

Department of Consumer Affairs
TITLE 10. PROFESSIONAL AND VOCATIONAL REGULATIONS
CHAPTER 6.5
BUREAU OF REAL ESTATE APPRAISERS

INITIAL STATEMENT OF REASONS CONCERNING:
License Requirements

Hearing Date: No hearing date scheduled.

Subject Matter of Proposed Regulations: License Requirements

Sections Affected: Amend Section 3541 of Article 3 and Section 3568 of Article 4 of Chapter 6.5 of Title 10 of the California Code of Regulations (CCR)¹

Background and Statement of Problem: In 1989, Title XI of the federal Financial Institutions Reform, Recovery and Enforcement Act was adopted by congress mandating states to license and certify real estate appraisers who appraise property for federally related transactions. The federal law was enacted as a result of the savings and loan disaster. In response to the federal mandate, the Real Estate Appraisers Licensing and Certification Law was enacted by the California Legislature in 1990 (AB 527, Chapter 491 of 1990) and the Bureau of Real Estate Appraisers (Bureau) was established within the Department of Consumer Affairs, a department within the Business, Transportation and Housing Agency. The Bureau is charged with developing and implementing a real estate appraiser licensing and certification program compliant with the federal mandate.

The Bureau issues licenses to applicants who meet the minimum requirements for appraisal licensure, which includes an experience requirement. These licensing categories include: appraisal trainees (AT), licensed residential appraisers (AL) and certified residential appraiser (AR). For trainee licenses, these minimum requirements also include an educational requirement.

Anticipated benefits from Regulatory Action:

Recently, the Appraisal Qualification Board (AQB) adopted the Practical Applications of Real Estate Appraisal (PAREA) program to partially or completely satisfy the experience requirement for all license types. As Business and Professions Code section 11314 requires the Bureau's license requirements to, at a minimum, meet the AQB's minimum criteria, the Bureau proposes to also allow applicants to partially or completely satisfy its license experience requirements by completing the program. The Bureau further

¹ All CCR references are to Title 10 unless otherwise noted.

anticipates that this change will benefit applicants, especially those without connections to appraisers, by providing them with a new pathway to gain experience.

To align the Bureau's experience credit requirements for all license types with AQB Criteria (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2022, Page 43, section (F), Generic Experience Criteria), the Bureau is proposing to allow practicum courses to satisfy 100 percent of the non-client experience requirement for all license types by eliminating the language "no more than 50 percent of the total minimum experience requirement."

The Bureau has also been experiencing a slight reduction of its overall licensee population over the last several years. To encourage more applications for trainee licenses and align the Bureau's educational requirements for trainee licenses with AQB Criteria (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2022, Page 17, section III (A), Qualifying Education), the Bureau is proposing to lower the educational requirement to qualify for a trainee license. The Bureau further anticipates that this change will allow out-of-state trainees to more easily obtain a reciprocal license in California.

Specific Purpose, Rationale, and Benefits of Each Adoption, Amendment, or Repeal

Proposed amendments to CCR section 3541, Minimum Experience Requirements:

subsection (a)

The Bureau proposes to add "of" between "minimum" and "1,500 hours" to parallel other language in this subsection and subsections (b) and (c). This is a purely grammatical, non-substantive change.

subsection (d)

The Bureau proposes to replace "he or she" with "the license holder" to comply with Assembly Concurrent Resolution 260, Ch. 190, September 5, 2018 favoring non-gendered language. This is a purely grammatical, non-substantive change.

subsection (d), paragraph (1)

The Bureau proposes to update the citation to Business and Professions Code section 11302(i) to Business and Professions Code section 11302(r) to reflect the current location of the statutory definition of "federally related real estate appraisal activity."

subsection (e), paragraph (2)

The Bureau proposes to remove the sentence: "Experience gained through case studies and practicum courses may be credited for no more than 50 percent of the total

minimum experience requirement.” The Bureau proposes to replace the sentence with: “Experience credit shall be granted for the actual classroom hours of instruction and hours of documented research and analysis as awarded from the practicum course approval process.”

subsection (f), including paragraphs (1), (2), and (3)

This proposal will allow for applicants to fulfill part or all of their experience requirement by completing an approved PAREA program. The amount of experience granted will depend on what PAREA program the applicant successfully completes and what license level the applicant seeks to obtain. The use of the word “successfully” is consistent with the language used in the AQB Criteria (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2021, page 14, section VI (7)(a), Practical Applications of Real Estate Appraisal (PAREA)).

Under proposed paragraph (1), completing an approved licensed residential PAREA program will satisfy 100 percent of the experience requirement for the licensed residential license and 67 percent of the certified residential license. It will also satisfy 33 percent of the certified general license, but none of the PAREA program experience is eligible for non-residential experience necessary for the certified general license.

The Bureau proposes to use these percentages as they reflect the amount of experience the residential PAREA program participants will earn from the program according to the AQB Criteria (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2021, page 12, section VI (7)(a), Practical Applications of Real Estate Appraisal (PAREA)).

Under proposed paragraph (2), completing an approved certified residential program will satisfy 100 percent of the experience requirement for the licensed residential license and the certified residential license and 50 percent of the certified general license, but none of the PAREA program experience is eligible for non-residential experience necessary for the certified general license.

The Bureau proposes to use these percentages as they will reflect the amount of experience the certified residential PAREA program participants will earn from the program.

Under both paragraphs, the Bureau proposes to prohibit general applicants from using the PAREA program for non-residential experience because the PAREA program will not provide experience for non-residential appraisals (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2021, page 12, section VI (7)(b), Practical Applications of Real Estate Appraisal (PAREA)) and thus experience credit for non-residential appraisals should not be granted. The Bureau defines

“licensed residential”, “certified residential”, and “certified general” to clarify the three types of residential licenses that PAREA applies to under both paragraphs.

Further, Business and Professions Code section 11314 provides that “[r]equirements for each level of licensure shall, at a minimum, meet the criteria established by the Appraiser Qualification Board of the Appraisal Foundation” (AQB). Because the AQB’s criteria now include adoption of the PAREA program to partially or completely satisfy the experience requirement for all license types, the Bureau proposes to fulfill its statutory duty to ensure that license requirements meet the AQB’s criteria by accepting completion of an approved PAREA program as satisfaction of part or all of the experience requirement for applicants. The Bureau also believes that allowing for this new pathway will allow those without connections to appraisers outside of the PAREA program (i.e., due to geographic constraints, personal networks or financial limitations effecting the ability of an individual to network or encounter other appraisers) to earn experience and qualify for a license.

subsection (g)

The Bureau proposes to change the former subsection (f) to subsection (g) to reflect the addition of PAREA. This is a purely technical, non-substantive change.

Proposed amendments to CCR section 3568, Trainee Licenses and Supervising Appraiser Responsibilities.

The proposed amendments will reduce the educational requirement for trainees from 150 hours to 75 hours and make non-substantive changes.

subsection (a)

The Bureau proposes to amend this subsection by moving the term “education” from (a)(1) to (a) and deleting (a)(1). This is because there is no subsection (a), paragraph (2) or any requirement other than educational requirements in subsection (a).

subsection (a), paragraph (1), subparagraph (A)

The Bureau proposes amendments to this subparagraph to reduce the amount of education required for a trainee license. The current trainee license educational requirement is the AQB’s educational requirement for a residential level license, which is 150 hours (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2022, Page 17, section III (A), Qualifying Education). The Bureau proposes to change the trainee license requirements to match the AQB’s trainee license level, which is 75 hours (The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2022, Page 17, section III (A), Qualifying Education). The Bureau believes that this reduction will encourage more individuals to apply for a trainee license. Further, the reduction will also allow out-of-state trainees to

more easily obtain a reciprocal license in California by aligning the Bureau's educational requirements with the AQB's educational requirements for trainees.

subsection (a), paragraph (1), subparagraphs (B), (C), and (D)

The Bureau proposes to delete subparagraph (B), which requires applicants for a trainee license to take the 15-hour Uniform Standards of Professional Appraisal Practice (USPAP) course, since that course is already part of the AQB's trainee educational requirements and therefore already included in the education required by subparagraph (A). To list it separately is unnecessary and potentially confusing.

The remaining amendments in subparagraphs (C) and (D) are non-substantive grammatical or renumbering changes for consistency with subsections (e) and (f) and to reflect the deletion of paragraph (1) and subparagraph (B).

subsection (b)

Although this subsection already describes what is considered acceptable experience if a trainee decides to upgrade their trainee license to a Residential or Certified Residential License, it does not explicitly state that the experience is for the upgraded license types. To add specificity and make that clear, the Bureau proposes to add the words "for a Residential or Certified Residential License" to this subsection.

The remaining amendment is a non-substantive grammatical change for clarity.

subsections (c) and (d)

The Bureau proposes to merge former subsections (c) and (d) as they both state what trainees shall do to comply with the regulations. Combining them allows the reader to see the requirements in one subsection rather spread out over two separate subsections.

subsections (e) and (f)

Like subsections (c) and (d), subsections (e) and (f) both state what supervisors shall do to comply with the regulations. The Bureau is proposing to merge these subsections so supervisors can refer to one, not two, subsections to see all of what is required of them.

The remaining amendments are non-substantive grammatical and renumbering changes to reflect the merger of the subsections.

Underlying Data

The Bureau relied on the following underlying data:

1. The AQB requirements referenced above are from The Real Property Appraiser Qualification Criteria and Interpretation of the Criteria, January 2022, section (F),

Generic Experience Criteria, page 43, and section III (A), Qualifying Education, page 12, 15, and 17 for both PAREA and the educational requirements for residential level licenses and trainee licenses;

2. Historic Data and the charts summarized in the section below; and
3. Workload charts.

Duplication or Conflict with Federal Regulations

None.

Business Impact

This regulation will not have a significant adverse economic impact on businesses, other than the businesses that will be created should new applicants choose to enter this career path as barriers to entry decrease. The initial determination is based on the following facts:

The amendments are intended to reduce barriers to licensure and anticipated to increase the number of appraisal trainee (AT), licensed residential (AL) and certified residential (AR) applicants per year. As a result, the proposed regulations will help to improve individual professional opportunities by increasing the AT, AL, and AR licensee populations.

Economic Impact Assessment

The regulatory proposal will have the following effects:

- It will create jobs within the State of California.
- It will not create new businesses or eliminate existing businesses within the State of California because the addition of licensees does not apply to businesses.
- It will not affect the expansion of businesses currently doing business within the State of California because the addition of licensees does not change how businesses operate.
- The regulatory proposal benefits the health and welfare of California residents because it adds a new pathway to licensure, reduces trainee educational hours requirements, and aligns California regulations with the federal minimum requirements. This proposal will create new appraisers to serve the residents of California.
- The regulatory proposal benefits does not affect worker safety because it addresses licensing requirement and does not address worker safety.
- The regulatory proposal benefits does not affect the state's environment because it addresses licensing requirement and does not address worker safety.

The Bureau estimates the proposed regulations will increase license applications and result in economic impacts as follows:

Appraisal Trainee: The regulations are estimated to result in an increase of 116 Appraisal Trainee (AT) applications in year-one of implementation and 36 annually thereafter. Applicants will be required to pay initial license fees of \$930 and biennial renewal fees of \$850, plus continuing education fees of \$658 (28 hours @ \$23.50) biennially, which would result in costs ranging from approximately \$33,480 to \$169,200 per year and up to \$1,163,200 over a ten-year period as follows:

Bureau of Real Estate Appraisers Economic Impact - Appraisal Trainee CA Code of Regulations 3541(e)(2) and (f)													
Type	Costs	Volume	Years Ongoing										
			1	2	3	4	5	6	7	8	9	10	Total
AT License (initial)	\$930	Varies	116	36	36	36	36	36	36	36	36	36	440
Sub-Total:			\$107,880	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$409,200
AT License (renewal)	\$850	Varies	-	-	90	28	80	44	74	54	71	59	500
AT Continuing Educator	\$658	Varies	-	-	90	28	80	44	74	54	71	59	500
Sub-Total:			-	-	\$135,720	\$42,224	\$120,640	\$66,352	\$111,592	\$81,432	\$107,068	\$88,972	\$754,000
Total Costs:			\$107,880	\$33,480	\$169,200	\$75,704	\$154,120	\$99,832	\$145,072	\$114,912	\$140,548	\$122,452	\$1,163,200

AT - Appraisal Trainee

Residential Licensee & Certified Residential: The regulations are estimated to result in an increase of four Residential Licenses (AL) and six Certified Residential (AR) applications per year. Applicants will be required to pay initial license fees of \$1,035 (AL) and \$1,010 (AR) and biennial renewal fees of \$955 (AL) and \$1,050 (AR), plus continuing education fees of \$658 (28 hours @ \$23.50) biennially, which would result in costs ranging from approximately \$10,200 to \$76,520 per year and up to \$433,600 over a ten-year period as follows:

Bureau of Real Estate Appraisers Economic Impact - Residential License & Certified Residential CA Code of Regulations 3568													
Type	Costs	Volume	Years Ongoing										
			1	2	3	4	5	6	7	8	9	10	Total
AL License (initial)	\$1,035	Varies	4	4	4	4	4	4	4	4	4	4	40
Sub-Total:			\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$41,400
AL License (renewal)	\$955	Varies	-	-	4	4	8	8	12	12	16	16	80
AT Continuing Educator	\$658	Varies	-	-	4	4	8	8	12	12	16	16	80
Sub-Total:			-	-	\$6,452	\$6,452	\$12,904	\$12,904	\$19,356	\$19,356	\$25,808	\$25,808	\$129,040
AR License (initial)	\$1,010	Varies	6	6	6	6	6	6	6	6	6	6	60
Sub-Total:			\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$60,600
AR License (renewal)	\$1,030	Varies	-	-	6	6	12	12	18	18	24	24	120
AR Continuing Educator	\$658	Varies	-	-	6	6	12	12	18	18	24	24	120
Sub-Total:			-	-	\$10,128	\$10,128	\$20,256	\$20,256	\$30,384	\$30,384	\$40,512	\$40,512	\$202,560
Total Costs:			\$10,200	\$10,200	\$26,780	\$26,780	\$43,360	\$43,360	\$59,940	\$59,940	\$76,520	\$76,520	\$433,600

AL - Residential License

AR - Certified Residential

Specific Technologies or Equipment

This regulation does not mandate the use of specific technologies or equipment.

Consideration of Alternatives

No reasonable alternative to the regulatory proposal would be either more effective in carrying out the purpose for which the action is proposed or would be as effective or

less burdensome to affected private persons and equally effective in achieving the purposes of the regulation in a manner that ensures full compliance with the law being implemented or made specific.

Fiscal Impact Assessment

The proposed regulations are anticipated to increase licensing and enforcement workload and costs to the Bureau.

Licensing Costs: The Bureau estimates AT licensing costs ranging from \$40,176 to \$144,036 per year and up to \$1,068,040 over ten-year period as follows:

Bureau of Real Estate Appraisers Fiscal Impact (Costs) - Appraisal Trainee CA Code of Regulations 3541(e)(2) and (f)													
Type	Costs	Volume	Years Ongoing										Total
AT License (initial)	\$1,116	Varies	116	36	36	36	36	36	36	36	36	36	440
Sub-Total:			\$129,456	\$40,176	\$40,176	\$40,176	\$40,176	\$40,176	\$40,176	\$40,176	\$40,176	\$40,176	\$491,040
AT License (renewal)	\$1,154	Varies	-	-	90	28	80	44	74	54	71	59	500
Sub-Total:			-	-	\$103,860	\$32,312	\$92,320	\$50,776	\$85,396	\$62,316	\$81,934	\$68,086	\$577,000
Total Costs:			\$129,456	\$40,176	\$144,036	\$72,488	\$132,496	\$90,952	\$125,572	\$102,492	\$122,110	\$108,262	\$1,068,040

AT - Appraisal Trainee

The Bureau estimates AL and AR licensing costs ranging from \$11,160 to \$57,320 per year and up to \$342,400 over ten-year period as follows:

Bureau of Real Estate Appraisers Fiscal Impact (Costs) - Residential License & Certified Residential CA Code of Regulations 3568													
Type	Costs	Volume	Years Ongoing										Total
AL License (initial)	\$1,116	Varies	4	4	4	4	4	4	4	4	4	4	40
Sub-Total:			\$4,464	\$4,464	\$4,464	\$4,464	\$4,464	\$4,464	\$4,464	\$4,464	\$4,464	\$4,464	\$44,640
AL License (renewal)	\$1,154	Varies	-	-	4	4	8	8	12	12	16	16	80
Sub-Total:			-	-	\$4,616	\$4,616	\$9,232	\$9,232	\$13,848	\$13,848	\$18,464	\$18,464	\$92,320
AR License (initial)	\$1,116	Varies	6	6	6	6	6	6	6	6	6	6	60
Sub-Total:			\$6,696	\$6,696	\$6,696	\$6,696	\$6,696	\$6,696	\$6,696	\$6,696	\$6,696	\$6,696	\$66,960
AR License (renewal)	\$1,154	Varies	-	-	6	6	12	12	18	18	24	24	120
Sub-Total:			-	-	\$6,924	\$6,924	\$13,848	\$13,848	\$20,772	\$20,772	\$27,696	\$27,696	\$138,480
Total:			\$11,160	\$11,160	\$22,700	\$22,700	\$34,240	\$34,240	\$45,780	\$45,780	\$57,320	\$57,320	\$342,400

AL - Residential License

AR - Certified Residential

Enforcement Costs: The Bureau anticipates additional enforcement-related costs to regulate the additional licensees. Based on historical data the Bureau estimates approximately 3 percent of licensees will have a complaint filed against them, which would result the number of enforcement-related cases ranging from 1 to 4 cases per year.

The Bureau notes, enforcement-related workload and costs typically take up to two or more years to materialize due to the complaint, investigation, and adjudication process.

As a result, enforcement-related workload and costs are projected to begin no earlier than year three of implementation.

The Bureau estimates enforcement costs of \$18,000 per case, plus \$10,000 in Attorney General and \$5,000 Office of Administrative Hearings costs or total costs of \$33,000 per case, which would result in costs ranging from \$33,000 (1 case) to \$132,000 (4 cases) per year.

Revenues: The regulations are projected to increase initial and biennial renewal license fee revenues as follows:

Appraisal Trainee: Revenues are projected to range from \$33,480 to \$109,980 and up to \$835,900 over a ten-year period as follows:

Bureau of Real Estate Appraisers Fiscal Impact (Revenues) - Appraisal Trainee CA Code of Regulations 3541(e)(2) and (f)													
Type	Fees	Volume	Years Ongoing										Total
			1	2	3	4	5	6	7	8	9	10	
AT License (initial)	\$930	Varies	116	36	36	36	36	36	36	36	36	36	440
Sub-Total:			\$107,880	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$33,480	\$409,200
AT License (renewal)	\$850	Varies	-	-	90	28	81	44	75	54	71	59	502
Sub-Total:			-	-	\$76,500	\$23,800	\$68,850	\$37,400	\$63,750	\$45,900	\$60,350	\$50,150	\$426,700
Total Revenues:			\$107,880	\$33,480	\$109,980	\$57,280	\$102,330	\$70,880	\$97,230	\$79,380	\$93,830	\$83,630	\$835,900

AT - Appraisal Trainee

Residential Licensee & Certified Residential: Revenues are projected to range from \$10,200 to \$50,200 and up to \$302,000 over a ten-year period as follows:

Bureau of Real Estate Appraisers Economic Impact - Residential License & Certified Residential CA Code of Regulations 3568													
Type	Costs	Volume	Years Ongoing										Total
			1	2	3	4	5	6	7	8	9	10	
AL License (initial)	\$1,035	Varies	4	4	4	4	4	4	4	4	4	4	40
Sub-Total:			\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$4,140	\$41,400
AL License (renewal)	\$955	Varies	-	-	4	4	8	8	12	12	16	16	80
Sub-Total:			-	-	\$3,820	\$3,820	\$7,640	\$7,640	\$11,460	\$11,460	\$15,280	\$15,280	\$76,400
AR License (initial)	\$1,010	Varies	6	6	6	6	6	6	6	6	6	6	60
Sub-Total:			\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060	\$60,600
AR License (renewal)	\$1,030	Varies	-	-	6	6	12	12	18	18	24	24	120
Sub-Total:			-	-	\$6,180	\$6,180	\$12,360	\$12,360	\$18,540	\$18,540	\$24,720	\$24,720	\$123,600
Total:			\$10,200	\$10,200	\$20,200	\$20,200	\$30,200	\$30,200	\$40,200	\$40,200	\$50,200	\$50,200	\$302,000

AL - Residential License

AR - Certified Residential