

DEPARTMENT OF CONSUMER AFFAIRS
TITLE 10. INVESTMENT
Chapter 6.5.
BUREAU OF REAL ESTATE APPRAISERS

NOTICE OF PROPOSED REGULATORY ACTION CONCERNING:
Align Appraisal Review Requirements with USPAP

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 his or her 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 November 10, 2025**, or must be received by the Bureau at the hearing, should one be scheduled.

AUTHORITY AND REFERENCE

Pursuant to the authority vested by section(s) 11313 and 11314 of the Business and Professions Code (BPC), and to implement, interpret, or make specific Chapter 491 Statutes of 1991, Section 4; BPC section 11340(c); Section 1103 of Public Law 101-73 (12 USC 3301, etc.) Title XI (Real Estate Reform Amendment); and USPAP Ethics Provision, Record Keeping, the Bureau is considering amending section 3705 of title 10 of the California Code of Regulations (CCR).

INFORMATIVE DIGEST / POLICY STATEMENT OVERVIEW

The Bureau of Real Estate Appraisers (Bureau) licenses, regulates, and disciplines real estate appraisers, trainees, and registers appraisal management companies (AMC). In 1989, Title XI of the federal Financial Institutions Reform, Recovery and Enforcement Act (“FIRREA” 12 U.S.C. § 3331 et seq.) 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 later established within the Department of Consumer Affairs, a department within the Business, Consumer Services, and Housing Agency. The Bureau is charged with developing and implementing a real estate appraiser licensing and certification program compliant with the federal mandate. Section 4 of Stats.1990, c. 491 (A.B.527), provides:

"It is the intent of the Legislature in enacting this act to implement the policy of the Congress as expressed in the Financial Institutions Reform, Recovery and Enforcement Act of 1989, Public Law No. 101-73 (FIRREA), and to establish a state program to license and certify real estate appraisers." (see Bus. & Prof. Code, § 11300.)

The Appraisal Foundation's ASB is congressionally authorized under FIRREA to set the minimum standards for real estate appraisers, and as a result, the ASB establishes minimum standards for conduct and practice the Bureau must enforce. (Bus. and Prof. Code, § 11314; "*Requirements for each level of licensure shall, at a minimum, meet the criteria established by the Appraiser Qualification Board of the Appraisal Foundation*"; and, see also, 12 U.S.C. § 323.4; and Cal. Code Regs., tit. 10, § 3500(b)(4)).

All of FIRREA (Title XI) and the ASB criteria are incorporated by reference into the Business and Professions Code and California Code of Regulations, as follows:

"Notwithstanding any other provision of this code, except as provided in subdivision (b), the Uniform Standards of Professional Appraisal Practice constitute the minimum standard of conduct and performance for a licensee in any work or service performed that is addressed by those standards. If a licensee also is certified by the Board of Equalization, he or she shall follow the standards established by the Board of Equalization when fulfilling his or her responsibilities for assessment purposes." (Bus. & Prof. Code, § 11319(a).)

"Uniform Standards of Professional Appraisal Practice; (USPAP)" means those standards as adopted by the Appraisal Standards Board of the Appraisal Foundation." (Cal. Code Regs., tit. 10, § 3500(24).)

"Every holder of a license under this part shall conform to and observe the Uniform Standards of Professional Appraisal Practice (USPAP) and any subsequent amendments thereto as promulgated by the Appraisal Standards Board of The Appraisal Foundation which standards are herein incorporated into these regulations by reference as if fully set forth herein." (Cal. Code Regs., tit. 10, § 3701.)

The Bureau's existing regulation at CCR section 3705 is based upon a prior edition of the USPAP Standards from 2016-17, which only cited to USPAP Standard Rule 3 ("Standard 3") since that rule contained all appraisal development and reporting requirements and was entitled "STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT AND REPORTING".

However, as of January 1, 2018, the contents of USPAP Standard 3 were divided into both Standards 3 and 4 in the most recent edition of the USPAP.

An appraisal review involves both development and reporting (as specified in USPAP Standard 3) and the signature represents that the review appraiser accepts responsibility for, and has complied with, both the development and reporting standards of USPAP (as currently specified in both USPAP Standards 3 and 4). As a result, the Bureau proposes to update its regulations consistent with USPAP review appraisal requirements by retaining USPAP Standard 3, while adding a reference to USPAP Standard 4 in CCR section 3705(b). The Bureau would also make other technical and grammatical changes to the text in subsections (a) and (b) to allow for consistency in terminology, and to accommodate the addition of Standard 4 to the text of subsection (b).

Anticipated Benefits of Proposal

The Bureau has determined that this regulatory proposal will have the following benefits to the health and welfare of California residents:

The objective of this proposal is to ensure that the Bureau's regulations accurately reflect the review appraisal requirements for real estate appraisers in compliance with federal law and that minimum standards in appraisal review are met and consistently enforced for the overall protection of the public. This action also helps avoid licensee and staff confusion about whether the Bureau's review appraisal requirements are compliant with federal law. This action helps ensure governmental transparency, legal compliance, accuracy in the Bureau's operations and a well-informed public.

This regulatory proposal does not affect worker safety or the state's environment as it is not related to either of those issues.

Evaluation of 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 inconsistent nor incompatible with existing state regulations.

DISCLOSURES REGARDING THIS PROPOSED ACTION

FISCAL IMPACT ESTIMATES

Fiscal Impact on Public Agencies Including Costs or Savings to State Agencies or Costs/Savings in Federal Funding to the State: None. The proposed regulations do not result in a fiscal impact to the state. This proposal conforms to the regulation regarding review appraisal requirements to current law and Bureau enforcement-related practices. The Bureau does not anticipate an additional workload or costs resulting from the proposed regulations.

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

Nondiscretionary Costs/Savings to Local Agencies: None.

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

Mandate Imposed on Local Agencies or School Districts: None.

Significant Effect on Housing Costs: None.

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.

This initial determination is based on the following facts:

The proposed regulatory changes are administrative in nature and ensure transparency, legal compliance, and accuracy in the Bureau's operations. This proposal conforms to the regulation regarding the USPAP appraisal review requirements to current law and Bureau enforcement-related practices. As a result, the Bureau does not anticipate that any businesses, including any businesses employing real estate appraisers, would be impacted by what the Bureau considers to be "clean-up" changes to its current regulation.

Cost Impact on Representative Private Person or Business

The Bureau is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action.

RESULTS OF ECONOMIC IMPACT ASSESSMENT / ANALYSIS

Impact on Jobs / Businesses

The Bureau has determined that this regulatory proposal will not have any impact on the following:

- 1) the creation or elimination of jobs within the State,
- 2) the creation of new businesses or the elimination of existing businesses within the State, or,
- 3) the expansion of businesses currently doing business within the State.

This proposal would not have any of the above-referenced impacts as explained in the “Business Impact Estimates” section of this notice.

Benefits of Regulation:

The Bureau has determined that this regulatory proposal will have the following benefits to the health and welfare of California residents:

The objective of this proposal is to ensure that the Bureau’s regulations accurately reflect the review appraisal requirements for real estate appraisers in compliance with federal law and that minimum standards in appraisal review are met and consistently enforced for the overall protection of the public. This action also helps avoid licensee and staff confusion about whether the Bureau’s review appraisal requirements are compliant with federal law. This action helps ensure governmental transparency, legal compliance, accuracy in the Bureau’s operations and a well-informed public.

This regulatory proposal does not affect worker safety or the State’s environment as this proposal is not related to any of those issues.

Business Reporting Requirements

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

Effect on Small Business

The Bureau has determined that the proposed regulations will not affect small businesses as stated in the “Business Impact Estimates” section of this Notice. Any costs of compliance are a result of current law. This proposal simply conforms the regulation regarding review appraisal requirements to current law and Bureau enforcement practices and would not affect small businesses.

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; would be 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 during the written comment period, or at the hearing if one is scheduled or requested.

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 persons designated in this Notice as the Contact Persons and will be mailed to those persons who submit written comments 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 Persons named below or by accessing the website listed below.

CONTACT PERSONS

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

Name: Christine Jacob, Attorney III
Address: Bureau of Real Estate Appraisers
3075 Prospect Park Drive, Suite 190
Rancho Cordova, CA 95670.

Telephone No.: (916) 574-8014
Fax No.: (916) 464-0131
E-Mail Address: regulations@brea.ca.gov

The backup contact person is:

Name: Tinna Morlatt, Deputy Bureau Chief of Enforcement
Address: Bureau of Real Estate Appraisers
3075 Prospect Park Drive, Suite 190
Rancho Cordova, CA 95670.

Telephone No.: (916) 610-9893
Fax No.: (916) 464-0131
E-Mail Address: regulations@brea.ca.gov

AVAILABILITY OF DOCUMENTS ON THE INTERNET

Copies of the Notice of Proposed Action, the Initial Statement of Reasons, and the text of the regulations with modifications noted, as well as the Final Statement of Reasons when completed, and modified text, if any, can be accessed through the Bureau's website at <https://brea.ca.gov/html/rulemaking.html>