

THE CALIFORNIA APPRAISER

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Our Mission: Safeguard public trust by promoting professionalism in the real estate appraisal industry through licensing, education, and enforcement.

SPRING/SUMMER 2020

Message from the Chief

After 25 years of government service, it's time for me to return to the private sector where I began my real estate career in 1977. From the State Lands Commission to the Department of General Services and the Bureau, the opportunities for me to learn and grow, both personally and professionally, have been remarkable. I am blessed and truly grateful for the experience. It has been a great honor and privilege to have led the Bureau for eight years through many changes in the industry and the regulatory environment. I am fortunate to have been surrounded by excellent mentors and staff who have made my success possible.

The law is clear: As chief, my primary responsibility is public protection. My approach from the beginning was to promote public protection by fostering professionalism in the appraisal industry. Encouraging growth in knowledge, skills, and abilities was my focus, even when carrying out enforcement actions. Appraisers have an important responsibility in business and in the everyday lives of consumers. My goal was to help appraisers improve their ability to fulfill that charge.

I spent the first 17 years of my career as a fee appraiser, including managing a small appraisal firm. That experience afforded me a perspective that served me well in my government career, particularly at the Bureau. As I was presented with the opportunity to develop policy, law, and regulations, I was able to rely on my own personal experience having completed thousands of appraisal and review reports, as well as running a business. This background proved to be invaluable in executing my authority as Bureau chief.

As I leave, I hope my influence at both the state and federal levels has helped fulfill the Bureau's mission of protecting the public trust by promoting professionalism in the appraisal industry. I know advancing technology,

ever-changing lending criteria, and shifting regulatory requirements have impacted the practice of many appraisers over the last decade. No one knows what the future holds, especially in light of recent events. Under any future business environment, I believe successful appraisers will need to embrace technology and use it to their advantage.

My experience tells me appraisers are not going to be replaced by robots anytime soon. Certainly, the appraiser's role has and will continue to evolve, but the need for the appraiser as a reliable independent source of estimated real property value is essential for many financial and business purposes. Given the uniqueness and variations of each parcel, location, and characteristic of real property, it is difficult to imagine dispensing with the nuanced analysis and judgment provided by a human appraiser. Especially when a credible value estimate is vital to a proper assessment of financial risk and protection of the public trust.

I look forward to rejoining the real estate industry as a civilian and watching the future of the appraisal industry unfold. I know at times your role may seem underappreciated; I've been there. But don't forget, your expertise as an appraiser is an important resource to the public because an honest opinion of value matters for so many reasons. It is fundamental and meaningful because "under all is the land." Good luck and be well.

James S. Martin, *Bureau Chief*

Did You Know?

You can now bookmark an appraiser's licensee details on your internet browser from the Bureau's online appraiser search. Once you have clicked on the appraiser's license number, a new page will open that you can then bookmark using your browser's bookmarking tool. The [Search for an Appraiser](#) feature can be found under Online Services on the Bureau's website.

The Bureau is improving its website's Americans with Disabilities Act (ADA) compliance for increased public accessibility.

The Bureau has upgraded the online license application status. Applicants can now see the status of their application and the complete history of correspondence. To check your application status, go to Online Services on the Bureau's website and click on [Check the Status of Your Application](#).

Licensing Stats

The following chart shows the breakdown of the licensed appraiser population by license level type:

BREA Licensing Stats for April 30, 2020

Active Licensees: 9,835

The pie chart shows the following percentages by license type: 7% Trainee, 10% Residential, 53% Certified Residential, 30% Certified General.

Exam Results

The following graph shows the California Appraisers Examination statistics from July 1 through December 31, 2019, as provided by PSI Services.

The bar graph shows the following exam results by exam type. Residential license exam: 55 took the exam. 78.3% took the exam for the first time. 28.1% took the exam more than once. 49.1% passed the exam. Certified Residential exam: 80 took the exam. 50% took the exam for the first time. 33.3% took the exam more than once. 40% passed the exam. Certified General exam: 35 took the exam. 46.7% took the exam for the first time. 35% took the exam more than once. 40% passed the exam.

Enforcement/Licensing

Five Common Appraisal Deficiencies

1. **Atypical assignments.** Have you ever had a request to appraise a property type that's new to you? Or have you had an assignment with an atypical assignment condition such as "value in use" or "insurable value"? Most appraisers have. The Bureau encourages you to expand your skill set and knowledge base, but the encouragement comes with a caveat: Make sure your report complies with the Uniform Standards of Professional Appraisal Practice's (USPAP) Competency Rule.

The Bureau regularly receives complaints that a licensee has not followed the above advice. Licensees frequently comment, "I should never have accepted this assignment." If the assignment is outside of your skill set, you must acquire the necessary competency as per the Competency Rule, or decline/withdraw from the assignment.

2. **Atypical subject attributes.** Another common statement the Bureau hears is, "I could not find any sales with a [Insert Attribute] like my subject, so I did not give it any value." By "not giving it any value" you are, in fact, making a valuation conclusion that the feature has a market value of \$0, unless a hypothetical condition is used.

Did you know there are more than 10 recognized methods for supporting an adjustment other than matched pair sales? Also, if the attribute in question is an improvement to the land but truly has no market value, it would be included in the Cost Approach as a cost item and then be fully depreciated.

3. **Zoning mistakes.** About 20% of the appraisal reports that pass through the office cite the incorrect zoning designation and/or zoning description. Identifying the correct zoning is necessary for a credible highest and best-use analysis. Relying on the incorrect zoning may not affect the valuation, until it does, and then it is usually catastrophic to the analysis.

The typical response we hear from the licensee is, "But that is what my public records data provider shows." When it comes to zoning, go directly to the government agency that is charged with developing it (e.g., Planning Department, Community Development, etc.). Nearly all agencies allow you to look up the zoning online or have paper maps available for purchase that you can keep in your office. An appraiser may also contact the agency to verify zoning attributes. Additionally, these agencies provide descriptions of the specific zoning. There is no legitimate reason for an appraisal report not to have the correct zoning designation and zoning description.

4. **The reconciliation.** This powerful appraiser tool is all too often underused or misused. *Do not use* your reconciliation to round your value opinion up or down because your subject had [Insert Attribute] that you could not find a comparable sale of and therefore, opined no value contribution in the sales comparison analysis. *Do use* your reconciliation to discuss the quality and quantity of data analyzed. This could be least reliance on the sale next door to the subject because you could not determine the extent of the "major repairs needed" comment in Multiple Listing Service (i.e., reconciliation within an approach), or that you placed primary reliance on the income approach due to strong income/expense data and weak sales and cost data (i.e., reconciliation between approaches).

The reconciliation is there for you to express your opinion about the quality/quantity of data you analyzed. It provides the user of your report an insight as to your thought process of reaching your conclusions. Besides being a good idea, USPAP S.R. 1-6 requires that you reconcile within each approach and between approaches.

5. **Disparate range of values.** This deficiency can occur within a single approach or between approaches. What would you say if I told you your home was worth between \$500,000 and \$1 million? Yes, we have seen appraisals where the adjusted sale prices were this disparate and more. We have also seen similar disparities between the approaches to value with no meaningful reconciliation.

A disparate range of value usually means your analysis has a data and/or methodology error. Common causes we have seen for this in the sales comparison approach include use of sales due to foreclosure (a trustee sale), multiparcel sales where some parcels are omitted, and including Accessory Dwelling Units in the Gross Living Area and as a separate line item (double counting). When the cost approach is out of line with other approaches, common causes are omission of an improvement, and gross over/under opinions of site value. In the income approach it is typically the multiplier (GRM/GIM/Cap Rate) that is not supported or was derived from nonapplicable property types.

Before you send off that appraisal, step back and look at your adjusted sale prices. Look at the indicated value range in your approaches. If they are disparate, did you check all of your data? Did you check your analysis? Real estate markets are not perfect, and some disparity within/between approaches is expected, but they are far more efficient (i.e., have lower disparity) than some appraisers report them to be.

Frequently Asked Questions

How can I stay up-to-date with what is going on at the Bureau?

The Bureau has an email list you can sign up for on the front page of its website, www.brea.ca.gov. To receive emails about major announcements, scroll down to the bottom of the front page and in the right-hand column enter your email to subscribe. Additionally, the Bureau has a Facebook page where helpful information is posted on a regular basis; just search for [California Bureau of Real Estate Appraisers](#) in the Facebook search bar.

When did the fees change?

The fee schedule was updated on January 1, 2020. Please see our [winter 2019 newsletter](#) or information under the BREA Bulletin on the [Bureau's website](#) for more detailed information.

How long does it take to get my application processed?

Application processing can take up to 90 days. On average, the Bureau has been processing nondeficient applications well below that time. However, if the application is deficient, the overall processing time can exceed 90 days depending on how long applicants take to reply to deficiency notices. You can check the status of your application by using the [Check the Status of Your Application](#) tool under the Online Services section at the top of the Bureau's website.

Education

Duplicating Courses:

Appraisers may not receive credit for completing the same continuing education (CE) course within the same four-year renewal CE cycle.

Note: The Bureau recommends licensees complete a variety of CE courses in real property appraisal-related topics so they can increase their knowledge in appraisal.

USPAP Requirement for Renewal:

The 15-hour basic education USPAP course may not be used to fulfill the mandatory seven-hour national USPAP update course for renewal. The seven-hour National USPAP update course is specifically designed to keep licensed appraisers informed of the most recent changes to USPAP.

Online Education Courses:

The Appraiser Qualifications Board (AQB) criteria require that online education (distance) courses not offered by an accredited college or university must be approved by the International Distance Education Certification Center (IDECC) for course credit. Therefore, all online education courses require evidence of IDECC approval for the Bureau's accreditation. This includes both basic and continuing education.

List of Course Providers Offering the Four-Hour California State and Federal Laws and Regulation Courses:

Affiliated Appraisers Workshop—Classroom

Allied Real Estate School—Online/distance

American Society of Farm Managers
and Rural Appraisers—Classroom

Appraisal Institute—Classroom

Calyпсо Continuing Education—Online/distance

Champions School of Real Estate, LTD—Online/distance

Columbia Institute—Online/distance

Dynasty School—Online/distance

Hondros College—Online/distance

Ken Hunsinger—Classroom

McKissock Data Systems—Classroom

McKissock Data Systems—Online/distance

OREP Education Network—Online/distance

Real Estate Trainers, Inc.—Classroom

Legal Corner

License Experience Change

The Bureau has reduced the experience requirement necessary for licensure effective April 1, 2020. The chart below summarizes the new experience requirements. Additionally, applicants no longer need to specify the category of experience. Instead, the experience will simply need to be USPAP compliant. This will simplify the application process.

LICENSE LEVELS	EDUCATION REQUIREMENTS*	EXPERIENCE REQUIREMENTS	SCOPE OF PRACTICE
Trainee (AT)	150 hours, covering specific modules, including the 15-hour National USPAP course (or its equivalent as determined by the Appraiser Qualifications Board (AQB)). Trainee applicants must also complete an approved Supervisory/Trainee Appraisers course prior to obtaining a Trainee Appraiser license. All initial applicants must complete an approved California state and federal laws course prior to obtaining a license.	None	Any property the supervising appraiser is permitted to appraise.
Residential (AL)	150 hours, covering specific modules, including the 15-hour National USPAP course (or its equivalent as determined by the AQB). All initial and reciprocal applicants must complete an approved California state and federal laws course prior to obtaining a license.	1,000 hours and encompassing no less than 6 months of acceptable appraisal experience.	Any noncomplex 1-4 family property with a transaction value up to \$1 million; and nonresidential property with a transaction value up to \$250,000.

Certified Residential (AR)	200 hours, covering specific modules, including the 15-hour National USPAP course; and meeting the criteria of one of the options listed under College Level Education Options for Certified Residential allowed by the AQB. All initial and reciprocal applicants must complete an approved California state and federal laws course prior to obtaining a license.	1,500 hours and encompassing no less than 12 months of acceptable appraisal experience.	Any 1-4 family property without regard to transaction value or complexity; and non-residential property with a transaction value up to \$250,000.
Certified General (AG)	300 hours, covering specific modules, including the 15-hour National USPAP course; and a bachelor's degree or higher from an accredited college or university. All initial and reciprocal applicants must complete an approved California state and federal laws course prior to obtaining a license.	3,000 hours and encompassing no less than 18 months of acceptable appraisal experience, of which 1,500	All real estate without regard to transaction value or complexity.

Enforcement Actions

Enforcement actions are based on the totality of the circumstances and the merits of each matter on a case-by-case basis, including the nature and severity of the offenses involved, prior disciplinary actions (if any), and circumstances that support a finding that the offender has been rehabilitated. Violation descriptions may be partial and summarized due to space limitations. For these reasons, cases may appear similar on the face yet warrant different sanctions.

For a description of the criteria followed by the Bureau in enforcement matters, refer to Title 10, Article 12 (commencing with section 3721) of the California Code of Regulations. Additional information on the individual actions is also available on the Bureau's website, www.brea.ca.gov.

PUBLISHED DISCIPLINARY ACTIONS				
Licensee	License No.	Business City	Order Effective	Outcome
Haddon, Howard	006196	Monrovia	7/31/2019	Voluntary surrender
Elliot & Company Appraisers, Inc.	1281	Greensboro, NC	8/26/2019	Voluntary surrender

Dungan, Rex	007990	San Juan Capistrano	8/25/2019	Restricted license, education, monetary fine.
Cunningham, Liam	044398	Livermore	10/1/2019	Voluntary surrender
Agnew, James	037444	Temecula	10/16/2019	Voluntary surrender
Blackburn, Anthony	003235	Martinez	10/21/2019	Restricted license, monetary fine, probation
Glauber, David	3004129	Louisville, KY	11/26/2019	Restricted license, education, monetary fine.
Northcutte, Shawnte	015756	Beverly Hills	12/5/2019	Revocation
Zuleta, Louis	023591	Los Angeles	12/12/2019	Monetary fine, revocation
Avedissian, Vrej	017444	Northridge	1/28/2020	Probation
Phenomenal Appraisal	3005186	Novi, MI	2/8/2020	Monetary fine, revocation
Maniscalco, Kayla	3004161	Dana Point	2/13/2020	Education, monetary fine, probation
Wood, Bradley	044104	San Francisco	2/28/2020	Probation

CITATIONS

Licensee	Discipline	Violation(s)
Certified Residential	\$1,000 fine	Violations of USPAP Scope of Work Rule and Record Keeping Rule: overstated the significant appraisal assistance done by a third party and failed to maintain a copy of each appraisal report transmitted to the client.
Residential	30 hours Residential Sales Comparison and Income Approaches, four hours Appraiser Self-Protection: Documentation and Record Keeping	Violations of USPAP Standards 1 and 2, and the Record Keeping Rule: failed to report and analyze the subject property's correct zoning and that it was under rent control, failed to produce credible sales comparison/cost/income approaches, failed to reconcile disparate data in the income approach, failed to reconcile the applicability and relevance of the approaches, made a series of errors that affected the credibility of the assignment's results, and failed to maintain a copy of all

		reports transmitted to the client.
Residential	\$1,500 fine, 15 hours Residential Report Writing and Case Studies, and four hours Scope of Work: Appraisals and Inspections	Violations of USPAP Standards 1 and 2, Scope of Work Rule, and Conduct section of the Ethics Rule: utilized grossly unsupported comparable adjustments, failed to analyze personal property in the sale of a comparable, failed to adequately reconcile a disparate range of adjusted values, failed to provide a credible cost approach, failed to adhere to the agreed scope of work by not using original comparable photographs, and altering the comparable photographs by removing the logo/trademark to omit their true source.
Residential	\$2,000 fine and four hours Scope of Work: Appraisals and Inspections	Violations of USPAP Standards 1 and 2, Scope of Work Rule, Conduct section of the Ethics Rule, Record Keeping Rule: failed to prepare a credible sales comparison approach, failed to adequately reconcile the disparate range of adjusted values, failed to reconcile the applicability and relevance of the three approaches to value, made substantial errors of omission/commission, used third-party photographs without citation when scope of work required original photographs, failed to maintain a copy of all appraisal reports communicated to the client, and failed to maintain a copy of the engagement letter in the work file.
Certified Residential	15-hour USPAP, 15 hours Residential Market Analysis and Highest and Best Use, 15 hours Residential Appraiser Site Valuation and Cost Approach, four hours Residential Report Writing vs. Form Filling, and four hours Appraiser Self Protection:	Violations of USPAP Standards 1 and 2 and Competency Rule: failed to accurately describe subject view amenity, failed to accurately describe neighborhood land uses including an adjacent industrial property and consequent external obsolescence, failed to report and analyze all sales of the subject within the prior three years, failed to use appropriate comparable sales data, and made substantial errors of omission/commission resulting in a misleading appraisal.

	Documentation and Record Keeping	
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Reminders: Failure to Notify BREA in a Timely Manner Can Result in License Discipline

Notify the Bureau of any changes to your contact information. California Code of Regulations section 3527 requires written notification within 10 days of any change to:

- (1) Name.
- (2) Residence or business phone number.
- (3) Residence, business, or mailing address.
- (4) Out-of-state address.
 - (a) Changes to an out-of-state address require a Consent to Service of Process form (REA 3006).

Use the Change Notification and Miscellaneous Requests form (REA 3011) available on BREA'S website, www.brea.ca.gov; click on "Forms." Submit by mail the completed and signed form, the required fee, and any necessary documentation to:

Bureau of Real Estate Appraisers
3075 Prospect Park Drive, Suite 190
Rancho Cordova, CA 95670

Note: *Although not a requirement, you can also use form REA 3011 to provide or update your email address, which will allow the Bureau to send you newsletters and other important information.*

Notify the Bureau of any convictions, felony charges, or other license discipline. Business and Professions Code section 11318 requires all licensees, applicants, and course providers to report in writing within 30 days any of the following:

- (1) Felony charges.
- (2) Misdemeanor or felony convictions (including pleas).
- (3) Cancellation, revocation, or suspension of a license, other authority to practice, or refusal to renew a license or other authority to practice as an occupational or professional license or course provider, by any other regulatory agency.

If you have questions about these notification requirements, contact the Bureau at (916) 552-9000.

Department of Consumer Affairs
Bureau of Real Estate Appraisers
3075 Prospect Park Drive, Suite 190
Rancho Cordova, CA 95670
(916) 552-9000

