

News from the California Bureau of Real Estate Appraisers 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.

Winter 2019

Message from the Chief

BREA Licensee Demographics

It's time to assess and reflect on the numbers as the decade ends. It's noteworthy that the total population of Bureau of Real Estate Appraisers (BREA) licensees has now fallen below 10,000 for the first time since the Bureau began keeping records. The numbers reflect some interesting trends.

Licensee population counts vary daily as licenses are granted and others expire, so this data is a recent snapshot in time. Also, approximately 7% of licensees are trainees, 8% report out-of-state addresses, and some percent are not actively practicing. Therefore, it's likely that the number of active working appraisers in California is somewhere around 8,000.

More surprising are the numbers that show how the population of appraisers in California is aging and how few young people are entering the profession. Nearly 70% of licensees are over 50, almost 40% are over 60, and less than 12% are under 40. When trainees are removed from the count, there are more licensees from ages 80–89 (109) than there are from ages 20–29 (88). See the table below for specific data.

Age Range	20–29	30–39	40–49	50–59	60–69	70–79	80–89	90–99	>100	License Totals
Trainee	106	200	173	123	53	5	2	0	0	662
Residential	26	130	261	350	195	58	10	0	0	1030
Cert Res.	22	302	990	1828	1620	476	42	2	0	5282

Cert Gen.	40	331	430	782	963	402	57	1	0	3006
Total Per Age Group	194	963	1854	3083	2831	941	111	3	0	9980
Percentages	1.94	9.65	18.58	30.89	28.37	9.43	1.11	0.03	0.00	100.00

There are several factors impacting the appraiser population, including a reduction in the demand for appraisers due to changes in residential mortgage lending requirements and advances in technology. Lenders now allow waivers or other products (evaluations, automated valuation models, broker price opinions) when in the past, a traditional appraisal report was required. There are also legal and financial reasons such as increased license requirements and stagnating appraisal fees. Only recently has the Appraisal Qualifications Board allowed for an alternative to a four-year degree for a Certified Residential license.

It's not clear what the future holds or when the pendulum may swing back. I am optimistic, particularly for younger appraisers, trainees, and those yet to enter the profession who will be needed to replace the older appraisers aging out.

The private-sector nonresidential segment of the appraisal profession has been less affected by the factors discussed above. Appraisal work for other types of property and for these other purposes includes, but is not limited to:

- Financial planning
- Lease/rental rate
- Estate planning
- Nonconforming residential
- Private lending
- Investment decisions
- Joint/corporate asset
- Development analysis
- Small commercial
- Industrial/warehouse
- Multifamily
- Agricultural/rural
- Raw land
- Family transactions
- Bankruptcies
- Divorces
- Assessment appeals
- Insurance
- Condemnation
- Expert testimony

- Probate
- Special-use properties
- Surplus/excess land
- Highest and best use
- Business transactions
- Purchase negotiations
- Partnerships

Clients on the nonmortgage side of the business still need and require well-developed, detailed appraisal reports. Demand for work in these market segments will continue into the foreseeable future, offering professional appraisers many opportunities for growth and specialization.

James S. Martin, Bureau Chief

Experience Requirement Update

In May 2018, the Appraisal Qualifications Board (AQB) updated its experience requirements, which lowered the number of hours needed for Residential, Certified Residential, and Certified General licenses.

The Bureau has submitted the regulation package to update California's requirements so that they will be the same as the AQB's requirements. The Bureau is expecting that the package will become effective in the second quarter of 2020. When more information on the regulations becomes available, the Bureau will send out a mass email, and post the information on its website and Facebook.

Make sure to sign up for the Bureau's email list to stay on top of news and updates. Go to the front page of the Bureau's website, scroll to the bottom of the right column, and subscribe.

Did You Know?

If you are ready to schedule the six-hour Certified General Appraiser examination, you can provide Applied Measurement Professionals (AMP) with a couple of dates and times that work best for you. An AMP customer service representative should be able to accommodate your request. If you are not given this level of service, please contact the Bureau at (916) 552-9000 for assistance.

Fees are increasing as of Wednesday, January 1, 2020. If you are eligible to renew your license, it is suggested that you renew prior to Tuesday, December 31, 2019. This means if you are within six months of your expiration date, you can renew your license online before 9 p.m. on December 31, 2019, or you must have your application postmarked no later than December 31, 2019. Additional information about eligibility for online renewals is available on the Online Renewal page found on our website under Online Services: Online Renewal.

Licensing

Updates to Upgrade Requirements

Effective January 1, 2020, upgraded licenses will be issued as new, full two-year licenses. Applicants will follow the same process to upgrade their license after completing the education, experience, and examination requirements.

The upgrade application must include proof of all Appraisal Qualifications Board-required education, plus completion certificates for the following:

- A seven-hour Uniform Standards of Professional Appraisal Practice (USPAP) course taken within two years prior to submission of the upgrade application.
- A four-hour Laws and Regulations course taken within four years prior to the submission of the upgrade application.

Once the new, upgraded license has been issued, the renewal cycle will start over at the USPAP cycle. This means the next renewal for the license will be a seven-hour USPAP-only renewal. In summary, the improvement to upgrading a license is that the new license will be valid for two years and it will start the continuing education cycle over. For questions regarding the upgrade requirements, please call the Bureau at (916) 552-9000.

2020 Licensing Fee Increase

The Bureau of Real Estate Appraisers regrets to announce that appraiser licensing, AMC registration, and course provider fees will increase effective January 1, 2020. The Bureau's budget is funded through fees charged to licensees, registrants, and course providers. Given the increases in the cost of doing business and the declining licensee population over the last decade, the current fee structure no longer supports the Bureau's ability to complete its mission.

In fiscal year 2006–07, the licensed appraiser population peaked at 20,120, generating surplus funds. In 2006, the Bureau temporarily reduced fees to begin returning these excess funds to licensees. The surplus funds were loaned to the state's General Fund. The loan repayment with interest allowed the Bureau to subsidize fees for 12 years, giving back the surplus funds to licensees by extending the temporary fee reduction until 2018.

While the Bureau's revenue was falling due to the continued decline in the licensee population, Bureau operational costs were supplemented by the surplus. At this time, the surplus funds have finally been exhausted. The Bureau delayed fee increases as long as possible by cutting costs and maximizing the use of the surplus.

The chart below shows the peak of 20,120 appraisal licensees in 2006–07 and a recent population count of 9,987. The licensed appraiser population is now less than half of what it was in 2007.

The line graph shows the appraiser population in January 1993 at 10,672, its peak in March 2007 at 20,120, and the current population in November 2019 at 9,987 appraisers.

Over the last four years, the Bureau planned and implemented budget cuts. The most significant cost-saving measures include eliminating two positions in 2018 for a \$250,000 annual savings and eliminating three more positions in 2019 for additional \$350,000 annual savings. The Bureau also moved the office from downtown Sacramento in 2019, creating a reduction in lease costs for an approximate \$300,000 savings over eight years.

The Bureau is making every effort to do more with less and continues to look for ways to cut costs, including policies and technological improvements to create more savings and operational efficiencies.

The table below shows milestones in the Bureau’s renewal fee history.

YEAR	LICENSE LEVEL	APPLICATION FEE	ISSUANCE FEE	TOTAL FEE*	YEARLY COST
2020 (every two years)	Trainee and Residential	\$400	\$450	\$850	\$425
	Certified	\$400	\$525	\$925	\$462.50
2018 (every two years)	Trainee and Residential	\$150	\$300	\$450	\$225
	Certified	\$150	\$375	\$525	\$262.50
2006 (every two years)	Trainee and Residential	\$150	\$150	\$300	\$150
	Certified	\$150	\$200	\$350	\$175.50
2000 (every two years)	Trainee and Residential	\$150	\$300	\$450	\$225
	Certified	\$150	\$375	\$425	\$262.50
1994 (every four years)	Trainee and Residential	\$200	\$510	\$710	\$177.50
	Certified	\$200	\$610	\$810	\$202.50

Enforcement

Real Property Appraisal—Inspections Done by Others

The Appraisal Foundation and the Federal Housing Finance Agency (FHFA1) have each provided written clarification regarding use of an inspection of the subject property done by a third party.

While neither the Uniform Standards of Professional Appraisal Practice (USPAP) nor California laws and regulations specifically address the level of inspection that must be performed by the appraiser or who must perform the inspection, there are elements of USPAP that must be considered.

The 2020–2021 edition of USPAP has a revised report certification requirement, Standards Rule 2-3(c), which reads as follows:

“When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and the signing appraiser must have no reason to doubt that the work of those individuals is credible.”

Additional clarification and advice from the 2020–2021 edition of USPAP can be found in several areas, including:

- Definitions including Personal Inspection (new), Physical Characteristics (new), and Relevant Characteristics (new).
- Scope of Work Rule.
- Standards Rules 1-2(e)(i), 1-2(h), 2-2(a)(viii), 2-2(b)(x), and 2-3.
- Advisory Opinions 2, 23, 28, and 31.
- Numerous Frequently Asked Questions, including #189 (new) and #190 (new).

In brief, USPAP does not require the signing appraiser(s) to inspect the subject; however, it does require:

- An understanding of assignment conditions associated with the assignment and/or if said assignment conditions will produce credible assignment results.
- The appraiser(s) to identify the problem to be solved and identify the extent to which the property should be inspected.
- A signed certification that includes a statement whether the appraiser personally inspected the subject property or not, and whether or not the appraiser received significant real property appraisal assistance (and if provided, the name of each individual providing that assistance).
- A certification that complies with Standards Rule 2-3(c).
- A summary or statement of the extent of any significant real property appraisal assistance and the name of the person.

By addressing all these elements, a clear picture of the work that was performed can be understood. Not including all of the pieces necessary to produce a clear picture of the work that was performed in an appraisal leads to confusion by those who read the report (and, in some instances, the filing of a complaint to the state).

Fannie Mae has offered clarification about relying and correctly employing the use of assumptions regarding inspection reports completed by a third party. This information is available in the September 2019 edition of the Fannie Mae Appraiser Update newsletter.

The Bureau has seen an increase in enforcement findings related to appraisal reports when the inspection of the subject property was completed by someone other than the signing appraiser(s). The increase is associated with a combination of:

- Evolving assignment conditions.
- Acceptance of unacceptable assignment conditions.
- Not performing due diligence on facts provided by others.
- Not reconciling inconsistent facts.
- Incorrect use of assumptions and extraordinary assumptions.
- Omission of development and reporting requirements.
- Not acknowledging significant assistance.
- False statements in the signed certification.

It is the licensed appraiser’s responsibility to perform appraisals that comply with USPAP, state laws and regulations, and that are credible and not misleading.

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.

CITATIONS		
LICENSEE	DISCIPLINE	VIOLATION(S)
Certified Residential	\$2,000 fine, “15-Hour USPAP,” 4 hours “Scope of Work: Appraisals and Inspections”	Violations of USPAP Standards 1 and 2, Conduct section of the Ethics Rule, and Scope of Work Rule: not disclosing the use of MLS photographs when originals were required, falsely certifying to a physical inspection of the subject, and failed to disclose significant real property appraisal assistance by a third party.
Certified Residential	15 hours “Residential Market Analysis and Highest and Best Use,” 4 hours “Residential Report Writing vs. Form Filling”	Violations of USPAP Standards 1 and 2, and Record Keeping Rule: failed to consistently describe the subject improvements, failed to provide the correct zoning and support the highest and best use, failed to explain the omission of adjustments for significant physical differences, failed to support the opinion of site value, failed to provide the correct effective date of the appraisal and correct date of

		report, and failed to maintain a copy of each appraisal report communicated to the client.
Certified Residential	15 hours "Advanced Residential Applications and Case Studies," 4 hours "Appraiser Self-Protection: Documentation and Record Keeping"	Violations of USPAP Standards 1 and 2, and Record Keeping Rule: failed to disclose and address a nonhomogeneous use across the street, failed to adequately analyze the subject's prior sale, and failed to retain a work file for the minimum required retention period.

** Above renewal fees do not include registry or Department of Child Support Services fees.*

The Census is Happening in 2020

Let's ensure all Californians are counted so we can put those resources to good use here at home!

- **BUILD BETTER ROADS AND SCHOOLS**
- **FUND COMMUNITY PROGRAMS FOR SENIORS, CHILDREN AND FAMILIES**
- **CREATE JOBS**
- **IMPROVE HOUSING**

Starting in mid-March 2020, each household will get a letter in the mail. It will explain the different ways you can fill out the Census. If you don't receive a letter, you can still go online or call to fill it out. Be sure you include any person living in your household, family or not.

Key Dates

- **3/12–3/20** Invitations to the 2020 Census mailed
- **3/16–3/24** Reminder letters mailed
- **3/26–4/3** Reminder postcard mailed
- **April 1** CENSUS DAY!
- **4/8–4/16** Second reminder & hardcopy Census mailed
- **4/20–4/27** Final postcards mailed

Three Ways To Complete the Census

MAIL: Request a paper Census form in English or Spanish that can be mailed back to the U.S. Census Bureau.

PHONE: The Census can be completed by phone in 13 languages.

ONLINE: For the first time, the Census form will be available to complete online in 13 languages.

Your 2020 Census data is safe, protected and confidential. California is committed to ensuring a complete and accurate count of all Californians on April 1, 2020.

CaliforniaCensus.org

@CACensus

Reminders: Failure to Notify the Bureau in a Timely Manner Can Result in License Discipline

1. Notify the Bureau of Real Estate Appraisers (BREAA) of any changes to contact information. California Code of Regulations section 3527 requires written notification to the Bureau 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 the website, www.brea.ca.gov; click on "Forms." Submit 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, the REA 3011 form can be used to provide or update an email address; the Bureau occasionally sends out newsletters and other important information via email.

1. 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 to the Bureau in writing within 30 days any of the following:
 - 1) Felony charges.

- 2) Misdemeanor or felony convictions (including pleas).
- 3) The 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.

Contact the Bureau at (916) 552-9000 for questions regarding the above reporting requirements.

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