist each State in establishing and maintaining an appropriate system for the certification and recertification of qualified real estate appraisers.

The qualification criteria for certification is expected to include defined amounts of education and experience and passage of a comprehensive examination. The Qualification Board will develop the comprehensive examination to be used by each State, and will assist in the administration and grading of the examination. The requirements for recertification would include continuing education.

II. State Certification Legislation

The Appraisal Institute's Model State Certification Bill currently contains appraisal standards and minimum certification requirements. We will continue to use this Model Bill until the Standards Board and the Qualification Board have become active. When the Standards Board and Qualification Board are in operation, the Model State Certification Bill will be modified to refer to the standards developed by the Standards Board and to the minimum certification requirements established by the Qualification Board.

The Model Bill gives the States the primary responsibility for the enforcement of appraisal standards and provides that the certification of a real estate appraiser certified by a State can be removed or suspended if such appraiser fails to follow the standards. The enforcement procedures contemplate that panels of other State certified real estate appraisers would act in an investigatory or review capacity on grievance committees, hearing committees, or review and counseling committees. Since the State has subpoena powers and immunity privileges, disciplinary proceeding by a State should be more effective than if such proceedings were conducted by a private professional organization. A private organization, such as the Appraisal Institute, operates with caution because a high percentage of its disciplinary actions are challenged in court and a failure to observe due process could threaten the survival of the organization. In addition, a private organization can sanction only its own members and candidates and cannot deal with other appraisers.

III. Utilization By Federal and State Regulatory Agencies

As detailed in the Barnard Report, the appraisal profession is indirectly regulated by a variety of agencies that regulate other industries and this indirect regulation has not been effective. The solution to this problem is not to create a new agency with direct authority and responsibility for the regulation of appraisers. Further, the licensing of appraisers is not a solution because it will reduce regulation to the lowest common denominator and fail to solve the problems detailed in the Barnard Report. The only solution that makes sense and will be effective is to establish a self-regulatory system similar to the self-regulatory system that governs the accounting industry.

When the self-regulatory system proposed by the Appraisal Institute is put in place, federal and State regulatory agencies will have the tools that they need to adopt meaningful and effective regulatory requirements relating to both the qualifications of appraisers and to appraisal standards. Until now, the attempts to solve the problem have related solely to standards, and standards alone will not work.

When our self-regulatory structures are functioning, the existing regulatory agencies can do a better job. When appropriate, these regulatory agencies will require adherence to the appraisal standards by the institutions and industries that they regulate. When appropriate, the regulatory agencies will also require the use of State certified appraisers for certain types of appraisal assignments. For example, the Securities and Exchange Commission could adopt a rule that only appraisals prepared by State certified appraisers would be acceptable for use in connection with the issuance of securities and all such

appraisals must meet the standards promulgated by the Real Estate Appraisal Standards Board.

To insure proper utilization of the system, Congress could provide that each federal agency with a role in evaluating appraisals be required review the uniform appraisal standards issued by the Real Estate Appraisal Standards Board and determine to what extent these standards should apply to the institutions or industry subject to such agency's jurisdiction. The effect of this legislation would be to require the use of the uniform appraisal standards unless the agency determined that a certain standard was inappropriate. For example, the Federal Home Loan Bank Board might not require that all aspects of the uniform reporting rules be followed in appraisals of single family residences when the value was less than \$100,000. In time, however, we hope that the Standards Board will be able to develop specific standards for each type of appraisal situation so that regulatory agencies will not be forced to utilize exceptions.

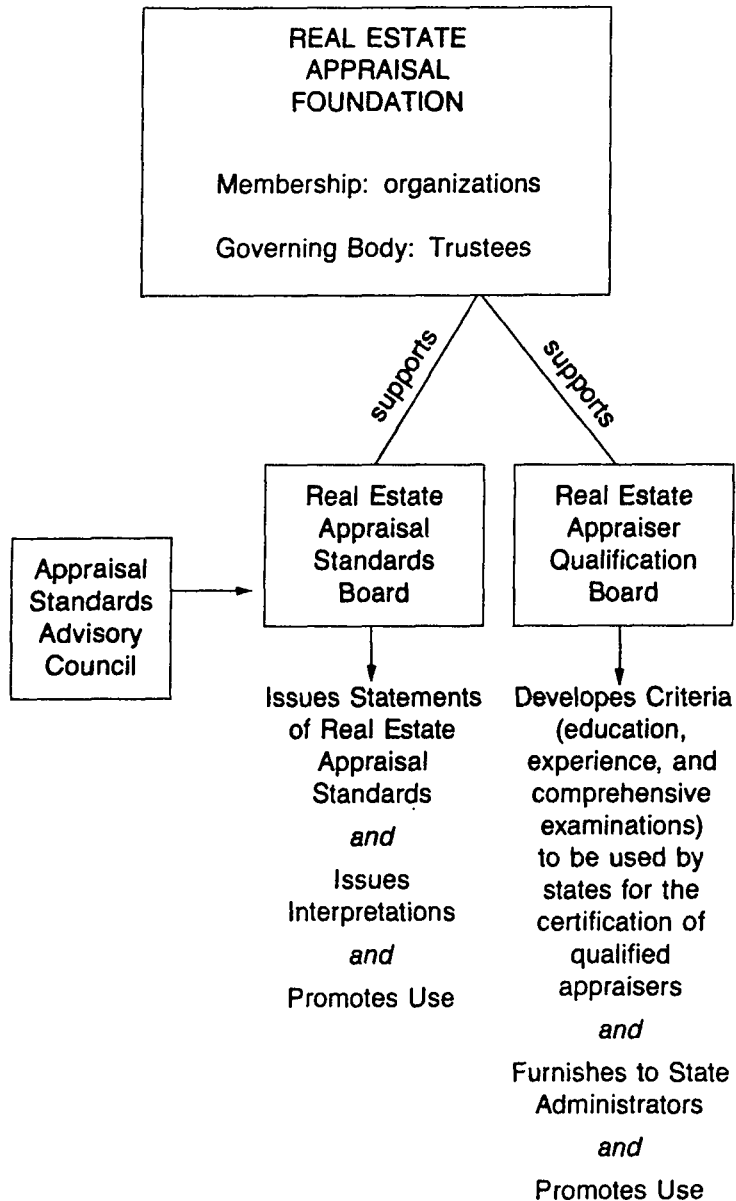
Congress could also provide that each federal agency be required to consider whether or not a State certified appraiser must be used for specific appraisal assignments under each such agency's jurisdiction. In this connection, State certified real estate appraisers would be defined to include only those appraisers who had been certified by a State that met the minimum requirements established by the Real Estate Appraiser Qualification Board.

Conclusion

The self-regulatory structures proposed by the Appraisal Institute not only provide a solution to many of the problems detailed in the Barnard Report but also provide effective self-regulation of the real estate appraisal industry in a manner that will be of great benefit to the entire real estate industry. The vitality of the real estate industry depends to a great extent upon the availability of credit at affordable rates. This proposal will strengthen financial institutions and give great stability to the process of making mortgage loans. The self-regulatory proposal of the Appraisal Institute is a great step forward towards professionalism, and it will contribute mightily to public confidence in investing in real estate.

Without centralizing control in a bureaucratic agency, both federal and State agencies will have an important role in assisting the appraisal profession in this effort. The users of appraisal services, the real estate industry, and the public will be the primary beneficiaries of this joint effort.

CHART A



State Administrators

Use Criteria Developed by the Real Estate Appraiser Qualification Board to:

1. Check education and experience and administer examination (before issuing certificates for state certified real estate appraisers)
2. Supervise continuing education program for renewal of certificates

and

Enforce the Standards developed by the Real Estate Appraisal Standards Board (with penalties for violation)

State and Federal Regulators

Adopt (when appropriate) the Standards Developed by the Real Estate Appraisal Standards Board

and

Restrict Certain Types of Appraisal Services to State Certified Real Estate Appraisers (certified by states that use the criteria developed by the Real Estate Appraiser Qualification Board)

MODEL CERTIFICATION LEGISLATION
Proposed by the American Institute of Real Estate Appraisers

CERTIFICATION OF REAL ESTATE APPRAISERS

Article 1. Scope of Regulation

Section 1. This Act may be cited as the State Certified Real Estate Appraisers Law.

Section 2. If any provision of this Act or its application to any person or in any circumstance is declared by a court of competent jurisdiction to be invalid or unenforceable, provisions constituting the remainder of the Act and the application of those provisions to other persons and in other circumstances shall not be affected.

Section 3. The following terms as used in this Act have the following meaning:

(a) The terms "real estate appraisal" or "appraisal" mean an analysis, opinion or conclusion relating to the nature, quality, value, or utility of specified interests in, or aspects of, identified real estate, for or in expectation of compensation.

(b) A "state certified real estate appraiser" means a person who holds a current, valid certificate issued to him or her under the provisions of this Act. A state certified real estate appraiser may designate or identify appraisals rendered by him or her as "certified appraisals."

(c) "Department" means the Department of _____.

(d) "Director" means the Director of the Department of _____.

(e) "Board" means the Real Estate Appraisal Board established pursuant to the provisions of this Act.

(f) "Real Estate" means an identified parcel or tract of land, including improvements, if any.

(g) "Real Property" means one or more defined interests in a parcel of real estate, whether an unencumbered fee or a lesser estate.

(h) "Appraisal assignment" means, an engagement for which an appraiser is employed or retained to act, or would be perceived by third parties or the public as acting, as a disinterested third party in rendering an unbiased analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interests in, or aspects of, identified real estate.

(i) "Directed Appraisal Assignment" means appraisal services which do not fall within the meaning of "appraisal assignment" in subdivision (h), which services relate to the employer's or client's individual needs or investment objectives and include specialized marketing, financing, and feasibility studies as well as analyses, opinions and conclusions given in connection with activities such as real estate brokerage, mortgage banking, real estate counseling, and real estate tax counseling. A state certified real estate appraiser who enters into an agreement to perform these legitimate business activities may be paid a fixed fee or, subject to compliance with conditions prescribed by the Board, a fee that is contingent on the results achieved by the appraisal service.

(j) "Appraisal Report" means any communication, written or oral, of an analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interests in, or aspects of, identified real estate. Under this definition the purpose of an appraisal is immaterial; therefore valuation reports, real estate counseling reports, real estate tax counseling reports, real estate offering memoranda, mortgage banking offers, highest and best use studies, market demand and economic feasibility studies, and all other reports communicating an appraisal analysis, opinion, or conclusion are appraisal reports, regardless of title.

Section 4. A state certified real estate appraiser must comply with the standards provided in this Act for the development and communication of real estate appraisals for any appraisals of real estate located in this state.

Section 5. This Act does not preclude a person who is not certified as a state certified real estate appraiser from appraising real estate for compensation. No person, other than a state certified real estate appraiser, shall assume or use that title or any title, designation, or abbreviation likely to create the impression of certification as a real estate appraiser by this state. A person who is not certified pursuant to this Act shall not describe or refer to any appraisal or other evaluation of real estate located in this state by the term "certified".

Article 2. Real Estate Appraisal Board

Section 1. There is hereby created within the Department of _____ the Real Estate Appraisal Board which shall consist of seven members, two of whom shall be public members and five of whom shall be real estate appraisers.

The Governor shall appoint three members who are real estate appraisers. The Senate Rules Committee and the Speaker of the House shall each appoint one public member and one real estate appraiser member.

Section 2. The term of each member shall be three years; except that, of the members first appointed, those appointed by the Senate Rules Committee shall serve two years and the members appointed by the Speaker of the House shall serve for one year.

Section 3. Upon expiration of their terms, members of the Board shall continue to hold office until the appointment and qualification of their successors. No person shall serve as a member of the Board for more than two consecutive terms. The appointing authority may remove a member for cause.

Section 4. The real estate appraiser members of the Board shall be members in good standing of a nationally recognized appraisal organization that requires appraisal experience, education and testing, as well as adherence to standards of professional practice to qualify for and retain membership in good standing.

The public members of the Board shall not be licentiates of the Department nor real estate appraisers.

Section 5. The real estate appraiser members appointed after January 1, 19__, shall be state certified real estate appraisers actively engaged in the practice of real estate appraising.

Section 6. The Board shall appoint a person exempt from civil service who shall act as Executive Officer to the Board and who shall exercise the powers and perform the duties delegated by the Board.

Section 7. The Board shall meet not less frequently than once each calendar quarter to conduct its business. Places of future meetings shall be decided by the vote of members at meetings. The Executive Officer shall give written notice to each member of the time and place of each meeting of the Board at least 10 days before the scheduled date of the meetings.

Section 8. The members of the Board shall elect a chairperson from among the members to preside at Board meetings.

Section 9. A quorum of the Board shall be four members. At least three of these four members shall be appraiser members.

Section 10. Each member of the Board shall be entitled to a per diem allowance of _____ for each meeting of the Board at which the member is present and, for each day or substantial part thereof actually spent in the conduct of the business of the Board. Each member of the Board shall be entitled to reimbursement of travel expenses necessarily incurred in attending meetings of the Board and in conducting the business of the Board other than at meetings of the Board.

Section 11. The Board shall adopt rules and regulations in aid or in furtherance of this Act.

Section 12. The Board shall have the following powers and duties:

- (a) to establish educational programs and research projects related to the appraisal of real estate;
- (b) to establish the administrative procedures for processing applications and issuing certificates to state certified real estate appraisers and for disciplinary proceedings pursuant to the provisions of this Act;
- (c) to receive and review applications and to establish the examination specifications for each category of state certified real estate appraisers, write examination questions and answers, and grade examinations;
- (d) to further define by regulation and with respect to each category of state certified real estate appraisers the type of educational experience, appraisal experience, and equivalent experience that will meet the statutory requirements of this Act;
- (e) to further define by regulation and with respect to each category of state certified real estate appraisers, the continuing education requirements for the renewal of certification that will meet the statutory requirements provided in this Act;
- (f) to review the standards for the development and communication of real estate appraisals provided in this Act from time to time and to adopt regulations explaining and interpreting the standards;
- (g) to perform such other functions and duties as may be necessary in carrying out the provisions of this Act.

Section 13. The Board shall maintain a registry of the names and addresses of people certified under this Act. The Board shall retain these records and all application materials submitted to it.

Section 14. The Board shall file with the Department an annual report of its activities, including a complete statement of the receipts and disbursements of the Board.

Article 3. Revenue

Section 1. The amount of the fees required by this Act is that amount fixed by the following schedule:

- (a) The application fee for certification shall not exceed \$_____.
- (b) The examination fee shall not exceed \$_____.

(c) The fee for renewal of certification shall not exceed \$_____.

Section 2. (a) The Board shall report each month to the Controller the amount and source of all revenue received pursuant to this Act and shall pay the entire amount thereof into the State Treasury for credit to the State Certified Real Estate Appraisers Fund which is hereby established and from which fund all expenses of carrying out the provisions of this Act shall be defrayed.

(b) All monies paid into the Certified Real Estate Appraisers Fund pursuant to subdivision (a) are hereby continuously appropriated to the Board for the purposes of this Act.

Article 4. Certification Process

Section 1. (a) Applications for examinations, original certification, and renewal certification made pursuant to this Act shall be made in writing to the Board on forms provided by the Board.

(b) Appropriate fees, as fixed by the Board pursuant to Article 3, must accompany all applications for examination, original certification and renewal certification.

(c) At the time of filing an application for certification, each applicant shall sign a pledge to comply with the standards set forth in this Act and state that he or she understands the types of misconduct for which disciplinary proceedings may be initiated against a state certified real estate appraiser, as set forth in this Act.

Section 2. There shall be two classes of certification for certified real estate appraisers. One class shall consist of those persons applying for certification relating solely to the appraisal of residential real property of one to four units. The other class of certification shall consist of those persons applying for a general certification relating to the appraisal of real property. The application for examination, original certification and renewal certification shall specify the classification of certification being applied for.

Section 3. An original certification as a state certified real estate appraiser shall not be issued to any person who has not demonstrated through a written examination process that he or she possesses the following:

(a) Appropriate knowledge of technical terms commonly used in or related to real estate appraising, appraisal report writing, and economic concepts applicable to real estate.

(b) Basic understanding of real estate law.

(c) Adequate knowledge of theories of depreciation, cost estimating, methods of capitalization, and the mathematics of real estate appraisal.

(d) Understanding of the principles of land economics, real estate appraisal processes, and of problems likely to be encountered in the gathering, interpreting, and processing of data in carrying out appraisal disciplines.

(e) Understanding of the standards for the development and communication of real estate appraisals as provided in this Act.

(f) Understanding of the types of misconduct for which disciplinary proceedings may be initiated against a state certified real estate appraiser, as set forth in this Act.

Section 4. An applicant who has failed an examination for state certified real estate appraiser may apply for reexamination by submitting an application with the appropriate examination fee within 90 days after the date of having last taken and failed the examination. The reexamination must be taken by the applicant within one year after submitting the application and fee for reexamination.

Section 5. (a) As a prerequisite to taking the examination for the general certification relating to the appraisal of real property, an applicant shall present evidence satisfactory to the Board that he or she possesses the equivalent of three years of full time experience in real property appraisal, acquired within a period of five years immediately preceding the filing of the application for certification, or the equivalent thereof; and either

(i) has a college degree; or

(ii) has successfully completed not less than 120 semester hours of academic experience in subjects related to real estate appraisal.

(b) As a prerequisite to taking the examination for certification relating solely to the appraisal of residential real property of one to four units, an applicant shall present evidence satisfactory to the Board that he or she possesses the equivalent of two years of full time experience in real property appraisal, acquired within a period of five years immediately preceding the filing of the application for certification, or the equivalent thereof; and either

(i) has a college degree; or

(ii) has successfully completed not less than 60 semester hours of academic experience in subjects related to real estate appraisal.

(c) The Real Estate Appraisal Board shall prescribe and define the "subjects related to real property appraisal," and the "full time experience in real property appraisal" which will satisfy the requirements of subdivisions (a) and (b).

(d) Each applicant for certification shall furnish under oath a detailed statement of the real estate appraisal assignments for each year for which experience is claimed by the applicant. Upon request, the applicant shall furnish to the Board for examination, copies of appraisal reports which the applicant has prepared in the course of his or her appraisal practice.

Section 6. It is unlawful for any person to practice any deception or fraud with respect to his or her identity in connection with an application for examination or in the taking of an examination for certification as a state certified real estate appraiser.

Section 7. (a) The Board may, in accordance with the provisions of this Act relating to hearings, deny the issuance of a certificate as a state certified real estate appraiser to an applicant on any of the grounds enumerated in Article 6.

(b) To assist in determining whether grounds exist to deny the issuance of certification to an applicant, the Board may require the fingerprinting of every applicant for an original certificate.

Section 8. The term of a certificate issued under the authority of this Act shall be two years from the date of issuance. The expiration date of the certificate shall appear on the certificate and no other notice of its expiration need be given to its holder.

Section 9. (a) Every applicant for certification under this Act who is not a resident of this state shall submit, with the application for certification, an irrevocable consent that service of process upon him or her may be made by delivery of the process to the Secretary of State if the plaintiff in an action against the applicant in a court of this state, arising out of the applicant's activities as a state certified real estate appraiser, cannot, in the exercise of due diligence, effect personal service upon the applicant.

(b) A nonresident of this state who has complied with the provisions of subdivision (a) may obtain a certificate as a state certified real estate appraiser by conforming to all of the provisions of this Act relating to state certified real estate appraisers.

Section 10. The Board shall issue a certificate as a state certified real estate appraiser to a holder of a certificate issued by another state, upon a showing that:

(a) The applicant passed the examination required for issuance of his or her certificate with grades that would have been passing grades at the time in this state; and

(b) If the applicant is applying for the general certification he or she meets the requirements of Section 5, Part (a) or if the applicant is applying for certification relating solely to the appraisal of residential real property of one to four units he or she meets the requirements of Section 5, Part (b).

Section 11. To obtain a renewal certificate as a state certified real estate appraiser, the holder of a current, valid certificate shall make application and pay the prescribed fee to the Board not earlier than 120 days nor later than 30 days prior to the expiration date of the certificate then held. With the application for renewal, the state certified real estate appraiser shall present evidence in the form prescribed by the Board of having completed the continuing education requirements for renewal specified in Article 5.

If the Board determines that an applicant has failed to meet the requirements for renewal of certification through mistake, misunderstanding, or circumstances beyond the control of the applicant, the Board may extend the term of the certificate for a period not to exceed six months, upon payment by the applicant of a prescribed fee for the extension.

If the applicant satisfies the requirements for renewal during the extended term of certification, the beginning date of the new renewal certificate shall be the day following the expiration of the certificate previously held by the applicant.

Section 12. If a person fails to renew a certificate as a state certified real estate appraiser prior to its expiration or within a period of extension granted by the Board pursuant to Section 10 above, the person may obtain a renewal certificate by satisfying all of the requirements for renewal and by the payment of a late renewal fee in an amount equal to 1-1/3 times the renewal fee in effect at the time the application is made for late renewal of the certificate.

Section 13. No certificate shall be issued under the provisions of this Act to a corporation, partnership, firm or group.

Nothing herein shall preclude a state certified real estate appraiser from rendering appraisals for or on behalf of a corporation, partnership or group practice, provided that the appraisal report is prepared by, or under the immediate direction of, the state certified real estate appraiser and is signed by such state certified real estate appraiser.

Section 14. Each state certified real estate appraiser shall advise the Board of the address of his or her principal place of business and all other addresses at which he or she is currently engaged in the business of preparing real property appraisal reports.

Whenever a state certified real estate appraiser changes a place of business, he or she shall amend the certificate issued by the Board to reflect the change and shall immediately give written notification of the change to the Board.

Every state certified real estate appraiser shall notify the Board of his or her current residence address. Residence addresses on file with the Board are exempt from disclosure as public records.

Section 15. If the Board is satisfied that the public interest is not likely to be harmed, the Board may issue a restricted certification as a state certified real estate appraiser to an applicant for certification who has otherwise satisfied the requirements for certification, but against whom (a) grounds exist to deny certification under Section 7 above, or (b) whose certification has been revoked pursuant to Article 6.

Section 16. The Board may restrict the certification of a state certified real estate appraiser that is issued pursuant to Section 15 above in any of the following respects:

- (a) The length of term of certification.
- (b) The type of appraisals for which the person may hold himself or herself out to be a state certified real estate appraiser.
- (c) The conditions to be met as prerequisites to the issuance of a restricted certification include but are not limited to the following:
 - (i) Passing of the examination for certification.
 - (ii) Completion of prescribed continuing education courses for state certified real estate appraisers.

(iii) The posting and maintaining in effect of a surety bond in such form and condition as the Board may require for the protection of persons for whom the restricted certificate holder may perform acts for which certification as a state certified real estate appraiser is required.

(d) Persons or classes of persons with whom the certificate holder may not associate under the name and style of a state certified real estate appraiser.

(e) Other conditions to be observed by the restricted certificate holder in engaging in business under authority of the certificate.

Section 17. A restricted certificate issued pursuant to Section 14 above does not include a right of renewal of the certificate nor does it confer any property right in the privileges which it authorizes the holder to exercise.

The Board may suspend without holding a hearing, any or all of the privileges exercisable by the holder of a restricted certificate.

Section 18. A certificate issued under authority of this Act shall bear the signatures or facsimile signatures of the members of the Board and a certificate number assigned by the Board.

Each state certified real estate appraiser shall place the certificate number adjacent to or immediately below the designation "State Certified Real Estate Appraiser" when used in an appraisal report or in a contract or other instrument used by the certificate holder in conducting real property appraisal activities.

Section 19. The term "state certified real estate appraiser" may only be used to refer to individuals who hold the certificate and may not be used following or immediately in connection with the name or signature of a firm, partnership, corporation, or group; or in such manner that it might be interpreted as referring to a firm, partnership, corporation, group, or anyone other than an individual holder of the certificate.

Section 20. The Board may require as a prerequisite to the granting of an application for reinstatement of a revoked certificate that the applicant successfully complete the written examination process referred to in Section 3 of this Article.

Article 5. Continuing Education

Section 1. (a) As a prerequisite to renewal of certification, a state certified real estate appraiser shall present evidence satisfactory to the Board of having met the continuing education requirements of this Article.

(b) The basic continuing education requirement for renewal of certification shall be the completion by the applicant, during the immediately preceding term of certification, of not less than 30 semester hours of instruction in courses which have received the approval of the Board.

(c) In lieu of meeting the requirements of subdivision (b), an applicant for re-certification may satisfy all or part of the requirements of this Article by presenting evidence of the following:

(i) Completion of courses of study determined by the Board to be equivalent, for continuing education purposes, to courses approved by the Board pursuant to subdivision (b).

(ii) Participation other than as a student in educational processes and programs in real property appraisal theory, practices or techniques, including, but not necessarily limited to, teaching, program development and preparation of textbooks, monographs, articles, and other instructional materials.

Section 2. (a) The Board shall adopt regulations for implementation of the provisions of this Article to the end of assuring that persons renewing their certifications as state certified real estate appraisers have current knowledge of real property appraisal theories, practices, and techniques which will provide a high degree of service and protection to those members of the public with whom they deal in a professional relationship under authority of the certification. The regulation shall prescribe the following:

(i) Policies and procedures for obtaining Board approval of courses of instruction pursuant to subdivision (b) of Section 1 above.

(ii) Standards, policies, and procedures to be applied by the Board in evaluating applicant's claims of equivalency in accordance with subdivision (c) of Section 1 above.

(iii) Standards, monitoring methods, and systems for recording attendance to be employed by course sponsors as a prerequisite to Board approval of courses for credit.

(b) In adopting regulations pursuant to subpart (i) of subsection (a) above, the Board shall give favorable consideration to courses of instruction, seminars, and other real property appraisal education courses or programs previously or hereafter developed by or under the auspices of professional appraisal organizations and utilized by those associations for purposes of designation, certification or re-certification of the members of the association.

(c) No amendment or repeal of a regulation adopted by the Board pursuant to this section shall operate to deprive a state certified real estate appraiser of credit toward renewal of certification for any course of instruction completed by the applicant prior to the amendment

or repeal of the regulation which would have qualified for continuing education credit under the regulation as it existed prior to the repeal or amendment.

Section 3. On and after January 1, 19__, a certification as a state certified real estate appraiser that has been revoked as a result of disciplinary action by the Board shall not be reinstated, nor shall a restricted certificate be issued to an applicant in connection with a petition for reinstatement, unless the applicant presents evidence of completion of the continuing education required by this Article. This requirement of evidence of continuing education shall not be imposed upon an applicant for reinstatement who has been required to successfully complete the examination for state certified real estate appraiser as a condition to reinstatement of certification.

Article 6. Disciplinary Proceedings

Section 1. The rights of any holder under a certificate as a state certified real estate appraiser may be revoked or suspended, or the holder of the certificate may be otherwise disciplined in accordance with the provisions of this Article relating to hearings, upon any of the grounds set forth in this Article.

Section 2. (a) The Board may investigate the actions of a state certified real estate appraiser, and may revoke or suspend the rights of a certificate holder or otherwise discipline a state certified real estate appraiser for any of the following acts:

(i) Procuring or attempting to procure a certificate pursuant to this Act by knowingly making a false statement, submitting false information, refusing to provide complete information in response to a question in an application for certification or through any form of fraud or misrepresentation.

(ii) Failing to meet the minimum qualifications established by this Act.

(iii) Paying money other than provided for by this Act to any member or employee of the Board to procure a certificate under this Act.

(iv) A conviction, including a conviction based upon a plea of guilty or nolo contendere, of a crime which is substantially related to the qualifications, functions, and duties of a person developing real estate appraisals and communicating real estate appraisals to others.

(v) An act or omission involving dishonesty, fraud, or misrepresentation with the intent to substantially benefit the certificate holder or another person or with the intent to substantially injure another person.

(vi) Violation of any of the standards for the development or communication of real estate appraisals as provided in this Act.

(vii) Failure or refusal without good cause to exercise reasonable diligence in developing an appraisal, preparing an appraisal report or communicating an appraisal.

(viii) Negligence or incompetence in developing an appraisal, in preparing an appraisal report, or in communicating an appraisal.

(ix) Willfully disregarding or violating any of the provisions of this Act or the regulations of the Board for the administration and enforcement of the provision of this Act.

(x) Accepting an appraisal assignment when the employment itself is contingent upon the appraiser reporting a predetermined analysis or opinion, or where the fee to be paid for the performance of the appraisal assignment is contingent upon the opinion, conclusion, or valuation reached, or upon the consequences resulting from the appraisal assignment.

(xi) Violating the confidential nature of governmental records to which he or she gained access through employment or engagement as an appraiser by a governmental agency.

(xii) Violating any term or condition of a restricted certificate issued by the Board under authority of this Act.

(b) An act, omission or crime that is a ground for disciplinary action under this section shall constitute a basis for disciplinary action against another license of the state certified real estate appraiser if the act or omission involved is substantially related to the qualification, functions or duties required of a person acting under authority of the other license.

Section 3. The Board may suspend or revoke the certificate of a state certified real estate appraiser based upon a final civil judgment against the person on grounds of fraud, misrepresentation or deceit in the making of an appraisal of real property. In a disciplinary proceeding based upon the judgment, the state certified real estate appraiser shall be afforded notice and the opportunity to present matters in mitigation and extenuation, but may not collaterally attack the civil judgment.

Section 4. (a) On the receipt of evidence that a person has procured the issuance of a certificate as a state certified real estate appraiser by making a material misstatement of fact or by willfully failing to disclose information requested in the application for certification, the Board may suspend the certificate issued to the person without first conducting a hearing.

(b) The authority of the Board pursuant to this section, to order the suspension of a certificate shall expire 120 days after the date of issuance of the certificate, and the suspension itself shall remain in effect only until the effective date of a decision rendered by the Board after a hearing conducted pursuant to this section and the provisions of this Act, relating to hearings.

(c) A statement of issues shall be filed and served upon the respondent with the suspension order. Service may be effected by certified or registered mail directed to the respondent's current address of record on file with the Board.

(d) The respondent shall have 30 days after service of the suspension order and statement of issues in which to file with the Board a written request for hearing on the statement of issues. The Board shall hold a hearing within 30 days of receiving the request and issue a decision within 10 days thereafter.

(e) A respondent against whom a suspension has been ordered under authority of this section shall have no property rights in the certificate suspended by order of the Board unless the decision of the Board after hearing is that the respondent is entitled to an unrestricted certificate as a state certified real estate appraiser.

Article 7.

Standards for the Development and Communication of Real Estate Appraisals

Section 1. Except as otherwise provided in this Article, the standards set forth in this Article apply to the performance of real estate appraisal services that result from an appraisal assignment and to the performance of real estate appraisal services that result from a directed appraisal assignment.

Section 2. A state certified real estate appraiser must comply with the following standards in the development of appraisals of real estate located in this State:

(a) In developing real estate appraisal analyses, opinions, and conclusions, an appraiser must

(i) be aware of, understand, and correctly employ those recognized appraisal methods and techniques that are necessary to produce a credible analysis, opinion or conclusion; and

(ii) not commit a substantial error of omission or commission that significantly affects an analysis, opinion or conclusion.

(b) In developing a real estate appraisal analysis, opinion or conclusion, an appraiser must observe the following specific real estate appraisal guidelines:

- (i) identify the real estate and real property interest under consideration, define the opinion that is the purpose of the appraisal, consider the scope of the appraisal service, and identify the effective date of the opinion;
- (ii) identify and consider the appropriate procedures and market data required to perform the appraisal service;
- (iii) consider the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such land use regulations, economic demand, the physical adaptability of the estate, neighborhood trends, and the highest and best use of the property;
- (iv) consider the effect on the property being appraised of anticipated public or private improvements, located on or off the site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date;
- (v) recognize that land is generally appraised as though vacant and available for development to its highest and best use and that the appraisal of improvements is based on their actual contribution to the site;
- (vi) appraise proposed improvements only after examining and having available for future examination (i) plans, specifications, or other documentation sufficient to identify the scope and character of the proposed improvements, (ii) evidence indicating the probable time of completion of the proposed improvements, and (iii) reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion; and
- (vii) base estimates of anticipated future rent and expenses for the property being appraised on reasonably clear and appropriate evidence.

(c) In developing a real estate appraisal analysis, opinion or conclusion that contains an estimate of value, an appraiser must define the value being considered. If the value estimate is a statement or estimate of market value, the appraiser must clearly indicate whether the statement or estimate is the most probable price in terms of (i) cash or (ii) financial arrangements equivalent to cash, or (iii) such other terms as may be precisely defined.

If an estimate of value is based on submarket financing or financing with unusual conditions or incentives, the terms of such atypical financing must be clearly set forth, the contribution to, or

negative influence on value must be described and estimated, and the market data supporting the valuation estimate must be described and explained.

(d) For each real estate appraisal analysis, opinion or conclusion that contains an estimate of value, an appraiser must observe the following specific real estate appraisal guidelines. An appraiser must

- (i) consider whether an appraised fractional interest, physical segment, or partial holding contributes pro rata to the value of the whole;

- (ii) identify any personal property or other items that are not real property but are included with or considered in connection with the real estate being appraised and contribute to the total value estimate or conclusion;

- (iii) consider and analyze any current Agreement of Sale, option or listing of the property being appraised, if such information is available to the appraiser in the normal course of business;

- (iv) consider and analyze any prior sales of the property being appraised that occurred within the following time periods: (1) one year for one- to four-family residential property, and (2) three years for all other property types;

- (v) when estimating the value of a leased fee estate or a leasehold estate, analyze and consider the effect on value, if any, of the terms and conditions of the lease; and

- (vi) give careful consideration to the effect on value, if any, of the assemblage of the various estates or component parts of a property and refrain from estimating the value of the whole solely by adding together the individual values of its various estates or component parts.

(e) In developing a review appraisal analysis, opinion, or conclusion, an appraiser must observe the following specific appraisal guidelines. A review appraiser must

- (i) identify the report being reviewed, the real estate being appraised, the real property interest being appraised, the effective date of the opinion in the original report, the date of the original report, and the date of the review;

- (ii) identify the scope of the review process to be conducted, including a determination of whether or not it is appropriate or essential to inspect the appraised property and the data presented;

- (iii) form an opinion as to the adequacy and relevance of the data used and the propriety of any adjustments made;

(iv) form an opinion as to whether or not the appraisal methods and techniques used were appropriate and, if not, the reasons for the reviewer's disagreement with the original appraiser; and

(v) form an opinion as to whether or not the analyses, opinions or conclusions in the report being reviewed are correct or appropriate and, if not, state his or her analyses, opinions or conclusions and his or her reasons for disagreement with the original appraiser.

(f) In developing a real estate appraisal analysis, opinion, or conclusion for an employer or a client, an appraiser must carefully consider and determine whether the appraisal service to be performed is intended to result in an analysis, opinion or conclusion of a disinterested third party and therefore would be classified as an appraisal assignment as defined in this Act. If the appraisal service to be performed is not intended to result in an analysis, opinion or conclusion of a disinterested third party, the appraiser must then carefully consider whether or not he or she would be perceived by third parties or the public as acting as a disinterested third party.

(g) Prior to entering into an agreement to perform a real estate appraisal service, an appraiser must carefully consider the knowledge and experience that will be required to complete the appraisal service competently and either:

(i) have the knowledge and experience necessary to complete the appraisal service competently; or

(ii) immediately disclose the lack of knowledge or experience to the client, and take all steps necessary to complete the appraisal service competently.

(h) An appraiser may enter into an agreement to perform a real estate appraisal service that calls for something less than, or different from, the work that would otherwise be required by the specific appraisal guidelines, provided that prior to entering into such agreement,

(i) the appraiser has determined that the appraisal service to be performed is not so limited in scope that the resulting analysis, opinion or conclusion concerning real estate would tend to mislead or confuse the client, the users of the appraisal report, or the public; and

(ii) the appraiser has advised the client that the appraisal service calls for something less than, or different from, the work required by the specific appraisal guidelines, and therefore the appraisal report will include a qualification that reflects the limited or differing scope of the appraisal service.

Section 3. A state certified real estate appraiser must comply with the following standards in the communication of appraisals of real estate located in this State:

(a) Each written or oral report or communication concerning the results of an appraisal must contain sufficient information to enable the persons who receive or rely on the report or communication to understand it correctly.

(b) Each written or oral report or communication concerning the results of an appraisal must clearly and accurately set forth each appraisal analysis, opinion, or conclusion in a manner that will not be misleading in the marketplace.

(c) Each written or oral report or communication concerning the results of an appraisal must clearly and accurately disclose any extraordinary assumption or limiting condition that directly affects an appraisal analysis, opinion, or conclusion.

(d) Each written report or communication concerning the results of an appraisal must comply with the following specific reporting guidelines. The written report or communication must

(i) identify and describe the real estate being appraised;

(ii) identify the real property interest being appraised;

(iii) define the opinion that is the purpose of the appraisal and describe the scope of the appraisal;

(iv) set forth the effective date of the opinion and the date of the report;

(v) set forth the appraiser's opinion of the highest and best use of the real estate being appraised when such an opinion is necessary and appropriate;

(vi) set forth the appraisal procedure followed, the data considered, and the reasoning that supports the analyses, opinions, and conclusions;

(vii) set forth all assumptions and limiting conditions that affect the analyses, opinions, and conclusions in the report;

(viii) set forth any additional information that may be appropriate to show compliance with, and to identify permitted departures from, the requirements for the development of appraisals as provided in Section 2 of this Article; and

(ix) include a signed certification in accordance with the requirements of Standard (e) of this section.

(e) Each written report or communication of the results of an appraisal signed by a state certified real estate appraiser must contain a certification that is similar in content to the most appropriate of the following two suggested forms:

(i) Certification to be Used in Written Reports Resulting from Appraisal Assignments

I certify that, to the best of my knowledge and belief,...

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest or bias with respect to the parties involved.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the State of _____ for state certified real estate appraisers.
- the use of this report is subject to the requirements of the State of _____ relating to review by the Real Estate Appraisal Board.
- I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
- no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)

(ii) Certification To Be Used in Written Reports Resulting From Appraisal Services That Are Directed Appraisal Assignments

I certify that, to the best of my knowledge and belief,...

- the statements of fact contained in this report are true and correct.

- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, professional analyses, opinions, and conclusions.
 - I have no (or the specified) present or prospective interest in the property that is the subject of this report.
 - my compensation is (or is not) contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be explained.)
 - my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the State of _____ for state certified real estate appraisers.
 - the use of this report is subject to the requirements of the State of _____ relating to the review by the Real Estate Appraisal Board.
 - I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.)
 - no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- (f) To the extent that it is both possible and appropriate, each oral report or communication concerning the results of an appraisal must address the substantive matters set forth in Standard (d) of this section.
- (g) An appraiser may enter into an agreement calling for an appraisal report that is something less than, or different from, the complete appraisal report that would otherwise be required by the specific reporting standards set forth in this section, provided that prior to entering into such an agreement,
- (i) the appraiser has determined that the resulting appraisal report would not be so limited in scope that it would tend to mislead or confuse the client, the users of the appraisal report, or the public; and
 - (ii) the appraiser has advised the client that the report to be prepared is something less than, or different from, the report

required by the specific reporting standards and therefore the appraisal report for the service will include a qualification that reflects this fact.

In this context, exceptions to Standards (a), (b) and (c) of this section are not permitted under any circumstances. Exceptions to Standard (e) of this section are not permitted in a written report.

Section 4. If a question arises as to the applicability or interpretation of the standards or definitions in this Article, the Real Estate Appraisal Board may consider other reference materials, including materials published by national appraisal organizations interpreting similar standards adopted by such national appraisal organizations.

Article 8. Miscellaneous

Section 1. A state certified real estate appraiser shall retain for two years, originals or true copies of contracts engaging the person's services for real property appraisal work, appraisal reports, and supporting data assembled and formulated by the appraiser in preparing the appraisal reports. The period for retention of the records applicable to each engagement of the services of the appraiser shall run from the date of the submittal of the appraisal report to the client. These records shall be made available by the state certified real estate appraiser for inspection and copying by the Board on reasonable notice to the appraiser.

Section 2. (a) Any person who willfully violates or knowingly participates in the violation of Section 6 of Article 4 of this Act is guilty of a misdemeanor.

(b) This section shall not be construed to preclude the applicability of any other provision of the criminal law of this state which is otherwise applicable to an act or omission which violates a provision of this Act.

1 BILL
2 38TH LEGISLATURE - STATE OF NEW MEXICO - FIRST SESSION, 1987
3 INTRODUCED BY
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10 AN ACT
11 RELATING TO REAL ESTATE; AMENDING AND ENACTING CERTAIN SECTIONS OF THE NMSA
12 1978; ENACTING THE STATE CERTIFIED REAL ESTATE APPRAISERS ACT; CREATING THE
13 CERTIFIED APPRAISER FUND.
14

15 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

16 Section 1. [NEW MATERIAL] SHORT TITLE.--Sections 1 through 20 of this
17 act may be cited as the "State Certified Real Estate Appraisers Act".

18 Section 2. [NEW MATERIAL] DEFINITIONS.--As used in the State Certified
19 Real Estate Appraisers Act:

20 A. "appraisal" or "real estate appraisal" means an analysis,
21 opinion or conclusion relating to the nature, quality, value, or utility of
22 specified interests in, or aspects of, identified real estate, for or in
23 expectation of compensation;

24 B. "appraisal assignment" means an engagement for which an
25 appraiser is employed or retained to act, or would be perceived by third

underscored material = new
~~[bracketed material]~~ = deletion

1 parties or the public as acting, as a disinterested third party in rendering
2 an unbiased analysis, opinion, or conclusion relating to the nature,
3 quality, value, or utility of specified interests in, or aspects of,
4 identified real estate;

5 C. "appraisal report" means any communication, written or oral,
6 of an analysis, opinion or conclusion relating to the nature, quality,
7 value, or utility of specified interests in, or aspects of, identified real
8 estate regardless of title or designation, and all other reports
9 communicating an appraisal analysis, opinion or conclusion;

10 D. "board" means the real estate appraisers board created under
11 the State Certified Real Estate Appraisers Act;

12 E. "commission" means the New Mexico Real Estate Commission
13 created by Chapter 61, Article 29 NMSA, 1978;

14 F. "general certificate" or "general certification" means a
15 certificate or certification issued pursuant to the provisions of the State
16 Certified Real Estate Appraisers Act for appraisals of all types of real
17 estate;

18 G. "real estate" or "real property" means any leasehold or other
19 estate or interest in, over or under land, including structures, fixtures
20 and other improvements and interests which by custom, usage or law pass with
21 a conveyance of land though not described in a contract of sale or
22 instrument of conveyance, and includes parcels with or without upper and
23 lower boundaries and spaces that may be filled with air;

24 H. "residential certificate" or "residential certification" means
25 a certificate or certification issued pursuant to the provisions of the

1 State Certified Real Estate Appraisers Act limited to appraisals of
2 residential real estate or residential real property; and

3 I. "residential real estate" or "residential real property" means
4 real estate designed for occupancy by one to four families and includes
5 manufactured housing.

6 J. "state certified appraisal" means any appraisal which is
7 identified as a state certified appraisal report or is in any way described
8 as being prepared by a state certified real estate appraiser;

9 K. "state certified real estate appraiser" means a person who
10 holds a current, valid general certificate or a current, valid residential
11 certificate issued pursuant to the provisions of the State Certified Real
12 Estate Appraisers Act;

13 Section 3. [NEW MATERIAL] ADMINISTRATION--ENFORCEMENT.--The admin-
14 istration and enforcement of the State Certified Real Estate Appraisers Act
15 is vested in the commission.

16 Section 4. [NEW MATERIAL] REAL ESTATE APPRAISERS BOARD CREATED.--

17 A. There is created a "real estate appraisers board" consisting
18 of five members, three of whom shall be certified real estate appraisers
19 with at least three years of real estate appraisal experience in New Mexico;
20 one of whom shall represent lenders, or assignees thereof, engaged in the
21 business of lending funds secured by mortgages; and one of whom shall
22 represent the public and shall not have ever been a real estate appraiser or
23 engaged in the business of real estate appraisals. Upon enactment of the
24 State Certified Real Estate Appraisers Act, the board shall advise and make
25 recommendations to the commission on matters to which the State Certified

1 Real Estate Appraisers Act applies, including without limitation,
2 regulations necessary to effectuate the provisions of the State Certified
3 Real Estate Appraisers Act.

4 B. The state certified appraiser members shall be appointed by
5 the governor with initial appointments for two members for terms of three
6 years and one member for a term of five years. Not more than two state
7 certified appraiser members shall be from any one county within New Mexico.
8 The lender member and public member shall each be appointed for a term of
9 five years. Thereafter, the additional members shall be appointed by the
10 governor for staggered terms of five years each. The state certified real
11 estate appraiser members of the board shall be appointed from lists
12 submitted to the governor by any generally recognized organization of real
13 estate appraisers in New Mexico. The governor may remove any member for
14 cause. Vacancies shall be filled by appointment by the governor for the
15 unexpired term within sixty days of the vacancy.

16 Section 5. [NEW MATERIAL] BOARD--POWERS--DUTIES.--The board shall
17 advise and recommend to the commission for adoption and promulgation such
18 rules, regulations and certification standards as may be necessary to
19 effectuate the provisions of the State Certified Real Estate Appraisers
20 Act.

21 Section 6. [NEW MATERIAL] COMMISSION--POWERS--DUTIES.--The commission,
22 upon the advice and recommendations of the board, shall:

23 A. establish educational programs and research projects related
24 to the appraisal of real estate;

25 B. establish the administrative procedures for processing

1 applications and issuing certificates to certified real estate appraisers
2 and for conducting disciplinary proceedings pursuant to the provisions of
3 the State Certified Real Estate Appraisers Act;

4 C. receive and review applications, establish the examination
5 specifications for each category of state certified real estate appraisers,
6 prepare or supervise the preparation of examination questions and answers,
7 and supervise grading of examinations;

8 D. adopt regulations defining the extent and type of educational
9 experience, appraisal experience, and equivalent experience that will meet
10 the requirements of the State Certified Real Estate Appraisers Act after
11 considering generally recognized appraisal practices;

12 E. adopt regulations providing for continuing education programs
13 for the renewal of certification that will meet the requirements provided in
14 the State Certified Real Estate Appraisers Act;

15 F. adopt standards for the development and communication of real
16 estate appraisals provided in the State Certified Real Estate Appraisers Act
17 and adopt regulations explaining and interpreting the standards after
18 considering generally recognized appraisal practices; and

19 G. perform such other functions and duties as may be necessary to
20 carry out the provisions of the State Certified Real Estate Appraisers Act.

21 Section 7. [NEW MATERIAL] ORGANIZATION OF BOARD--MEETING OF THE
22 BOARD.--

23 A. The board shall organize by electing a chairman, vice chairman
24 and secretary from its members. A majority of the board shall constitute a
25 quorum and may exercise all powers and duties established by the provisions

1 of the State Certified Real Estate Appraisers Act. The secretary of the
2 board shall keep a record of its proceedings, a register of persons
3 certified as state certified real estate appraisers, showing the name and
4 places of business of each and retain all records and applications submitted
5 to the commission pursuant to the State Certified Real Estate Appraisers
6 Act.

7 B. The board shall meet not less frequently than once each
8 calendar quarter at such place as may be designated by the commission and
9 special meetings may be held on five days' written notice to each of the
10 members by the commission or chairman.

11 Section 8. [NEW MATERIAL] REIMBURSEMENT AND EXPENSES.--Each member of
12 the board shall receive per diem and mileage as provided in the Per Diem and
13 Mileage Act, and shall receive no other perquisite, compensation or
14 allowance. The commission may employ persons to assist the board and
15 commission as may be necessary. Compensation for employees and any
16 necessary supplies and equipment shall be paid from the certified appraiser
17 fund.

18 Section 9. [NEW MATERIAL] CERTIFICATION--EXCEPTIONS.--

19 A. It is unlawful, unless certified by the commission as a state
20 certified real estate appraiser under a general certification or residential
21 certification, for any person to:

- 22 1. assume or use any title, designation, or abbreviation
23 likely to create the impression of certification as a state certified real
24 estate appraiser; or
- 25 2. describe or refer to any appraisal or evaluation of real

1 estate by the term "state certified"; or

2 3. assume or use any title, designation, or abbreviation
3 likely to create the impression of certification as a state certified real
4 estate appraiser firm, partnership, corporation or group; or

5 4. assume or use any title, designation, or abbreviation
6 likely to create the impression of certification under a general
7 certificate, or describe or refer to any appraisal or evaluation of
8 non-residential real estate by the term "state certified", if certification
9 is limited to residential real estate.

10 B. The requirement of certification as a state certified real
11 estate appraiser shall not prohibit a person who is not certified from
12 preparing appraisals, provided such appraisals are not described or referred
13 to as "state certified" and provided further, such person does not assume or
14 use any title, designation, or abbreviation likely to create the impression
15 of certification as a state certified real estate appraiser. A holder of a
16 residential certificate may prepare appraisals of non-residential real
17 estate, provided such appraisals are not described or referred to as "state
18 certified" and provided further, the holder of the certificate does not
19 assume or use any title, designation or abbreviation likely to create the
20 impression of general certification.

21 Section 10. [NEW MATERIAL] QUALIFICATIONS FOR CERTIFICATE.--

22 A. Certificates shall be granted only to persons who are deemed
23 by the commission to be of good repute and competent to render appraisals.

24 B. Each applicant for a certificate shall be a legal resident of
25 the United States, an actual bona fide resident of New Mexico, and have

1 reached the age of majority.

2 C. Each applicant for a general certificate as a state certified
3 real estate appraiser shall have performed actively as a real estate
4 appraiser and have the equivalent of:

5 1. three years of experience in real property appraisal,
6 acquired within a period of five years immediately preceding the filing of
7 the application; and

8 2. successfully completed one hundred and twenty classroom
9 hours of instruction in appraisal of real estate approved by the board; or

10 3. such equivalent experience in an activity closely related
11 to or associated with real estate appraisal as determined by regulation.

12 D. Each applicant for a residential certificate as a state
13 certified real estate appraiser shall have performed actively as a real
14 estate appraiser and have the equivalent of:

15 1. one year of experience in real property appraisal,
16 acquired within a period of three years immediately preceding the filing of
17 the application; and

18 2. successfully completed sixty classroom hours of
19 instruction in appraisal of real estate approved by the board; or

20 3. such equivalent experience in an activity closely related
21 to or associated with real estate appraisal as determined by regulation.

22 E. The commission shall require such information as it deems
23 necessary from every applicant to determine the applicant's honesty,
24 trustworthiness and competency.

25 Section 11. [NEW MATERIAL] APPLICATION FOR CERTIFICATE AND

1 EXAMINATION.--

2 A. All applications for certificates shall be made in writing,
3 specify the classification of the certificate being applied for by the
4 applicant, and shall contain such data and information as may be required by
5 the commission.

6 B. Each applicant shall demonstrate, by successfully passing a
7 written examination, prepared by or under the supervision of the commission,
8 upon the advice and recommendations of the board, that the applicant
9 possesses, consistent with the certification sought, the following:

10 1. an appropriate knowledge of technical terms commonly used
11 in or related to real estate appraising, appraisal report writing, and
12 economic concepts applicable to real estate;

13 2. a basic understanding of real estate law;

14 3. an adequate knowledge of theory and techniques of real
15 estate appraisal;

16 4. an understanding of the principles of land economics,
17 real estate appraisal processes, and problems likely to be encountered in
18 the gathering, interpreting, and processing of data in carrying out
19 appraisal disciplines;

20 5. an understanding of the standards for the development and
21 communication of real estate appraisals as provided in the State Certified
22 Real Estate Appraisers Act;

23 6. an understanding of the types of misconduct for which
24 disciplinary proceedings may be initiated against a state certified real
25 estate appraiser, as set forth in the State Certified Real Estate Appraisers

Act.

C. The examination shall be given at such time and places within the state as the commission shall prescribe; provided however, the examination shall not be given less than four times during each calendar year. Notice of passing or failing the examination shall be given by the commission to each applicant not later than thirty days following the date of the examination.

D. An applicant who fails to successfully complete the written examination may apply for reexamination ninety days after the date the examination was taken upon compliance with such conditions as set forth in the rules and regulations adopted by the commission pursuant to the provisions of the State Certified Real Estate Appraisers Act.

Section 12. [NEW MATERIAL] TEMPORARY CERTIFICATION.-- Prior to the promulgation of rules and regulations, for a period not to exceed two years from the effective date of the State Certified Real Estate Appraisers Act, the commission shall issue temporary certificates to practice as a state certified real estate appraiser.

A. Each applicant for a temporary general certificate shall submit verifiable documentation that the applicant has performed actively as a real estate appraiser and has the equivalent of:

1. three years of experience in real property appraisal, acquired within a period of five years immediately preceding the filing of the application; and

2. successfully completed one hundred and twenty classroom hours of instruction in appraisal of real estate approved by the board; or

1 3. such equivalent experience in an activity closely related
2 to or associated with real estate appraisal.

3 B. Each applicant for a temporary residential certificate shall
4 submit verifiable documentation that the applicant has performed actively as
5 a real estate appraiser and has the equivalent of:

6 1. one year of experience in real property appraisal,
7 acquired within a period of three years immediately preceding the filing of
8 the application; and

9 2. successfully completed sixty classroom hours of
10 instruction in appraisal of real estate approved by the board; or

11 3. such equivalent experience in an activity closely related
12 to or associated with real estate appraisal.

13 C. Any person issued a temporary certificate pursuant to this
14 section shall take an examination at such place and time the commission may
15 require. If the holder of a temporary certificate fails to take such
16 examination, or fails to pass such examination, the temporary certificate
17 shall be automatically revoked and be of no further force or effect. All
18 temporary certificates shall expire not later than two years from the
19 effective date of the State Certified Real Estate Appraisers Act.

20 Section 13. [NEW MATERIAL] ISSUANCE, RENEWAL AND SURRENDER OF
21 CERTIFICATES.--

22 A. The commission shall issue to each qualified applicant a
23 certificate in such form and size as shall be prescribed by the commission.

24 B. Every certificate shall be subject to annual renewal on the
25 last day of the certificate holder's month of birth of each year. The

1 commission shall certify renewal of each certificate annually, in the
2 absence of any reason or condition which might warrant the refusal of the
3 renewal of a certificate. Each certificate holder shall submit proof of
4 compliance with continuing education requirements and the annual renewal
5 fee. In the event any certificate holder fails to properly apply for
6 renewal of the certificate within thirty days of his certificate renewal
7 date of any given year, the certificate shall expire. In that event the
8 commission may, upon the advice and recommendation of the board, in its
9 discretion, treat the former certificate holder as a new applicant and
10 further may require reexamination as a condition to reissuance of a
11 certificate or may accept the renewal upon payment of the current annual
12 renewal fee. Additionally, the commission shall require the former
13 certificate holder to pay a reinstatement fee in an amount not to exceed one
14 hundred dollars in addition to any other fee permitted under the State
15 Certified Real Estate Appraisers Act. If, during a period of one year from
16 the date the certificate expires, the certificate holder is either absent
17 from this state on active duty military service or is suffering from an
18 illness or injury of such severity that the person is physically or mentally
19 incapable of renewal of the certificate, payment of the late fee and
20 reexamination shall not be required by the commission if, within three
21 months of the person's permanent return to this state or sufficient recovery
22 from illness or injury to allow the person to make an application, the
23 person makes application to the commission for renewal. A copy of the
24 person's military orders or a certificate of the applicant's physician shall
25 accompany the application. Any person excused by reason of active duty

1 military service, illness or injury as provided for in this subsection may
2 renew the certificate without imposition of the late fee.

3 Section 14. [NEW MATERIAL] REFUSAL, SUSPENSION OR REVOCATION OF
4 CERTIFICATE.--

5 A. The commission, upon the advice and recommendations of the
6 board, shall have the power to refuse issuance or renewal of a certificate
7 for cause or suspend or revoke a certificate at any time, when the applicant
8 or certificate holder, in performing or attempting to perform any of the
9 actions set forth herein, is deemed guilty of:

10 1. procuring or attempting to procure a certificate by
11 knowingly making a false statement or submitting false information, or
12 through any form of fraud or misrepresentation;

13 2. refusing to provide complete information in response to a
14 question in an application for certification or failing to meet the minimum
15 qualifications established by the State Certified Real Estate Appraisers
16 Act;

17 3. paying money (other than provided for by the State
18 Certified Real Estate Appraisers Act) to any member or employee of the
19 commission or board to procure a certificate;

20 4. being convicted of a crime which is substantially related
21 to the qualifications, functions, and duties of a person developing real
22 estate appraisals and communicating real estate appraisals to others;

23 5. committing or omitting an act involving dishonesty,
24 fraud, or misrepresentation with the intent to substantially benefit the
25 certificate holder or another person or with the intent to substantially

1 injure another person;

2 6. willfully disregarding or violating any of the provisions
3 of the State Certified Real Estate Appraisers Act or the regulations of the
4 commission;

5 7. accepting an appraisal assignment when the employment
6 itself is contingent upon the appraiser reporting a predetermined analysis
7 or opinion, or where the fee to be paid for the performance of the appraisal
8 assignment is contingent upon the opinion, conclusion, or valuation reached,
9 or upon the consequences resulting from the appraisal assignment;

10 8. violating the confidential nature of records to which the
11 appraiser gained access through employment or engagement as an appraiser; or

12 9. committing any other conduct which is related to dealings
13 as a state certified real estate appraiser and which constitutes or
14 demonstrates bad faith, untrustworthiness, impropriety, fraud, dishonesty,
15 or any unlawful act.

16 B. The commission, upon the advice and recommendations of the
17 board, shall have the power to refuse issuance or renewal of a certificate
18 for cause and to suspend or revoke a certificate at any time, when the
19 applicant or certificate holder, in the performance of real estate appraisal
20 work, is found guilty of:

21 1. repeatedly failing to observe one or more of the
22 standards for the development or communication of real estate appraisals set
23 forth in the regulations adopted pursuant to the State Certified Real Estate
24 Appraisers Act;

25 2. repeatedly failing or refusing, without good cause, to

1 exercise reasonable diligence in developing an appraisal, preparing an
2 appraisal report or communicating an appraisal; or

3 3. repeatedly being negligent or incompetent in developing
4 an appraisal, in preparing an appraisal report, or in communicating an
5 appraisal.

6 C. The action of the commission, upon the advice and
7 recommendations of the board, relating to the issuance, suspension or
8 revocation of any certificate shall be governed by the provisions of the
9 Uniform Licensing Act.

10 D. The provisions of the Criminal Offender Employment Act shall
11 govern any consideration of criminal records required or permitted under the
12 State Certified Real Estate Appraisers Act.

13 E. Nothing in the State Certified Real Estate Appraisers Act
14 shall be construed to preclude any other remedies otherwise available under
15 common law or statutes of this state.

16 Section 15. [NEW MATERIAL] FEES.--The commission shall charge and
17 collect the following fees:

18 A. an initial application fee for temporary general certification
19 in an amount not to exceed three hundred dollars (\$300);

20 B. an initial application fee for general certification in an
21 amount not to exceed three hundred dollars (\$300);

22 C. an initial application fee for temporary residential
23 certification in an amount not to exceed two hundred dollars (\$200);

24 D. an initial application fee for residential certification in an
25 amount not to exceed two hundred dollars (\$200);

1 E. an examination fee for general certification in an amount not
2 to exceed two hundred dollars (\$200);

3 F. an examination fee for residential certification in an amount
4 not to exceed one hundred and fifty dollars (\$150);

5 G. an annual certificate renewal fee for general certification in
6 an amount not to exceed one hundred fifty dollars (\$150);

7 H. an annual certificate renewal fee for residential certi-
8 fication in an amount not to exceed one hundred dollars (\$100); and

9 I. for each duplicate certificate, where the certificate is lost
10 or destroyed and an affidavit is made thereof, a fee in an amount not to
11 exceed twenty-five dollars (\$25).

12 Any person who allows his certificate to lapse by failure to renew as
13 provided in the State Certified Real Estate Appraisers Act, and the
14 commission, upon the advice and recommendations of the board, in its
15 discretion, permits the reinstatement without reexamination, shall be
16 reinstated by the commission on payment of the fee for the current annual
17 fee plus a reinstatement fee in an amount not to exceed one hundred dollars
18 (\$100), as determined by the commission. This provision shall not apply to
19 anyone whose certificate has been revoked or suspended.

20 Section 16. [NEW MATERIAL] FUND ESTABLISHED--DISPOSITION--METHOD OF
21 PAYMENT.--

22 A. There is created in the state treasury the "certified
23 appraiser fund".

24 B. All fees received by the commission pursuant to the State
25 Certified Real Estate Appraisers Act shall be deposited with the state

1 treasurer. The state treasurer shall place the funds to the credit of the
2 certified appraiser fund.

3 C. Payments out of the certified appraiser fund shall be on
4 vouchers issued and signed by the person designated by the commission upon
5 warrants drawn by the department of finance and administration and shall be
6 used by the commission for the purpose of meeting necessary expenses
7 incurred in the enforcement of the provisions of the State Certified Real
8 Estate Appraisers Act, the duties imposed by the State Certified Real Estate
9 Appraisers Act and the promotion of education and standards for real estate
10 appraisers in this state. All money unexpended or unencumbered at the end
11 of the fiscal year shall remain in the certified appraiser fund for use in
12 accordance with the provisions of the State Certified Real Estate Appraisers
13 Act. Any income earned on investment of the fund shall be credited to the
14 fund for use as provided in the State Certified Real Estate Appraisers Act.

15 Section 17. [NEW MATERIAL] CONTINUING EDUCATION.--The commission, upon
16 the advice and recommendations of the board, shall adopt regulations
17 providing for continuing education programs that offer courses in real
18 property appraisal and practices and techniques, including basic real estate
19 law and practice. The regulations shall require that every state certified
20 real estate appraiser, except certificate holders who are sixty-five years
21 of age or older and who have a minimum of twenty years continuous experience
22 in appraising real property, as a condition to renewal, shall successfully
23 complete thirty classroom hours of instruction every three years in courses
24 approved by the commission. The regulations shall prescribe areas of
25 specialty or expertise relating to the type of certificate held and may

1 require that a certain part of the thirty classroom instruction be devoted
2 to courses in the area of the certificate holder's specialty or expertise.
3 The regulations shall also permit certificate holders to meet the continuing
4 education requirements by participation other than as a student in
5 educational processes and programs in real property appraisal theory,
6 practices and techniques by instructing or preparing educational materials.

7 Section 18. [NEW MATERIAL] NONRESIDENT APPLICANTS.--

8 A. Application for issuance of a general or residential
9 certificate shall be accepted only from a nonresident applicant who is a
10 certified or licensed in another state which other state extends the
11 privilege of certification or licensure to a state certified real estate
12 appraiser certified in New Mexico. A qualifying nonresident applicant may
13 become a state certified real estate appraiser by conforming to all
14 conditions of the State Certified Real Estate Appraisers Act, but shall not
15 be required to take a written examination if such examination is not
16 required to be taken by New Mexico state certified real estate appraiser to
17 be licensed or certified in the state of the nonresident.

18 B. The commission may recognize, upon the advice and
19 recommendations of the board, in lieu of the matters required to be
20 submitted with an application for certification, the certificate or license
21 issued to a nonresident in another state, provided the other states extends
22 the privilege of licensure or certification to New Mexico state certified
23 real estate appraisers upon the same or lesser conditions as set forth in
24 this section. The license shall be issued upon payment of the application
25 fee, verification that the applicant has complied with his resident state's

1 current education requirements, and the filing with the commission of a
2 certified copy of the applicant's license or certificate issued by the other
3 state.

4 C. The applicant shall file an irrevocable consent that suits and
5 actions may be commenced against him in the proper court of any county of
6 this state in which a cause of action may arise from their actions as a
7 state certified real estate appraiser or in which the plaintiff may reside,
8 by the service of any process or pleadings authorized by the laws of this
9 state on the commission, the consent stipulating and agreeing that such
10 service of process or pleadings on the commission shall be taken and held in
11 all courts to be as valid and binding as if personal service has been made
12 upon the applicant in New Mexico. In case any process or pleading mentioned
13 in the case is served upon the commission, it shall be by duplicate copies,
14 one of which shall be filed in the office of the commission and the other
15 immediately forwarded by registered mail to the applicant against which the
16 process or pleadings are directed.

17 Section 19. [NEW MATERIAL] PENALTY; INJUNCTIVE RELIEF.--

18 A. Any person who violates any provision of the State Certified
19 Real Estate Appraisers Act is guilty of a misdemeanor and shall be punished
20 by a fine of not more than five hundred dollars (\$500), or by imprisonment
21 for not more than six months, or both.

22 B. In the event any person has engaged, or proposes to engage, in
23 any act or practice violative of a provision of the State Certified Real
24 Estate Appraisers Act, the attorney general or the district attorney of the
25 judicial district in which the person resides or the judicial district in

1 which the violation has occurred or will occur shall, upon application of
2 the commission, upon the recommendations and advice of the board, maintain
3 an action in the name of the state to prosecute the violation or to enjoin
4 the proposed act or practice.

5 Section 20. [NEW MATERIAL] SEVERABILITY.--If any part or application
6 of the State Certified Real Estate Appraisers Act is held invalid, the
7 remainder of its application to other situations or persons shall not be
8 affected.

9 Section 21. Section 61-29-4 NMSA 1978 (being Laws 1959, Chapter 226, as
10 amended) is amended to read:

11 "61-29-4. CREATION OF COMMISSION; POWERS AND DUTIES.--There is created
12 the New Mexico real estate commission, called "the commission" in Chapter
13 61, Article 29 NMSA 1978. The commission shall be appointed by the governor
14 and shall consist of five members who shall have been residents of the state
15 for three consecutive years immediately prior to their appointment, four of
16 whom shall have been real estate brokers licensed in New Mexico and one of
17 whom shall be a member of the public who has never been licensed as a real
18 estate broker or salesperson; provided not more than one member shall be
19 from any one county within the state. The members of the commission shall
20 serve for a period of five years or until their successors are appointed and
21 qualified. Members to fill vacancies shall be appointed for any unexpired
22 term. The governor may remove any member for cause. The commission shall
23 possess all the powers and perform all the duties prescribed by Chapter 61,
24 Article 29 NMSA 1978 [7] and the State Certified Real Estate Appraisers Act,
25 and it is expressly vested with power and authority to make and enforce any

1 rules and regulations to carry out the provisions of that article [-] and
2 the State Certified Real Estate Appraisers Act. Prior to any final action
3 on any proposed changes or amendments to the rules and regulations of the
4 commission, the commission shall publish notice of the proposed action in
5 its official publication, distribute the publication to each licensee or
6 certificate holder and give the time and place for a public hearing on the
7 proposed changes. The hearing shall be held at least thirty days prior to
8 any proposed final action. Any changes or amendments to the rules and
9 regulations shall be filed in accordance with the procedures of the State
10 Rules Act and shall become effective thirty days after notification to all
11 licensees and certificate holders of the filing of the changes or
12 amendments. The commission may employ any staff it deems necessary to
13 assist in carrying out its duties and in keeping its records."
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Position Statement on Appraiser Regulation
Adopted by the Governing Council of the
Appraisal Institute on November 2, 1986

RESOLUTION

WHEREAS, the Resolution adopted by the Governing Council on November 4, 1985, that reads as follows:

"That the Appraisal Institute support legislation and regulations adopting the Institute's Standards of Professional Practice and/or programs for the certification of appraisers when the legislation or regulations lead to and support a national program for the appraisal profession, similar to the Certified Public Accountant program for the accounting profession, that is based upon a certifying board for appraisers and an appraisal standards board to set standards for the profession."

is still a current and appropriate statement of the Appraisal Institute's position on the issue of the regulation of appraisers; and

WHEREAS, subsequent to the adoption of the Resolution, the Report of the Congressional Subcommittee on Commerce, Consumer, and Monetary Affairs recommended the implementation of a regulatory plan similar to the plan suggested by the Appraisal Institute;

NOW THEREFORE BE IT RESOLVED, that the "Conceptual Draft of Self-Regulatory Structures for the Real Estate Appraisal Profession" presented to the Governing Council on November 2, 1986, is consistent with the Resolution of November 4, 1985, and the recommendation of the Congressional Subcommittee on Commerce, Consumer, and Monetary Affairs; and

BE IT FURTHER RESOLVED, that the plan suggested in the Conceptual Draft be adopted as the regulatory plan recommended and endorsed by the Appraisal Institute; and

IT IS FURTHER RESOLVED that the President of the Appraisal Institute and his designees be, and they hereby are, authorized to monitor and support proposals and legislation that would lead to the implementation of the plan proposed in the Conceptual Draft, including the introduction of legislation if and when necessary to the goals of the Appraisal Institute.



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DONALD E. KELLY
Legislative Counsel
Society of Real Estate Appraisers

Mr. Kelly joined the Society of Real Estate Appraisers as Legislative Counsel in 1986 after serving as staff counsel on the U.S. House of Representatives' Banking, Finance and Urban Affairs Committee. As Legislative Counsel he is responsible for liaison with both houses of Congress in matters affecting the real estate appraisal profession. He works with the various federal agencies on issues involving the profession. Mr. Kelly monitors federal and state legislation, and works with elected officials and congressional staff in preparing language for legislative proposals and reports.

Mr. Kelly holds a BA Degree from the University of Florida in Political Science, is a graduate of the University of Florida College of Law, and is a member of the Florida Bar.

BACKGROUND ON THE SELF-REGULATION ISSUE

The issue of appraisal industry practices most recently came to the attention of the U.S. Congress in 1984, as a result of investigations of bank and thrift institution failures conducted by the Government Affairs Subcommittee of the House Commerce, Consumer and Monetary Affairs Committee.

THE BARNARD REPORT

Rep. Doug Barnard (D-Ga.), the Subcommittee's Chairman, became aware of flaws in the workings of the appraisal system that needed correcting. He issued a report in September 1986 detailing appraisal problems and made recommendations for solving them. It is advisable for all members involved in this effort--particularly Chapter Legislative Chairmen -- to read the Barnard Report, which was printed in the Fall 1986 issue of TREA&A.

THE NECESSITY FOR ACTION

Because the appraisal industry problems identified by Congressman Barnard affect federally-insured institutions and the banking industry as a whole, it has been clear for some time that Congress will take direct action by way of federal regulation to correct these problems unless the profession acts to regulate itself and to support state-level certification of appraisers who do work for federal programs.

In addition to the problems that have been experienced by financial institutions and others, public confidence in the appraisal process has eroded, and meaningful changes are necessary at this time to protect our profession's public image.

SELF-REGULATION AS A SOLUTION

Representatives of the Society and other major appraisal organizations are working to found an industry Self-Regulatory Organization (SRO) called the "Appraisal Foundation." Simply stated, the role of the SRO will be to establish and review standards of appraisal practice, and to establish qualifications for certification of appraisers that can be used by the states in their certification programs.

In February 1987, the Society became the first organization to adopt the Uniform Standards of Professional Appraisal Practice developed by an ad hoc committee of appraisal organizations. Another committee from that same group is working to form and

implement the SRO. All of the provisions of the new uniform standards had been included in the existing Society standards. These new uniform standards go beyond real estate standards to include provisions dealing with personal property, business valuation, etc. They became effective for Society members July 1, 1987.

ENFORCEMENT MECHANISM KEY CHANGE

While the standards themselves may change little, the enforcement mechanism will be strengthened significantly under the new self-regulatory system. Under the proposed system, appraisers who violate professional standards can lose their state certification, which would prohibit them from performing appraisals for "federally covered interests. Under the existing system, violators lose professional designations but can continue to appraise.

BARNARD LEGISLATION

The Society and other groups have been working closely with Congressman Barnard to develop a statutory framework that will allow the SRO to function. Congressman Barnard held hearings in June 1987 in California to further explore the role of appraisers and other professionals in the failure of California thrift institutions. The testimony further documents appraisal industry problems. It is expected that legislation will be introduced this Fall to establish a federal role in a self-regulatory system. The federal legislation, which recognizes the role of the Appraisal Foundation, and requires state-certification for certain federally-covered interests, will provide the needed impetus for an effective self-regulatory organization.



NEWS

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SOCIETY OF REAL ESTATE APPRAISERS ENDORSES
GOVERNMENT ROLE IN INDUSTRY SELF-REGULATION EFFORTS

CHICAGO (June 18, 1987) -- The Society of Real Estate Appraisers announces its endorsement of limited government involvement in enforcement of the profession's uniform standards and appraiser qualification requirements.

The Society favors a limited government role in enforcing the industry's self-regulatory efforts. The current approach proposed by Rep. Doug Barnard (D-Ga.), involving state-level enforcement of the industry-promulgated standards and qualification requirements, would be acceptable.

"A system without government involvement is limited in its effectiveness," said Society president David N. Peterson, SREA. "Governmental involvement at various levels is necessary to assure that the standards are enforceable."

The Society is one of eight major appraisal organizations that have been working to establish an appraisal foundation, which will promote and disseminate the uniform standards of professional appraisal practice the industry groups have developed, and establish qualification requirements.

-more-

for immediate release

Society endorses government role in industry self-regulation -- add one

Barnard chaired House Subcommittee hearings June 13 in Los Angeles focused on insider abuses at California thrift institutions, part of an apparent pattern of corruption in thrifts across the country made possible by loosening of thrift industry regulations. The Commerce, Consumer, and Monetary Affairs Subcommittee heard testimony implicating bank officials and directors, as well as professionals who work closely with them, including appraisers, attorneys, accountants, and other consultants.

"Frankly, there is serious concern in Washington that if government and the private sector fail to take speedy and dramatic action against unscrupulous operators in the vulnerable thrift industry, an undercapitalized FSLIC fund may give way to a non-existent thrift industry itself," Barnard said in Los Angeles.

Barnard is expected to introduce legislation later this summer that would establish a federal oversight mechanism for the appraisal industry self-regulatory structure. The federal council would intervene only where the industry's appraisal foundation or the state-level appraisal qualification agencies abused their powers or failed to meet their responsibilities.

With 18,000 members, the Society of Real Estate Appraisers is the largest independent association of professional real estate appraisers in North America. Members of the 52-year old organization have always been required to adhere to strict Standards of Professional Practice and Professional Conduct. All of the provisions of the industry's new uniform standards were included in Society standards that have been in effect for more than 20 years.

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Society endorses government role in industry self-regulation -- add two

At present, however, enforcement of the Standards of Professional Practice and Conduct must be accomplished through a tort law system that does not allow plaintiffs subpoena power and can take two or three years.

"We share the widespread concern about thrift industry problems and are anxious to establish an enforceable self-regulatory system that can assure continued high standards of behavior in our profession," Peterson said. "The actions of a few threaten to damage the reputations of many thousands of honest practitioners."



NEWS

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FOR IMMEDIATE RELEASE

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APPRAISERS UNITE TO FORM NEW STANDARDS-SETTING FOUNDATION

CHICAGO (July 24, 1987) -- "We are very pleased and encouraged with the actions taken by the Society of Real Estate Appraisers and the seven other appraisal organizations to form a broad based Appraisal Foundation. The Foundation will be dedicated to the promotion of the Uniform Standards of Professional Appraisal Practice and establishment of uniform qualification criteria for professional appraisers," said David N. Peterson, SREA, president of the Society, after the meeting in Denver to draft bylaws and articles of incorporation for the new Appraisal Foundation July 19.

"Formation of the Appraisal Foundation will prove to be a milestone in the maturing of the appraisal profession," Peterson said. "We are proud to have contributed to this effort and to unite with the professional organizations to promote high standards of professional practice, qualification, and conduct."

The Appraisal Foundation will be the parent entity for an Appraisal Standards Board and an Appraiser Qualification Board. The Standards Board will develop and promote Uniform Standards of Professional Appraisal Practice. The Qualification Board will establish criteria for certification of qualified appraisers, and

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for immediate release

Appraisal Foundation -- add one

promote and disseminate the criteria to the states and other governmental agencies for adoption as uniform certification requirements.

Funding for the new non-profit organization initially will be provided by the appraisal organization members. In addition to the Society of Real Estate Appraisers, member groups include: American Institute of Real Estate Appraisers, American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, International Association of Assessing Officers, International Right of Way Association, National Association of Independent Fee Appraisers, and the National Society of Real Estate Appraisers. Five additional special members representing related industry interests are also members of the Foundation.

While there are at present few government licensing and certification requirements for appraisers, the Society and other professional organizations have consistently required their members to adhere to standards of professional practice and ethics. In response to recent concerns about professional conduct in the appraisal profession raised in congressional investigations, the appraisal organizations have reached consensus on Uniform Standards of Professional Appraisal Practice.

Impetus for establishment of state-level appraiser certification boards is expected to be provided by federal legislation. Rep. Doug Barnard (D-GA), whose subcommittee has looked into some of the problems, is expected to introduce legislation in September which will require appraisers performing certain "Federally covered interests"

-more-

Appraisal Foundation -- add two

to be state-certified. Given the pervasive involvement of the federal government in the mortgage finance industry, the Barnard proposal could effectively require state certification of appraisers. Under Barnard's proposal, state certification requirements would have to meet or exceed the requirements established by the Appraisal Foundation. A Federal Interagency Council would provide oversight to protect against abuse of power or dereliction of duty by the Foundation or the state agencies.

"We look forward to the official ceremonies in September to celebrate formation of the Appraisal Foundation," Peterson said. "It will be an historic occasion for appraisers and for the banking and thrift industries."

With more than 17,000 members and 52 years of experience, the Society of Real Estate Appraisers is the largest independent organization of professional appraisers in North America. It awards the professional designations: SRA (Senior Residential Appraiser), SRPA (Senior Real Property Appraiser), and SREA (Senior Real Estate Analyst).

TESTIMONY SYNOPSIS

SUBCOMMITTEE ON COMMERCE, CONSUMER, AND MONETARY AFFAIRS
COMMITTEE ON GOVERNMENT OPERATIONS
U.S. HOUSE OF REPRESENTATIVES
SATURDAY, JUNE 13, 1987

PROBLEMS IN THE CALIFORNIA THRIFT INDUSTRY

LOS ANGELES CITY HALL

Opening Remarks--Subcommittee Chairman U.S. Rep. Doug Barnard, Jr. (D-GA)

"The hearing will be seeking detailed information on (1) the nature and extent of misconduct by California thrift industry insiders (officers, directors, and principal stockholders) and by certain affiliated outsiders (major borrowers and appraisers); (2) the role of abusive appraisal practices in such misconduct; (3) the relationship between misconduct and the insolvencies or problem status of California savings institutions, including the costs to the Federal savings and loan insurance fund; (4) the effectiveness of the Federal Home Loan Bank Board's policies for detecting criminality and making referrals on such misconduct to Federal law enforcement agencies -- the FBI, U.S. Attorney's offices and Justice Department's Fraud Division -- in investigating and prosecuting insider, borrower and appraiser misconduct; and (6) specific recommendations for solving the financial fraud problem....

"Under the rules of the House of Representatives, this subcommittee is charged with responsibility for overseeing the operations of the financial institutions and the federal bank regulatory agencies; and for advising Congress on whether the industry and those agencies are performing responsibly.... In October 1985 the subcommittee issued a report entitled 'Federal Response to Criminal Misconduct and Insider Abuse in the Nation's Financial Institutions.' That report was based on a comprehensive investigation of the role of misconduct in 150 financial institution failures. The report concluded that:

'Misconduct was a principal factor in 50 percent of the commercial bank failures studied and 25 to 30 percent of thrift insolvencies; that bank regulatory agencies were lax in searching for criminal misconduct and slow to make criminal referrals; and that the criminal justice agencies frequently lacked the commitment, resources and occasionally expertise, to prosecute complex financial institution fraud cases.'

"In September 1986, the subcommittee issued another report relevant to this hearing entitled, 'Impact of Appraisal Problems on Real Estate Lending, Mortgage Insurance, and Investment in the Secondary Market.' That report found that:

'Faulty and fraudulent real estate appraisals have become an increasingly serious financial problem; that their harmful effects are widespread, pervasive, and costly; that they have contributed directly to the insolvency or problem status of hundreds of the nation's financial institutions and are at least partially responsible for billions of dollars in losses to federally insured lenders, private mortgage insurers, investors in mortgage-backed securities and federal mortgage guarantee funds.'

"Today's hearing and hearings planned for later this summer in Washington are a logical -- and I would argue -- a necessary follow-up to the 'criminal misconduct' and 'appraisal abuse' reports.

"The hearing is being held in Los Angeles, not because financial institution misconduct and appraisal abuse are unique to California, but rather, because California's thrift industry problems are representative of what seems to be happening across the country -- although on a scale sufficiently large and dramatic to focus needed public attention.

"Nor are insider abuse and appraisal misconduct unique to the thrift industry. Last weekend, the FDIC, which insures deposits in commercial banks, announced that it was closing its 85th bank barely five months into the year. The Chairman of the FDIC has readily acknowledged that insider abuse is as frequently to blame for commercial bank failures as economic conditions in the oil patch, trouble in the farm belt, or loan defaults by Third World countries....

"Frankly, there is serious concern in Washington that if government and the private sector fail to take speedy and dramatic action against unscrupulous operators in the vulnerable thrift industry, an undercapitalized FSLIC fund may give way to a nonexistent thrift industry itself....

"The subcommittee's investigation of your thrift industry's problems strongly suggests that misconduct by S&L insiders, by major borrowers, and by appraisers has become the leading cause of thrift insolvencies here and has reached epidemic proportions. There is evidence to show that serious insider misconduct is implicated in most of California's 31 thrift failures over the last three years, that appraisals were used to facilitate much of this misconduct and that fraud is responsible for a large percentage of the \$3.7 billion in accompanying losses to the FSLIC. Two extremely disturbing patterns appear to exist in

California in connection with the misconduct issue:

"First, it appears that many individuals who are engaged in financial institution misconduct have been able to move from financial institution to financial institution with virtual impunity -- to the detriment of all the institutions they touch. We need to get a handle on this issue and quickly.

"Second, the common practice of institutions participating in each other's loans, with little or no independent underwriting, is fraught with great risk. When loans are fraudulently made or involve unsafe and unsound ventures, defaults have a rippling effect on all participating institutions...."

* * * * *

William J. Crawford, [California] Savings and Loan Commissioner
California Savings and Loan Department

"Approximately 24 percent of the state savings and loan associations in California have significant problems.

"...As an overview of the 29 institutions on which we tendered conservatorship or receivership to the Federal Savings and Loan Insurance Corporation for California state-licensed associations, most of them included self-dealing, dealing with affiliates, dealing with friends, either as borrowers or as joint ventures. Appraisal abuse was present in most cases, as you need an inflated appraisal to validate the amount of money loaned or invested.

"...Our system of justice works slowly in prosecuting offenders, and has failed to transmit a strong message that integrity pays. In fact, the real public message is that white collar crime has high rewards and little risk.

"...There is not in place an effective means of censuring and disciplining officers, directors and appraisers if they are not convicted of wrongdoing.

"...it is no wonder that insurance companies do not want to write directors' and officers' liability insurance, that bonding companies do not want to write bond coverage, with appraisers providing accommodating appraisals to officers who must loan money that they have paid too much for.

"...we must require professional organizations to establish norms of behavior and standards of performance for their members and to discipline or remove the incompetent and unethical members who misuse the professional designations they hold. You must modify the tort system to improve professionalism. The Society of

Residential Appraisers [ed. note--this was meant to be a reference to the Society of Real Estate Appraisers] has 203 complaints awaiting action of their Ethics Committee, a tremendous increase of 200 in number over the last three years. Money will buy you almost any appraisal you want to validate a transaction so long as the unethical can keep their professional designations and licenses. Because of our tort system, the professional appraisal societies cannot effectively police their members. Therefore, I believe we must look to establishing government qualifications and testing of their ability and review of their work product. Disciplinary or removal action must be taken against the incompetent and fraudulent-prone appraisers."

* * * * *

**Charles A. Deardorff, Deputy Director, Agency Group
Federal Home Loan Bank Board of San Francisco**

"The nature, extent, and consequences of misconduct by insiders, borrowers, and appraisers in the thrift industry in California over the past several years has been extensive, costing the shareholders, FSLIC (principally), and other creditors hundreds of millions of dollars. In a review of 35 failed or failing institutions since year end 1985, insider misconduct was noted to some extent in 27 institutions, or in 77 percent of the sample. Unfortunately, this percentage is only marginally above the national average... this misconduct is not limited to insiders, borrowers, and appraisers, but also encompasses lawyers, accountants, consultants, and other persons involved in the affairs of FSLIC-insured institutions.

"...Appraisal abuse is typified in the example where an appraiser valued 123 acres of land in California at \$69.4 million, ignoring three sales of the subject property that occurred 10 days prior. The first sale of the property was for about \$30 million less than the appraised value. The insured institution that purchased the property in early 1984 was placed in conservatorship within days after the purchase. After three years, FSLIC was able to sell this property for \$37 million, with the probable loss to FSLIC in excess of \$30 million.

"... Many institutions having a superficially healthy appearance, upon examination, reveal insider transactions, often masked by poor documentation, and inaccurate appraisals. ...Institutions engaged in the worst insider abuse often cause catastrophic failures to the FSLIC by growing extremely rapidly and investing in highly risky assets, particularly acquisition, development, and construction (ADC) loans and direct investments. Such investments have proved a far more fertile area for fraud than mortgage loans."

[Description of procedures for deterring the movement of dishonest insiders and outsiders from institution to institution.] "...While the above-mentioned procedures assist in preventing the movement of certain individuals subject to criminal or administrative sanctions from one institution to another, the procedures do not address the broader spectrum of persons in the affairs of an insured institution, such as appraisers, consultants, accountants and borrowers.

[Examples of misconduct by such individuals]

"...Another individual, an appraiser, while not an insider, is worthy of mention. This appraiser has appeared in three failed California institutions. Within a two-year period of time, the individual performed three faulty and highly optimistic appraisals, each of which facilitated an unsafe and unsound investment, which contributed to the failure of each of the three California institutions. This individual remains an active appraiser with his professional designation as MAI (Member of the American Institute), despite three referrals (two from the Agency Group) to the American Institute of Real Estate Appraisers. To date, and to our knowledge, there have been no published actions regarding these referrals.

"In order to deter the movement of dishonest insiders and outsiders from institution to institution, certain reforms are necessary, including: (1) a dramatic increase in criminal investigations, prosecutions, convictions, and jail sentences; (2) improved communication between financial regulatory agencies and other federal agencies such as the FBI and Internal Revenue Service (IRS); (3) increased penalties and de-licensing for dishonest appraisers, accountants, consultants and other professionals; (4) broadened definitions of who can be removed and prohibited from participating in the industry; (5) improved means of limiting control of an institution by more than just one or a few dominant shareholders; (6) means of insuring the appointment of independent and competent directors, and (7) ability to seek civil money penalties for violations of law and regulation, similar to the powers of other financial institution regulators.

[Explanation of activities of a Criminal Referral Task Force established to detect, monitor, and report criminal activity.]

"...The criminal referral unit will consult with experts such as accountants and appraisers so that special attention can be brought to bear on those individuals, employed by, or contracting with, the institutions, who, at times, give fraudulent transactions the appearance of legitimacy. Concurrent with our criminal referrals, we will also expend every effort to ensure timely and effective referrals to ethics committees and other professional disciplinary bodies."

* * * * *

**William K. Black
Deputy Director, FSLIC
and soon to be
General Counsel to the
Federal Home Loan Bank of San Francisco**

"...Generally, misconduct by insiders has been a significant problem with the thrifts you have asked us to review. Of the institutions we reviewed approximately three-quarters had problems with insider misconduct. -

"...Appraisal abuse has also been a problem at these institutions. In the institutions on your list, at least 10 had appraisal problems. We have brought suit naming eight appraisers, and others are being investigated. Nationally, too, we are looking seriously at the appraisal problems at failed institutions, and FSLIC has brought numerous complaints against appraisers. Copies of complaints filed against appraisers, involving institutions inside and outside of California, have been supplied to the subcommittee staff. As you know, the use of inflated appraisals aids insiders in completing transactions that might otherwise be prevented. These actions by unscrupulous appraisers have been, and continue to be, a serious problem in the thrift industry.

"An example of the appraisal abuse problem arose in Butterfield Savings and Loan Association. When the net worth of that institution began to fall dramatically, the management at Butterfield devised a scheme whereby its parent holding company issued new stock and contributed the stock to Butterfield, which in turn used this newly issued stock along with some cash to purchase 40 different parcels of real property at a cost in excess of \$80 million. The scheme was structured so that the higher the purchase price, the better for management, since the purpose was to increase the book net worth figure as much as possible to relieve the pressure from regulators. Many of the appraisals obtained on these properties stated grossly inflated values and did not comply with industry standards and the Board's Memorandum R-41b. For example, one of the parcels purchased for development turned out to be largely a swamp and another was mostly a forest preserve. A suit has been filed seeking in excess of \$20 million from appraisers and realtors involved in this case. Additional examples of appraisal abuses were found at Sun, Bell, United, Equitable, San Marino, and Consolidated, among others.

"...In addition, the misconduct of certain borrowers has been a problem in at least nine of the institutions you listed. A prime example of borrower misconduct was discovered at Consolidated, where the former management made a loan and participated in advances in the amount of \$9 million into a corporation owned by a convicted felon by the name of Charles Bazarian. These advances

were made without any loan application and financial information, and they were made with only cursory, one-page letter opinions from the appraisers as to the value of the secured property. Not one payment was made on these loans and they appear to be substantial -- if not total -- losses."

"In summary, the record reflects that the misconduct of insiders, appraisers, and borrowers has played an important part in the failure of many California thrifts. I would also note that other professionals, particularly accountants and attorneys, have played an integral role in facilitating insider abuse and fraud.

"...The professional appraisal societies are making efforts to come to greater consistency in their standards. The Bank Board has sought public comment on improving its appraisal standards. We understand that you [addressing Congressman Barnard] intend to make legislative proposals to improve further the quality of the appraisal profession...."

THE FUNCTIONS AND ORGANIZATIONAL STRUCTURE OF THE SELF-REGULATORY ORGANIZATION (SRO)

WHY DO WE NEED A SELF-REGULATORY ORGANIZATION?

Uniform and enforceable professional standards for appraisers are necessary to restore public confidence in the appraisal process and in the appraisal profession.

The Appraisal Foundation, or self-regulatory organization (SRO), is designed to maximize the input of professional appraisal organizations in the establishment of professional standards and certification requirements. The SRO gives appraisers a mechanism for establishing an industry consensus on appropriate professional standards and certification requirements; we can expect that state and/or federal regulatory agencies will move forward with regulatory requirements with or without input from the appraisal industry, so it is clearly in the appraisal profession's interest to take the initiative to establish a uniform, industry-wide self-regulatory system.

WHY IS STATE-LEVEL LEGISLATION NECESSARY?

The existence of an effective state-level certification program would provide the necessary enforcement mechanism for our self-regulatory professional standards, and can forestall establishment of federal regulations. State certification programs will have standards and ethical enforcement jurisdiction over all those appraisers engaged in valuations of "federally-covered interests." In addition to any state action, the Society will continue to discipline its own members concerning allegations of unethical conduct, or violations of standards of practice.

WHY IS FEDERAL LEGISLATION NECESSARY?

Federal legislation is necessary to ensure that appraisal services provided for certain "federal interests" are performed by competent appraisers. The legislation will require appraisers to be certified by a state in accordance with qualifications established by the Appraisal Foundation. The legislation will also provide for a federal oversight mechanism to allow affected federal agencies to ensure that the state certification programs are sufficient and adequately reflect the appraisal profession's standards and other requirements as promulgated by the Appraisal Foundation.

The Society leadership believes that a requirement for an appraiser to have state certification in order to perform appraisals on certain federal appraisal assignments will ensure

that the states will adopt consistent certification programs.

HOW IS THE SRO ORGANIZED?

The major appraisal organizations are the founding members of the SRO, which will be called the "Appraisal Foundation." The Appraisal Foundation will appoint a Board of Trustees, which will in turn appoint an Appraisal Standards Board and an Appraiser Qualification Board. Five additional independent members of the Appraisal Foundation represent related industry interests. Initial funding for the non-profit Appraisal Foundation is provided by the appraisal organization members on a pro rata basis.

The Appraisal Standards Board will promulgate and maintain the Uniform Standards of Professional Appraisal Practice. The Appraiser Qualification Board will establish criteria for the certification of qualified appraisers, and disseminate those criteria to the states and other governmental entities for adoption in uniform certification programs administered by the states.

Over the last year, the major appraisal groups organized as an Ad Hoc Committee on Uniform Standards of Professional Appraisal Practice and developed consensus standards. Subsequently, the Select Committee on Implementation began work on developing recommendations for the structure of the SRO. The work of these industry coalitions will be transferred to the Appraisal Foundation.

HOW WOULD THE FEDERAL OVERSIGHT WORK?

Congressman Barnard has proposed oversight by a Federal Interagency Appraisal Council, which would interact with the Foundation and review the enforcement of state certification programs. The Council would take action only if the Foundation and the states failed to exercise these responsibilities adequately.

States would have a specified period of time (probably two years) to decide whether or not to establish state regulatory systems. Appraisers with offices in states without regulatory apparatus would be prohibited eventually from performing appraisals where there is a "covered federal interest." Given the extent of federal government involvement in the mortgage finance market, this requirement would provide a strong incentive for state-level legislative action.

KEY QUESTIONS ABOUT SELF-REGULATION OF APPRAISERS

- Q. How many appraisers would be subject to certification under the self-regulatory plan?
- A. Given the significant federal interests involved, it is anticipated that a large proportion of appraisers would have to be certified. Those who provide appraisal services to federally insured institutions and the secondary mortgage markets, among others, would be directly affected by the proposed federal legislation. Some states may require all appraisers practicing within their boundaries to be certified.
- Q. Will the Appraisal Foundation issue certifications?
- A. No. The Qualification Board of the Foundation will develop model criteria for certification to be adopted by the states and other government entities. State Boards of Appraiser Qualification will issue the certifications.
- Q. What if a state fails to act?
- A. In that case some mechanism will have to be established -- possibly at the national level -- to certify appraisers for federally covered work.
- Q. How long before appraisers will be required to be state certified?
- A. Under the federal legislation expected to be introduced by Congressman Barnard, certification requirements would not go into effect until at least two years after passage of the legislation.
- Q. Will there be a need for a Society designation after state certification is in place?
- A. Yes. Your Society designation is expected to continue to be valuable because it will enable clients to identify Society members as the best qualified professionals in the field of available certified appraisers.
- Q. Will designated members of the Society be exempt from state certification requirements?
- A. Not directly. It is expected that all appraisers who choose

to work where there is a covered federal interest will be required to meet the requirements for state certification. It should be noted that the Society's educational program and other requirements are expected to adequately prepare our members to meet state certification requirements.

Q. Just what are the certification requirements? Will I be required to take a test, or can I qualify based on education and/or experience?

A. The requirements will be developed by the Appraisal Foundation, and will be administered at the state level. A test will probably be required for state certification. The Foundation may develop specific education and experience requirements in addition to testing.

Q. Does our legal system favor a state certification program?

A. In many ways, yes. The states, through their governmental powers, are equipped to deal with certification and revocation of certification procedures. Private societies such as ours do not have governmental enforcement powers and have been unable, in the eyes of many, to adequately enforce our standards through disciplinary actions against our members.

ORGANIZING FOR STATE LEGISLATIVE ACTION

THE NEED FOR STATE-LEVEL ACTION

The self-regulation plan calls for establishment of Boards of Appraiser Qualification in each state. It is clearly in the interest of the appraisal profession to have substantial input in the process of defining the functions and authority of these state agencies. Make no mistake about it: if appraisers fail to represent their interests effectively in the state legislatures, other interests in the real estate industry will take advantage of the opportunity to encroach upon the interests of appraisers.

THE NEED FOR A UNIFIED POSITION

To be effective in a state-level lobbying effort, it is imperative that we develop and espouse a single, unified Society position within each state. The Chapters in each state must organize early this Fall and agree on a consensus position, and then develop a statement or handout that summarizes the Society's position, which can be used to "talk through the issues" and be left with legislators and their aides.

Useful in this regard is the Society's Model Certification Legislation, available from the Washington Office.

DEVELOPING A PUBLIC EDUCATION PLAN

Once the state-level Society position has been developed and Chapter legislative representatives are comfortable with their understanding of the issues, it will be time to move out and lobby -- that is, to educate legislators about the issue and the Society's position. Again it will be necessary to coordinate Chapter activities within each state, so that contacts with Members of Congress and state legislators are coordinated. You will also want to encourage members of other appraisal organizations to become involved. It is in everyone's interest for the appraisal profession to present a unified front; strive to project the image that "appraisers have their act together." The plan of attack should include face-to-face visits with legislators in local offices, as well as meetings with staff personnel who work in the legislators' local offices. You might consider inviting legislators to address your Chapter at a special luncheon or other event. Strive to establish a rapport with the legislator and his/her staff, so that they will perceive the Society as a source of reliable information about the appraisal regulation issue. Do not demand -- educate.

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Specializes in real estate appraisals and counseling in market analysis, delineation, and definition for new or existing real estate. Counsels clients in investment strategies, feasibility determinations and valuations. Develops computer analysis software and systems approaches to mass valuation and other large scale appraisal situations. Designs and administers programs for new and on-going valuations of investment portfolios for pension funds, REIT's, life companies and other asset managers.

QUALIFICATIONS OF
JARED SHLAES
SENIOR PRINCIPAL - REAL ESTATE ADVISORY SERVICES

Senior Principal, Pannell Kerr Forster, former owner and president, Shlaes & Co., real estate counselors and appraisers.

Member, past governor and 1978 first vice president, American Society of Real Estate Counselors (designation CRE). Chairman of education committee 1973-74, chairman of program committee 1976. Past editor, The Counselor; editor-in-chief, Real Estate Issues, 1977-1986.

Member, American Institute of Real Estate Appraisers (designation MAI); currently certified under the AIREA voluntary continuing education program; past director, Illinois Chapter.

Member and past director, Chicago Board of Realtors; past chairman, program committee, low-income and housing committee and education committee. Member, Illinois Association of Realtors and National Association of Realtors. Member, Omega Tau Rho. Member, Urban Land Institute, American Planning Association, and Realty Club of Chicago.

Member, Lambda Alpha. Cited "for his distinguished achievements and honors in various fields of real estate and for developing numerous middle-income projects which have received citations from national and regional associations."

Developer and co-developer of numerous award-winning townhouse and apartment complexes, ranging from luxury cluster homes to low- and moderate-income apartments in inner-city locations.

Nationally recognized authority on real estate counseling and appraising. Author of numerous articles on real estate and related subjects. Speaker, panelist, instructor and guest lecturer to numerous professional organizations, civic groups and universities.

Co-author of "Development Rights Transfers: A Solution to Chicago's Landmarks Dilemma." Louise and Y.T. Lum Award of the American Institute of Real Estate Appraisers for articles in the field of development rights transfers. Robert H. Armstrong Award of the American Institute of Real Estate Appraisers for his article "The Market In Market Value," cited as most significant contribution to the Appraisal Journal in 1984.

Former member, Board of Advisors, National Trust for Historic Preservation. Past director, Landmarks Preservation Council and Service; past advisor, Chicago Architecture Foundation.

Extensive experience in the management, leasing, sale, financing, development and appraisal of all types of real estate. Extensive experience in real estate counseling and economic studies throughout the United States.

BA (with honors) 1948; MBA 1950 - University of Chicago.

JARED SHLAES, MAI, CRE

Chicago-based real estate counselor with 42 years of local and national experience in real estate operation, brokerage, planning, development, appraising and counseling. President, Shlaes & Co. (1974-87, 1992-); former Chairman, Shlaes & Young Information Systems (1984-87). Former Principal and Director of Special Real Estate Services, Pannell Kerr Forster (1987) and Arthur Andersen & Co. (1988-92). Former Senior Vice President, Arthur Rubloff & Co. (1971-74); former Partner, George S. Lurie Co. (1957-67). Past First Vice President and Governor, American Society of Real Estate Counselors. Past Director of the Chicago Chapter of the Appraisal Institute, the Chicago Association of Realtors, The Cliff Dwellers, and the Landmarks Preservation Council of Illinois.

Counselor on valuation, marketing, zoning, planning, redevelopment, and tax policy to government bodies, civic and trade organizations, property owners, lenders, investors and tenants. Longtime economic, planning and real estate advisor to the Main Street Project of the National Trust for Historic Preservation, the State of Illinois Medical Center Commission and the Chicago Development Council. Member of the Advisory Boards of the Advanced Studies Institute of the Homer Hoyt Institute and of BOMA Chicago; former member of the Advisory Boards of IREM and the National Trust for Historic Preservation.

Developer of numerous award-winning Chicago townhouse and apartment projects. Appraiser of office, commercial, industrial and residential properties throughout the United States. Author or coordinator of numerous studies and articles on real estate valuation, zoning, planning, development, finance, renovation, landmark preservation, tax policy and related issues. Founding editor of Real Estate Issues, the journal of the American Society of Real Estate Counselors. Author, *Real Estate Counseling in a Plain Brown Wrapper* and numerous other publications. Frequent lecturer and speaker. MBA and BA with general honors, The University of Chicago..

Honors and awards:

James D. Landauer Award of the American Society of Real Estate Counselors for contributions to the industry and the counseling profession.

Louise Lee and Y. T. Lum Award of the Appraisal Institute for furthering the ideals of the real estate appraisal profession; Louise Lee and Y. T. Lum Award of the American Society of Real Estate Counselors for contributions to the counseling profession.

Robert H. Armstrong Award of the Appraisal Institute for the year's most outstanding article (1984) in the Appraisal Journal.

Silver Pen Award of the American Society of Real Estate Counselors for a decade of service as founding Editor-in-Chief of Real Estate Issues, the Society's journal.

Numerous awards from the American Institute of Architects, the City of Chicago, the Chicago Association of Commerce and Industry, and the United States Department of Housing and Urban Development for inner-city townhouse and apartment developments.

AMERICAN INSTITUTE OF REAL ESTATE APPRAISERS

of the NATIONAL ASSOCIATION OF REALTORS®



RICHARD B. GASKINS
Executive Vice President

January 15, 1988

TO: ALL MEMBERS AND CANDIDATES OF THE AMERICAN INSTITUTE
OF REAL ESTATE APPRAISERS

FROM: RICHARD B. GASKINS

SUBJECT: REGULATION OF APPRAISERS

A great deal of concern has been expressed by our members (justified, I might add) about federal or state regulation of the appraisal profession. I receive an inordinate amount of calls asking what the Appraisal Institute's position is and whether we are monitoring the activity in this area. With topics as complex as this one, rumors frequently arise, and that's why I am writing to you.

The issue of the regulation of the appraisal profession is of deep concern to the Appraisal Institute and one with which it has been involved for quite some time. In November, 1985, the Governing Council passed a resolution confirming the Institute's support of legislation that would lead to or support a national program for the appraisal profession, similar to the Certified Public Accountant program for the accounting profession. In December of that same year, Congressman Doug Barnard, as Chairman of the Commerce, Consumer and Monetary Affairs Subcommittee, conducted hearings to examine the impact of faulty and fraudulent real estate appraisals on federally insured financial institutions and related agencies of the federal government.

The Appraisal Institute participated in those hearings. As part of its testimony, the Appraisal Institute recognized certain problems in the appraisal industry. Those problems include: (1) the large number of individuals acting as appraisers who have not participated in a broad qualification program that requires appraisal education, appraisal experience, and a clear understanding of ethical standards; (2) the majority of appraisers not being members of a professional appraisal organization that requires them to adhere to well defined standards for the development and communication of an appraisal; (3) the many users of appraisal services not having a basis for evaluating an appraiser's qualifications and work product; and (4) the considerable amount of press being generated about fraudulent appraisals and their effect on the faltering thrift industry.

The Appraisal Institute was faced with the fact that these problems were creating a ground swell of indignation and a backlash against the appraisal profession at both the federal and state levels. To

counter this negative reaction and to preclude a knee-jerk reaction from the federal or state governments, the Appraisal Institute proposed a self-regulatory structure for the appraisal profession modeled after the system used by the accounting profession. Essential components of the regulatory program are the establishment of a private, broad-based, national Appraisal Foundation and the passage of appropriate state legislation for the voluntary certification of qualified appraisers.

The Appraisal Foundation is now a reality, having been incorporated on November 30, 1987. (For clarity, I have attached Exhibit A, a chart which illustrates the Foundation.) The Trustees of the Foundation will appoint and fund an independent Appraisal Standards Board and an Appraiser Qualification Board. The Appraisal Standards Board will be responsible for promulgating appraisal industry standards and the Appraiser Qualification Board will develop minimum requirements for a voluntary state certification program. At a recent meeting, the Trustees elected officers of the Appraisal Foundation. They are: William Mount, President (Member, American Society of Farm Managers and Rural Appraisers); David W. Craig, Vice President (Member, American Institute of Real Estate Appraisers); James W. Klopfenstein, Secretary (Member, Society of Real Estate Appraisers); and Jeffrey D. Fisher, Treasurer (Member, American Real Estate and Urban Economics Association).

State certification legislation will enable a state to administer a certification and recertification system for qualified appraisers and to enforce appraisal standards adopted by the Standards Board of the Appraisal Foundation. To accomplish this, the Appraisal Institute, the Society of Real Estate Appraisers, and the American Society of Farm Managers and Rural Appraisers are promoting model certification legislation.

Under the model bill, the certification of appraisers is voluntary; persons not certified are not prohibited from stating that they are appraisers, or from accepting appraisal assignments. The Appraisal Institute believes that a voluntary certification program is far superior to mandatory licensing. Mandatory licensing would, by its very nature, require grandfathering, and the level of competency might not be sufficient to address the concerns that are causing the federal government to consider regulating the profession. A voluntary certification program enables those who have the qualifications to perform appraisal work that requires a higher level of knowledge, experience, and ethical conduct to demonstrate these qualifications. Voluntary certification also provides members of the public who use appraisers some assurance of professional competence.

The model legislation does not allow for grandfathering. Everyone must satisfy the requirements for certification, which include education, testing, and appraisal experience. The model legislation is predicated on the existence of the Appraisal Foundation and requires the standards developed by the Appraisal Standards Board and the minimum certification requirements established by the Appraiser Qualification Board. Certification thereby would be industry driven and not built around government bureaucracy.

As you may know, Congressman Doug Barnard has introduced a bill cited as "The Real Estate Appraisal Reform Act of 1987." The bill creates a new federal agency referred to as the Federal Interagency Appraisal Council. The proposed legislation vests authority for the establishment of appraisal standards and appraiser qualifications in the Council, with no assurance that it is qualified to properly discharge this duty. Furthermore, the influence of the appraisal profession on this program would be minimal. Rather than regulating appraisers through federal legislation, the Appraisal Institute firmly believes that the states are the appropriate partners of the appraisal profession for the adoption and enforcement of a program to identify qualified appraisers.

The decision to be pro-active with respect to the passage of state certification legislation resulted in the formation of a special committee known as the Legislation and State Certification Committee. Each committee member is a Regional Coordinator and has been assigned responsibility for monitoring activity in two or more states. In addition, a Coordinator has been appointed in each state. He or she will be responsible for organizing and monitoring activities in that particular state under the guidance of the Regional Coordinator.

The Institute held a legislative training session for the coordinators and staff support this month in Chicago. (Exhibit B lists the Regional and State Coordinators.) The purpose of this network is to provide an organized, efficient system to implement the Appraisal Institute's policy of promoting voluntary state certification legislation. The network also will provide an effective communication system to keep the Institute well informed about activities in each state.

The general consensus and position of the Institute is that the regulation of the profession ultimately will benefit everyone. The appraiser will benefit from the increased professionalism of the appraisal industry, the users of appraisal services will benefit from some assurance of professional competence, and the general public will benefit from the increased stability of lending institutions.

I will do my best to keep you apprised of this regulatory activity either through The Appraiser or letters such as these.

RBG:VAD

A handwritten signature in cursive script, appearing to read "Rick".

CC: Chapter Executive Secretaries

Encl.

The Appraiser



News, Views, and Developments
Published by the Appraisal Institute

Vol. 44 No. 1 January 1988

Asbestos Removal May Be Market's Choice, If Not EPA's

Silence from the Environmental Protection Agency on asbestos treatment for commercial buildings has left property owners in a dilemma. They must decide without federal guidance whether to undertake the expense of asbestos removal or to choose cheaper, less drastic abatement procedures. Increasing market demands for asbestos-free buildings may be making the decision for them in favor of removal.

Not one of the ten largest property owners, tenants or mortgage lenders would unreservedly buy, lease or lend on buildings with asbestos, according to a survey by Grubb & Ellis, the San Francisco-based real estate firm. Four of the top ten in each group would not buy, lend or lease on such buildings, and the others would do so only on a conditional basis.

Asbestos allowances have been built into sales prices of major properties, and discounts from five to twelve percent for buildings containing asbestos have figured in recent transactions, reports *Roulac's Strategic Real Estate*. "The prestigious buildings (with asbestos) sell no matter what, although at a discount, but asbestos kills the value of nonprestigious buildings," said John Allen, Grubb & Ellis Senior Vice President in Orange County, Calif.

Twenty percent of all commercial buildings in the U.S. were estimated to contain friable (crumbling) asbestos in a 1984 survey by the EPA. Evidence that linked airborne asbestos particles to cancer caused the EPA to ban the use of asbestos products in buildings in 1979. Building owners have since had several options in dealing with asbestos: inspection and monitoring, encapsulation or enclosure, or removal.

Removal is easily the most expensive option. Allen said that when lost rents, moving costs and other expenses are added to the base cost of removal, the bill can amount to \$35 to \$50 per square foot. In less prestigious buildings, the cost may run as high as 40 percent of the overall value of the building. Yet property owners are finding that they risk higher vacancy rates, decreased cash flow, lawsuits, and declining property value if they delay removal, which is likely to cost more the longer it is left in place. Market pressures are also forcing asbestos abatement companies to favor removal. Many firms will no longer perform lesser measures

Continued on p. 7

FNMA Rewrites Its Appraisal Underwriting Guidelines



Fannie Mae wants to make itself perfectly clear to appraisers and lenders. With the intention of clarifying and modifying its *Selling Guide*, the Federal National Mortgage Association has almost entirely rewritten its loan eligibility underwriting standards which pertain to property and appraisal analysis and special considerations. The effective date for the revisions is January 4, 1988.

The revisions are more clarifications of the extant FNMA guidelines than substantive changes. "The reason for the changes was to provide consistent interpretation of our policies," said Mark T. Simpson, Manager of Appraisal Standards at Fannie Mae. "The main idea was to take areas that we received inquiries on and try to clean them up."

For the convenience of lenders' underwriters and appraisers, Fannie Mae plans to reproduce the revised appraisal section in a new booklet form. The new guide will be available in February.

Some of the most significant changes in the new version of the appraisal section of the *Selling Guide* include:

- **Required exhibits to support each appraisal report.** A new requirement obliges appraisers to file a Certification and Statement of Limiting Conditions (Form 1004B) when one is not already on file with the lender. If changes are made to this certification, the appraiser must reference the change in the "reconciliation" section of the appraisal report in order for the mortgage to be eligible for consideration. Floor plan sketches are no longer required unless the floor plan is functionally obsolete.
- **Role of the review appraiser.** The section on appraiser qualifications recommends that lenders review the qualifications of both the appraiser and the review appraiser, and not solely rely on those of the latter. The appraiser is considered the individual who personally

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Professional Standards Statistics—page 5

Jobmart—page 11



inspected the subject property, inspected the exterior of the comparables, performed the analysis, and prepared, certified, and signed the report. Although review appraisers are not required to sign appraisal reports, when they do so they are indicating their concurrence with the contents. The review appraiser must indicate on the appraisal report form whether he or she personally inspected the subject property.

- **Professional affiliation of the appraiser.** The revised section recognizes the potential usefulness of professional designations, but cautions lenders to be familiar with the appraisal organization's specific requirements to assure that the designation is evaluated appropriately.
- **Lender supplied information.** The lender is obliged to inform the appraiser of all financing data and sales concessions for the property that will be or have been granted by anyone associated with the transaction. This usually can be accomplished by providing the appraiser with a copy of the complete, ratified sales contract for the property that is to be appraised.
- **Residential mortgages only.** The revisions make it clear that it is not Fannie Mae's function to purchase agricultural-type properties, undeveloped land, or land development-type properties. To be eligible for purchase by Fannie Mae, a mortgage must be secured by a property that is residential in nature, based on the description of the subject property, zoning, and the present land use.

- **Price range and predominant price.** Appraisers must indicate the price range and predominant price of properties in the subject neighborhood. The predominant price may be stated as a single figure or as a range, whichever is more appropriate. The revisions expand on the ratings system for various aspects of a given neighborhood.
- **Specific zoning classification.** According to the new guidelines, the appraiser is responsible for reporting the specific zoning classification for the subject property. A general statement describing what the zoning permits must be included, along with a specific statement if the improvements do not represent a legal and conforming use of the land. Fannie Mae will not purchase a mortgage on a property if the improvements do not constitute a legally permissible use of the land.
- **Remaining economic life.** A more realistic definition of the remaining economic life of a property was determined to be "the estimated period over which the improvements will continue to contribute to the value of the property, or the estimated period in which the improvements increase the value of the property above that for the vacant site." The remaining physical life of a property is considered the estimated period over which the improvements will physically last if they receive normal maintenance.
- **Sales comparison approach.** Much attention was paid to detailing what constitutes an acceptable comparable. A minimum of three comparable sales must be used in a report, generally sales that have been settled or closed within the last 12 months. The most comparable sales available for the subject property must be adjusted to reflect the market's reaction to the differences (except for sales and financing concessions) between the comparable sales and the subject property, without regard for the percentage or amount of the dollar adjustments. In most cases, the dollar amount of the net adjustments for each comparable sale should not exceed 15 percent of the comparable's sales price. If the appraiser's adjustments do not fall within FNMA's net and gross percentage adjustment guidelines, the appraiser simply has to provide an appropriate explanation.
- **Sales or financing concessions.** Appraisers must provide the sales and financing concession information that was available (and verified) for the comparables. If such information is unavailable because of legal restrictions or other disclosure-related problems, the appraiser must explain why the information is not available. Fannie Mae will not accept explanations

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The Appraiser

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Editor: Grace Hayek

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Advertisements: Jobmart, DataSearch, and Firm for Sale are published to aid persons and firms in finding and filling positions and in exchanging information related to real estate appraisal. Listings are published without charge and must be submitted in writing, with a maximum of 50 words. Persons wishing to use a "blind ad" must furnish their own box number and address. Listings will be printed in one issue only unless otherwise requested. AIREA assumes no responsibility for the reliability of listings other than publishing them. Submission should be made by the 5th of the month prior to publication date. Send listings to: Editor, The Appraiser, 430 N. Michigan Ave., Chicago, IL 60611-4088.

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Correction

In the November 1987 issue of *The Appraiser*, the National Association of Independent Fee Appraisers was misidentified. In the same issue, NAIFA was unintentionally deleted from a list of Appraisal Foundation members. We sincerely regret these oversights.

THE INSIDE INSTITUTE

Barnard Bill on Appraisal Introduced to Congress



On November 20, Congressman Doug Barnard introduced a bill entitled the "Real Estate Appraisal Reform Act of 1987." The bill would create a new federal agency, to be known as the Federal Interagency Appraisal Council, which would establish appraisal standards and criteria for the certification of appraisers. The proposed Council would be authorized to monitor and oversee the activities of approved state appraiser certifying agencies. The bill would attempt to work through certification agencies in each state. However, it provides that the Council can certify appraisers in states that do not have an approved certification agency.

Terrell Oetzel, MAI, President of the Appraisal Institute, pointed out that positive aspects of the bill include recognition of certification of appraisers at the state level, that regulatory agencies may require the use of state certified appraisers, that the appraisal work of state certified appraisers must comply with standards, and state enforcement for the violation of standards.

Although there are several positive aspects to the bill, Oetzel said the Appraisal Institute is particularly concerned with that portion of the bill that vests final authority for the establishment of appraisal standards and appraiser qualifications in a federal agency. The input of the appraisal profession in the establishment of appraisal standards is minimal, according to Oetzel. He said that the Appraisal Institute would like to see Congressman Barnard's bill complement the industry's self-regulatory plan by recognizing the Appraisal Foundation, the Appraisal Standards Board and its responsibility for promulgating appraisal industry standards, the Appraiser Qualification Board, and the establishment by all states of programs for the voluntary certification of appraisers.

The appraisal industry is moving ahead with a plan that would make Congressman Barnard's legislation unnecessary, according to Oetzel. The Appraisal Foundation was incorporated November 30, 1987, and its first meeting was held on December 7. The Foundation will establish an Appraisal Standards Board to issue uniform appraisal standards. The structure of the Appraisal Standards Board will be modeled after the Financial Accounting Standards Board. The Foundation will also establish an Appraiser Qualification Board to develop criteria (education, experience, and examinations) for states to use in a voluntary certification program for appraisers.

On the state legislative front, the Appraisal Institute

Institute's Peer Review Process Now Up to Speed

The National Professional Standards Committee reported to the Governing Council at its November meeting that there has been a large jump in the number of files reviewed and the number of educational and disciplinary measures taken this year. Statistics compiled as of October 14, 1987, show that the peer review program's figures exceed those of the previous year in almost every category.

Educational counseling by the Review and Counseling Division had the highest volume of activity. Of the total number of files processed by Review and Counseling, 259 resulted in remedial counseling, compared with 107 last year. There was also a substantial increase in the activity of the Ethics Administration Division. Twenty-five formal hearings have been held this year. This total exceeds by four the aggregate number of formal hearings held in the past five years. The six published disciplinary actions taken this year were greater than the number of published disciplinary actions in any single year since 1968.

The primary purpose of the peer review process is to encourage members and candidates to improve the quality of their work through educational counseling and to conduct disciplinary proceedings against members and candidates who are alleged to have violated the Code of Professional Ethics. Educational counseling is required when a member or candidate fails to observe the Standards of Professional Practice. Disciplinary action is required when it is determined that a member or candidate has violated the Code of Professional Ethics.

A new peer review system was established in 1982. This new system transferred primary responsibility for the peer review process from Chapter Ethics and Chapter Appraisal Review committees to a system of regional administration. At the national level, a National Professional Standards Committee was established with several Divisions and a Director of Screening to route referrals to the proper Division.

In the first few years after adoption of the new peer review program, much time was devoted to setting up the necessary administrative procedures and recruiting and training the Regional Panels that supply the manpower for Grievance Committees, Hearing Committees, and Review and Counseling Committees. A new screening system and new administrative procedures had to be developed, thousands of cases from the old Chapter Ethics and Chapter Appraisal Review system had to be assimilated, and training materials had to be developed.

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Continued on p. 8

In Memoriam

The officers of the Appraisal Institute announce with sincere regret the deaths of these Members.

Paul W. Adams, MAI (355)
San Antonio, Tex.

William S. Becker, MAI (2223)
Wilmette, Ill.

I. R. Blandford, MAI (234)
Grand Rapids, Mich.

Stanley J. Boden, MAI (3055)
Ormond Beach, Fla.

Marguerite Brouillette, RM (823)
Houston, Tex.

Walter Buck, MAI (1030)
Pompano Beach, Fla.

Edward J. Eppstein, MAI (2718)
Toledo, Ohio

William A. Fowler, MAI (4919)
Ocala, Fla.

Wallace D. Gibbs, Jr., MAI (3117)
Charlotte, N. C.

R. Morey Hart, MAI (2108)
Pensacola, Fla.

Francis J. Klein, MAI (4688)
Arcadia, Calif.

Paul G. Kloster, MAI (4931)
Tustin, Calif.

Carl E. Koch, MAI (612)
Carnegie, Pa.

James J. O'Connell, MAI (3022)
Lincroft, N.J.

Frederick A. Osmers, MAI (1341)
Hartford, Conn.

Robert W. Plank, MAI (1660)
Philadelphia, Pa.

V. P. Ringer, MAI (2465)
Houston, Tex.

Alvin C. Smith, MAI (820)
Milford, Conn.

Ben Solari, MAI (3718)
Zephyr Cove, Nev.

Rolla E. Stephens, MAI (264)
Joplin, Mo.

Howard J. Stulgin, MAI (5277)
Downers Grove, Ill.

Clay H. Thomas, MAI (1460)
Omaha, Nebr.

James D. Wigley, MAI (4317)
Macon, Ga.

Asbestos *Continued from p. 1*

because of potential liability and trouble in obtaining insurance coverage.

"Encapsulating asbestos costs a third to half as much as removal, but it is only temporary and delays the inevitable," said Randy McCann, president of SOS International, a large hazardous substance abatement firm. "It not only drives up the cost of removal, but it increases our liability."

Property owners may find asbestos decisions made for them when the EPA finally releases its report on asbestos in commercial buildings. Some analysts anticipate a strong governmental stance, perhaps even recommending removal, and some believe that removal will be required within several years. At press time, a spokesman for the EPA indicated that the study is to be released in late January.

FNMA *Continued from p. 3*

to verify the information. Positive adjustments for sales or financing concessions are not acceptable.

• **Environmental hazards.** If the appraiser is aware of any hazardous conditions (whether on the subject or within the immediate vicinity) that affects the value of the subject property, he or she must comment on the hazard's influence on the property's value and marketability and make appropriate adjustments in the overall analysis of the property's value. Examples of hazardous conditions include the presence of hazardous wastes, toxic substances, asbestos-containing materials, urea-formaldehyde insulation, and radon air pollution. "If you have knowledge of it, you can't ignore it," said Simpson.

1988 Regional Conference Schedule

Printed below is the schedule of the Appraisal Institute's 1988 Regional Conferences. Members are strongly encouraged to attend the conferences in their regions to meet fellow appraisers, take advantage of the many educational sessions, and participate in shaping the future of the Institute.

NORTH CENTRAL REGION

March 23-26, Milwaukee, Wis. Chairman: Ohland W. Liessmann, MAI, Milwaukee, Wis.

NORTHEAST REGION

June 1-4, Ottawa, Canada. Chairman: Henry P. Wright, MAI, Ottawa, Canada.

CENTRAL ATLANTIC REGION

June 6-8, Hershey Convention Lodge, Hershey, Pa. Chairman: Charles G. Orberg, MAI, York, Pa.

SOUTHEAST REGION

July 6-10, Sandestin Beach Hilton, Destin, Fla. Chairman: Lonnie Tidwell, MAI, Birmingham, Ala.

SOUTH CENTRAL REGION

July 27-29, Keystone Resort, Keystone, Colo. Chairman: Richard C. Mosier, MAI, Denver, Colo.

NORTHWEST REGION

July 27-30, Embarcadero Resort Hotel & Marina, Newport, Oreg. Chairmen: Mark D. Barry, MAI, and David E. Pietka, MAI, Portland, Oreg.

GREAT LAKES REGION

August 17-21, Lincoln Hotel & University Conference Center, Indianapolis, Ind. Chairman: Donald H. Treadwell, Jr., MAI, Southgate, Mich.

SOUTHWEST REGION

October 5-9, Scottsdale Hilton, Scottsdale, Ariz. Chairman: Terry Smith, MAI, Scottsdale, Ariz.

1987 Appraisal Journal Manuscript Competition

James E. Gibbons, MAI, editor-in-chief and chairman of the Editorial Board of *The Appraisal Journal*, reminds aspiring authors that the 1987 Manuscript Competition deadline has been extended to February 1, 1988. The competition seeks articles based on the solution to an actual appraisal assignment.

- All entries will be considered for publication.
- Winning article will appear in *The Appraisal Journal*.
- Winning author will receive \$500 in prize money and a commemorative plaque.
- Final deadline for submitting articles is February 1, 1988.

Authors should follow the format outlined in the Manuscript Guide printed in *The Appraisal Journal* and indicate in a covering letter that the manuscript is to be considered for the competition.

Member HAPPENINGS

Tom M. Ferstl, MAI, of Little Rock, Ark., was instrumental in the writing and passage of legislation which allows Arkansas appraisers to place a lien on real estate for unpaid appraisal fees. The law, known as Act 1035, is the first lien law in the U.S. that specifically recognizes the right of an appraiser to place a lien against real property.

Eugene C. Bursleson, MAI, of Stockton, Calif., has been appointed chief of the Division of Right of Way for the California Department of Transportation. A 30 year veteran with the department, he will head 810 Right of Way agents, engineers and support staff.

R. A. Stuart Miller, MAI, of Ho-Ho-Kus, N.J., has been elected Chairman of the Board of Directors of Elysian Federal Savings Bank in Hoboken, N.J.

Gonzalo Ferrer, MAI, of Santurce, P.R., was recently named to the Cornell University Council. The Council assists the university in planning and development. He also spoke on recent developments in capitalization techniques at the IV Venezuelan Appraisal Congress, held in November.

David S. Mason, MAI, of Glendale, Calif., was the 1987 recipient of the Appraisal Institute's Southwest Regional Meritorious Service Award. He owns the firm of Mason & Mason and has long been active at the chapter, regional, and national levels.

J. Christopher Curth, MAI, of Atlanta, Ga., has been elected a Managing Director of the Atlanta office of Landauer Associates, Inc.

Alan L. Fenton, MAI, of London, England, was promoted to Director of Estates of Reed International PLC in London.

Author Sought for Book on Real Estate Market Analysis

The Appraisal Institute is interested in publishing a book on real estate market analysis. Topics to be covered include: how to define markets and their activity; forecasting demand; location, site, and property analysis; analysis of residential, office, and retail markets; and research techniques. Since the book will be primarily used by those actively involved in appraisal and by AIREA courses, it is necessary that the manuscript be replete with examples and practical information. Interested authors should direct proposals and queries to: Director of Publications; AIREA; 430 N. Michigan Ave.; Chicago, IL 60611-4088.



Appraisal Bill *Continued from p. 5*

and the Society of Real Estate Appraisers are formulating model certification legislation that will be jointly sponsored. The two groups have established a legislative network in each state to secure enactment of the model bill in all state legislatures.

1988 Directory of Members Now Available

The 1988 *Directory of Members* is now available from the Appraisal Institute. The *Directory* lists the business addresses of all active members of the Appraisal Institute in a convenient, pocket-sized format. Members and candidates will automatically be sent copies in the mail. Copies of the *Directory* are also available free of charge to any interested party. To receive a copy of this year's *Directory*, fill out the form below and send it to: Public Relations Dept.; AIREA, 430 N. Michigan Ave.; Chicago, IL 60611-4088.

1988 DIRECTORY OF MEMBERS

Please send me a copy of the latest Appraisal Institute *Directory*.

Name _____

Firm _____

Address _____

City _____ State _____ Zip _____

FIRM FOR SALE: Commercial and residential appraisal business one block from court house in Jacksonville, Fla. Twenty-five years of files, well equipped, top reputation. Owner will leave or stay. Negotiable. Two-story bldg. optional. Contact: Appraiser; 131 E. Bay St.; Jacksonville, FL 32202. (904) 355-7531.

FIRM FOR SALE: Asheville, N.C.: buyer wanted for appraisal business that is mostly from comm./indust. clients in western N.C. MAI with 27 years in Asheville is moving to farm. Growing resort community. Contact: Alan Butterworth; 603 Northwestern Plaza; Asheville, NC 28804. (704) 254-9697.

BRIEFS

March 2, 1988



Office Rents Down Slightly

The average rental rate for office buildings in the U.S. dropped slightly in 1987, according to a survey of 34 major markets by The Office Network. It was \$19.83 in 1987, compared to \$19.95 in 1986 (see graph).

Midtown Manhattan averaged the highest rate, at \$40.00 per square foot, and Denver and Houston the lowest, at \$12.00. Despite the high rents, New York City has the lowest vacancy rate (9.3%).

In contrast to even New York's high rental rate is that of London, England, which has an average

(Continued on page 2)

U.S. AVERAGE
RENTAL RATE
1977-1987

Annual rate - \$ per square
foot in existing buildings



● CPI Applied to
1977 Rental Rate

Source: The Office Network®, Houston

Sears Emphasizes Foundation, Uniform Standards in Congressional Testimony

Complimenting the efforts of Rep. Doug Barnard and others in investigating and helping to solve problems confronting the appraisal profession, Society president R. Howard Sears, SREA, proposed an amendment to The Real Estate Appraisal Reform Act of 1987 (H.R. 3675). Sears' amendment would strengthen the role of the Appraisal Foundation in the legislation at the same time phasing out the Federal Interagency Council's direct authority over appraisal standards. He presented these proposals during testimony before the House Commerce, Consumer and Monetary Affairs Subcommittee on February 17.

Sears proposed that the Appraisal Foundation be recognized as the undisputed voice of the appraisal profession and be provided the authority to act as the sole source of appraisal standards and appraiser qualification criteria. He also proposed that the Foundation "be accorded additional weight in the regulatory scheme . . . to ensure that the standards of the profession are prescribed to and adhered to by the various Federal agencies involved."

Rep. Barnard and other Congressional committee members expressed interest in and support for Sears' amendment. Barnard said that he looks forward to working with the Society in producing a bill suitable to the needs of the appraisal profession and the federal government. He also said that he does not want

bureaucracy to regulate appraisers.

Sears stressed reliance on the Uniform Standards of Professional Appraisal Practice: "They represent the consensus of the organized industry and go far in satisfying the concerns raised by members of this Subcommittee in the 1985-86 hearings. We urge their endorsement as the fundamental criteria for agencies and states to follow. An additional set of standards promulgated independently by the proposed [Federal Interagency] Council would result in added confusion in the marketplace."

In further testimony, Sears recommended that the bill include "all agencies which have significant responsibility over appraisal issues."

"Agencies involved in mortgage-related activities are covered in the bill, yet agencies involved in land acquisition, exchanges, condemnation, and others are not covered by this legislation," Sears testified.

He also urged a "stronger Fed-
(Continued on page 3)

At a Glance

Reorganization underway for
Asset Disposition Agency
— p. 3

Society launches '88 advertising campaign — p. 4

Report of the Society's
Foundation (now Education Trust) — p. 5

Jobsearch — p. 9



Asset Disposition Agency Undergoes Reorganization

In an effort to assuage Congressional concern about its operations, the Federal Asset Disposition Association (FADA) is being reorganized under its parent organizations, the Federal Savings & Loan Insurance Corporation (FSLIC) and the Federal Home Loan Bank Board. It was the Bank Board that chartered FADA a year and a half ago to facilitate the disposition of assets acquired by the FSLIC.

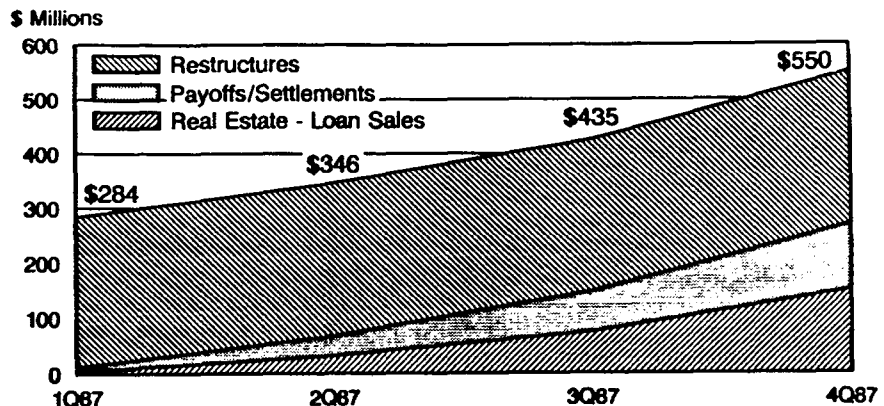
FADA has more than \$4 billion worth of assets but has generated only \$600 million for the FSLIC, reports *Business Week* (February 15). The agency suffered a \$10 million loss, according to the same source. FADA claims developers often expected to acquire distressed properties at "fire-sale" prices.

A technical group is being created within FADA to coordinate the delivery of valuation services and the management of participation assets. It will have responsibility for identifying, engaging and monitoring appraisal work as well as reviewing appraisals.

This and other steps were outlined by Bank Board chairman M. Danny Wall in recent testimony before the House Subcommittee on General Oversight and Investigations.

A new national marketing and sales group within FADA will work to provide better information to prospective buyers and brokers.

FADA would also get a new boss. Gerald P. Carmen, a former GSA administrator and a current board member of the FHLB of Boston, has been offered the position. Replacing Roslyn Payne, whose \$250,000 salary as FADA chief was cause for grumbling both in Congress and the FSLIC, Carmen would work out of Washington at a salary under \$150,000, according to Wall.



FADA Activity to Date

Testimony (from p. 1)

eral mandate to states for consistent and equitable disclosure" of data relating to real estate transactions. "Without access to property sales and other data, appraisers cannot adequately and reliably fulfill their function," he stated.

In providing the Subcommittee with a brief review of events leading to the problems being addressed in the bill, Sears stressed that pressures from within the marketplace had been placed on appraisers to "come up with the 'right numbers.'"

"Appraisers must be relieved from direct pressures placed upon them by lenders and users of appraisal services," Sears emphasized. "They need protection when they resist these pressures in the marketplace. Sanctions on appraisers for violating appraisal standards may help, but regulatory relief must be forthcoming which will penalize those applying undue pressure. At a minimum, there should be protection for those appraisers who resist and report institutions that use such methods."

In speaking to the issue of Federal regulation itself, Sears commented that it can mean less regulation for appraisers. "Many differing notions exist as to the effects Federal legislation will

have upon the appraisal community . . . to some the prospect appears overwhelming. Yet when further analyzed, appraisers are already very much a regulated group. The Federal Home Loan Bank Board and other Federal banking agencies have varying requirements for appraisals. Secondary mortgage market clients such as Fannie Mae have extensive guidelines and the numerous Federal agencies involved in mortgage lending and land acquisition also have many differing requirements."

Sears also spoke to the Model Bill for State Certification, which the Society and other appraisal organizations have developed. "The Model Bill requires an *independent* appraisal board to be set up in each state. That Board will be required to look to the Appraisal Foundation for appropriate standards and qualifications . . . This Model Bill would prohibit grandfathering. All those performing appraisal assignments would have to satisfy continuing education requirements."

When asked how long it would take states to initiate certification programs, Sears responded that the Barnard bill is already acting as an incentive to the enactment of state certification legislation.