

DEPARTMENT OF CONSUMER AFFAIRS
TITLE 10. PROFESSIONAL AND VOCATIONAL REGULATIONS
CHAPTER 6.5
BUREAU OF REAL ESTATE APPRAISERS

NOTICE OF PROPOSED REGULATORY ACTION CONCERNING:
License Requirements

NOTICE IS HEREBY GIVEN that the Bureau of Real Estate Appraisers (hereafter Bureau) is proposing to take the action described in the Informative Digest below, after considering all comments, objections, and recommendations regarding the proposed action.

PUBLIC HEARING

The Bureau has not scheduled a public hearing on this proposed action. However, the Bureau will hold a hearing if it receives a written request for a public hearing from any interested person, or the interested person's authorized representative, no later than 15 days prior to the close of the written comment period. A hearing may be requested by making such request in writing addressed to the individuals listed under "Contact Person" in this notice.

WRITTEN COMMENT PERIOD

Written comments relevant to the action proposed, including those sent by mail, facsimile, or e-mail to the addresses listed under "Contact Person" in this Notice, must be **received by the Bureau at its office no later than 5:00 pm on Tuesday, July 18, 2023**, or must be received by the Bureau at the hearing, should one be scheduled.

AUTHORITY AND REFERENCE

Pursuant to the authority vested by sections 11313, 11314, 11327 and 11340 of the Business and Professions Code (BPC), and to implement, interpret, or make specific BPC sections 11340 and 11341, the Bureau is considering amending sections 3541 and 3568 of title 10 of the California Code of Regulations (CCR).

INFORMATIVE DIGEST / POLICY STATEMENT OVERVIEW

The Bureau of Real Estate Appraisers (Bureau) issues licenses to applicants who meet the minimum requirements for licensure, which includes an experience requirement. For trainee licenses, these minimum requirements also include an educational requirement.

This regulatory proposal will allow a new path for licensees to meet part or all of their experience requirements. Currently, applicants must be trained by appraisers to gain the experience hours necessary to obtain a license. This new path will allow applicants to complete a Practical Applications of Real Estate Appraisal (PAREA) program

approved by the Appraisal Qualifications Board (AQB) to satisfy part or all their experience requirement depending on the PAREA program completed and license level sought. A PAREA program is designed to offer practical experience in a simulated and controlled virtual environment. A PAREA program will include mentors and participants will demonstrate to their mentor that they have satisfied the training objectives. This new path will allow those interested in a Residential (AL) license or Certified Residential (AR) license without access to an appraiser outside of a PAREA program to gain the experience necessary to become a licensed appraiser.

This regulatory proposal will also reduce the educational requirement for trainee licenses from 150 hours to 75 hours. Currently, trainees complete the same education as residential (AL) license applicants. The Bureau believes this is not necessary for a trainee (AT) license. The minimum federal requirement is 75 hours for a trainee license and the Bureau believes this is an appropriate level of education. Currently, trainees can upgrade to a residential license without completing additional education. While this is a common path, those upgrading to a certified general license will have taken residential courses that do not apply to the certified general license. This can discourage people from obtaining a trainee license as half of their educational hours will not apply to the certified general license. Another reason for this proposal is the Bureau seeks to reduce barriers for trainees licensed outside of California to become licensed in California. If the trainee comes from a state that adheres to the federal minimum education requirements, the applicant would need to complete 75 additional residential educational hours to obtain a trainee license in California. For these reasons, the Bureau seeks to reduce its trainee educational requirement from 150 hours to 75 hours.

Lastly, this regulatory proposal seeks 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) by allowing 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."

Anticipated Benefits of Proposal

This regulatory proposal will allow those without access to appraisers outside of a PAREA program to become licensees and will encourage more individuals to apply for the AT license.

This regulatory proposal does not affect the health and welfare of California residents, worker safety, or the state's environment.

Consistency and Compatibility with Existing State Regulations

During the process of developing this regulatory proposal, the Bureau has conducted a search of any similar regulations on these topics and has concluded that these regulations are neither duplicative, inconsistent, nor incompatible with existing state regulations.

DISCLOSURES REGARDING THIS PROPOSED ACTION

The Bureau has made the following initial determinations:

FISCAL IMPACT ESTIMATES

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

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies
Costs/Savings in Federal Funding to the State:

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.

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.

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 per year and up to \$835,900 over a ten-year period.

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

The regulations do not result in costs or savings in federal funding to the state.

Nondiscretionary Costs/Savings to Local Agencies: None

Local Mandate: None

Cost to any Local Agency or School District for which Government Code Sections 17500 - 17630 Require Reimbursement: None

RESULTS OF ECONOMIC IMPACT ASSESSMENT / ANALYSIS:

BUSINESS IMPACT ESTIMATES

The Bureau has made the initial determination that the proposed regulatory action would have no significant statewide adverse economic impact directly affecting business, including the ability of California businesses to compete with businesses in other states. The appraiser regulatory program is under a national umbrella, so adopting the AQB criteria for trainee education requirements is conforming to a national standard that does not disadvantage the Bureau. As to adopting PAREA, it is an additional pathway/option for licensure that other states may or may not adopt.

Impact on Jobs / Businesses

The Bureau has determined that this regulatory proposal will not have any significant impact on the creation of jobs or new businesses, or the elimination of jobs or existing businesses, or the expansion of businesses in the State of California, other than the creation of jobs for individuals who may not otherwise qualify to be a licensee under the current license requirements.

Benefits to the health and welfare of California residents

The regulatory proposal benefits the health and welfare of California residents because it adds a new pathway to licensure 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 do not affect worker safety because it addresses licensing requirement and does not address worker safety.

The regulatory proposal benefits do not affect the state's environment because it addresses licensing requirement and does not address worker safety.

Business Reporting Requirements

The regulatory action does not require businesses to file a report with the Bureau.

Effect on Small Business

The amendments are intended to reduce barriers to licensure and anticipated to increase the number of initial 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.

Cost Impact on Representative Private Person or Business

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.

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.

Significant Effect on Housing Costs: None

CONSIDERATION OF ALTERNATIVES

In accordance with Government Code section 11346.5, subdivision (a)(13), the Bureau must determine that no reasonable alternative it considered to the regulation or that has otherwise been identified and brought to its attention would be more effective in carrying out the purpose for which the action is proposed; as effective and less burdensome to affected private persons than the proposal described in this Notice; or would be more

cost effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

Any interested person may submit comments to the Bureau in writing relevant to the above determinations at 3075 Prospect Park Drive, Suite 190, Rancho Cordova, CA 95670.

AVAILABILITY OF STATEMENT OF REASONS AND RULEMAKING FILE

The Bureau has compiled a record for this regulatory action, which includes the Initial Statement of Reasons (ISOR), proposed regulatory text, and all the information on which this proposal is based. This material is contained in the rulemaking file and is available for public inspection upon request to the contact persons named in this notice.

TEXT OF PROPOSAL

Copies of the exact language of the proposed regulations, and any document incorporated by reference, and of the initial statement of reasons, and all of the information upon which the proposal is based, may be obtained upon request from the Bureau at 3075 Prospect Park Drive, Suite 190, Rancho Cordova, CA 95670.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

After considering all timely and relevant comments, the Bureau, upon its own motion or at the request of any interested party, may thereafter adopt the proposals substantially as described below or may modify such proposals if such modifications are sufficiently related to the original text. With the exception of technical or grammatical changes, the full text of any modified proposal, with the modifications clearly indicated, will be available for review and written comment for 15 days prior to its adoption from the person designated in this Notice as the Contact Person and will be mailed to those persons who submit written or oral testimony related to this proposal or who have requested notification of any changes to the proposal.

AVAILABILITY AND LOCATION OF THE FINAL STATEMENT OF REASONS AND RULEMAKING FILE

All the information upon which the proposed regulations are based is contained in the rulemaking file which is available for public inspection by contacting the person named below.

You may obtain a copy of the Final Statement of Reasons once it has been prepared by making a written request to the Contact Person named below or by accessing the website listed below.

CONTACT PERSONS

Inquiries or comments concerning the proposed rulemaking action may be addressed to:

Name: Whitney Spatz
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3075 Prospect Park Drive, Suite 190
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The backup contact person is:

Name: Mary Ann Lopez
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AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Actions the Initial Statement of Reasons, and the text of the regulations can be accessed through the Bureau's website at <https://www.brea.ca.gov/html/Rulemaking.html>.