

Bureau of Real Estate Appraisers

Sunset Review Report 2019

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BUREAU OF REAL ESTATE APPRAISERS

BACKGROUND INFORMATION AND OVERVIEW OF THE CURRENT REGULATORY PROGRAM

As of December 1, 2019

Section 1

Background and Description of the Board and Regulated Profession

In 1989, Title XI of the federal Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was adopted by the United States Congress mandating all states to license and certify real estate appraisers who appraise property for federally related transactions. In response to the federal mandate, the California Legislature enacted the Real Estate Appraisers Licensing and Certification Law in 1990 (AB 527, Chapter 491, Statutes of 1990), which established the Bureau of Real Estate Appraisers (Bureau). The Bureau licenses and regulates real estate appraisers in California. The Bureau is entirely funded by regulatory fees.

The Licensing Division of the Bureau is responsible for applicant compliance with the minimum requirements for licensure in accordance with criteria established by the federally mandated Appraisal Foundation and California law. The Licensing Division also registers Appraisal Management Companies (AMC) in compliance with California law.

The Enforcement Division of the Bureau investigates the background of applicants, licensees, and AMC registrants to ensure they meet the standards for licensure. The Enforcement Division also investigates complaints filed against licensed appraisers, registered AMCs, and takes enforcement and/or administrative actions against licensees when it is determined that a violation has occurred.

The Bureau is also responsible for the accreditation of educational courses and course providers for real estate appraiser licensing and certification.

1. Describe the make-up and functions of each of the board's committees (cf., Section 12, Attachment B).

The Bureau does not have any committees advising or supporting its work.

2. In the past four years, was the board unable to hold any meetings due to lack of quorum? If so, please describe. Why? When? How did it impact operations?

The Bureau does not have an advisory committee.

3. Describe any major changes to the board since the last Sunset Review, including, but not limited to:

- **Internal changes (i.e., reorganization, relocation, change in leadership, strategic planning):**

The Bureau selected a new Chief of Enforcement effective October 1, 2017.

- **All legislation sponsored by the board and affecting the board since the last sunset review.**

The Bureau does not sponsor legislation. Legislation affecting the Bureau since the last sunset review is listed below.

- Senate Bill 1196 (Hill, Chapter 800, Statutes of 2016) extended the Bureau's sunset date until January 1, 2021, and made some technical changes to the Business and Professions Code, including the requirement for an examination as part of a required course on State and Federal Laws and Regulations.
- Assembly Bill 1381 (Weber, Chapter 845, Statutes of 2016) required the Bureau to post on the internet the continuing education courses completed by renewing licensees.
- Senate Bill 547 (Hill, Chapter 429, Statutes of 2017) updated the Business and Professions Code related to Appraisal Management Companies to comply with federal minimum standards.
- Senate Bill 70 (Bates, Chapter 928, Statutes of 2018) amended the Business and Professions Code to allow intended users on restricted appraisal reports under certain conditions. This amendment is effective from January 1, 2019, until January 1, 2020.
- AB 1018 (Frazier, Chapter 267, Statutes of 2019) would: 1) prohibit a home inspector from providing an opinion on the value of a property and 2) prohibit a licensed real estate appraiser from acting as a home inspector while performing a real estate appraisal.

- **All regulation changes approved by the board the last sunset review. Include the status of each regulatory change approved by the board.**

- In 2017, the Bureau promulgated disciplinary guidelines with the addition of California Code of Regulations Title 10, section 3733.
- In 2018, the Bureau amended California Code of Regulations Title 10, section 3541 to change the word "continuous" to "cumulative" to clarify a break in experience is allowed when gaining experience to become licensed or to update a license. The Bureau also amended various forms.
- In 2019, the Bureau amended various sections of its regulations related to Appraisal Management Companies to comply with federal minimum standards. The Bureau also amended California Code of Regulations Title 10, section 3704 to prohibit Bureau investigators from conducting appraisal or appraisal reviews.

4. Describe any major studies conducted by the board (cf. Section 12, Attachment C).

No major studies have been conducted by the Bureau.

5. List the status of all national associations to which the board belongs.

The Bureau is a member of the Association of Appraisal Regulatory Officials (AARO), a national organization of regulatory officials including approximately 48 states and territories.

- **Does the board's membership include voting privileges?**

The Bureau Chief was a voting member of the AARO Board of Directors from 2014-2017. The Bureau maintains its membership, supporting the mission and work of AARO, but is no longer a voting member.

- **List committees, workshops, working groups, task forces, etc., on which board participates.**

In September 2017, the Bureau Chief participated in an Appraiser Qualification Board focus group to assist with the evaluation of the proposed changes to the national Real Property Appraiser Qualification Criteria.

- **How many meetings did board representative(s) attend?**

The Bureau Chief attended one meeting on September 6, 2017, in Minneapolis, Minnesota.

- **If the board is using a national exam, how is the board involved in its development, scoring, analysis, and administration?**

The national licensing exam is developed and authorized by the Appraiser Qualification Board, an independent board of The Appraisal Foundation under the provisions of Title XI of FIRREA. The Bureau contracts with an exam provider who administers and scores the national exam. The Bureau does not have a direct role in the exam's development, scoring, analysis, or administration.

Section 2

Performance Measures and Customer Satisfaction Surveys

6. Provide each quarterly and annual performance measure report for the board as published on the DCA website:

Please see Attachment F. These reports are also available online at:
https://www.dca.ca.gov/publications/annual_reports.shtml

7. Provide results for each question in the board's customer satisfaction survey broken down by fiscal year. Discuss the results of the customer satisfaction surveys.

The Bureau has a customer survey/feedback option on its website and on correspondence with the public, licensees, respondents, complainants, and educational providers. Each survey response is screened and routed to management staff for appropriate action. Everyone who submits a survey is notified of the outcome within three business days of submittal. Overall, the feedback is positive and when an issue is raised it is addressed with the appropriate supervisor.

The most recent survey, in July 2019, focused on the Bureau's primary functional areas, such as:

- Licensing and Registration
- Enforcement
- Laws and Regulations
- Organizational Effectiveness
- Communication, Customer Service and Outreach

The Bureau’s external stakeholders were asked, “How would you rate the Bureau’s effectiveness in this goal area?” The rating criteria were: very effective, effective, poor and very poor. Each functional area was defined as follows:

- Licensing and Registration:
 - The Bureau promotes licensing standards for licensees and registration standards for Appraisal Management Companies to protect consumers and allow reasonable access to the profession.
- Enforcement:
 - The Bureau protects the safety of consumers through the enforcement of the laws and regulations governing the practice of licensed Real Estate Appraisers and registered Appraisal Management Companies.
- Laws and Regulations
 - The Bureau pursues statutes, regulations, policies, and procedures to strengthen and support the Bureau’s mandate and mission.
- Organizational Effectiveness
 - The Bureau standard is to maintain an excellent organization through proper Bureau governance, effective leadership, and responsible management, with a focus on retention and succession planning.
- Communication, Customer Service and Outreach
 - The Bureau informs consumers, licensees, and stakeholders about the practice and regulation of the profession, while ensuring responsive customer service. The Bureau is addressing the negative ratings by increasing the frequency of its newsletters.

The Bureau received 1,153 external responses and 27 internal responses for a total of 1,180 responses on the survey. The responses are tallied in the following table.

Customer Service Survey:

| Rating | Licensing and Registration | Enforcement | Laws and Regulations | Organizational Effectiveness | Communication, Customer Service and Outreach |
|----------------|----------------------------|-------------|----------------------|------------------------------|--|
| Very Effective | 15% | 14% | 16% | 13% | 14% |
| Effective | 65% | 67% | 71% | 72% | 64% |
| Poor | 14% | 14% | 10% | 12% | 18% |
| Very Poor | 6% | 5% | 3% | 3% | 4% |
| Total | 100% | 100% | 100% | 100% | 100% |

Fiscal Issues

8. Is the board’s fund continuously appropriated? If yes, please cite the statute outlining this continuous appropriation.

The fund is not continuously appropriated.

9. Describe the board’s current reserve level, spending, and if a statutory reserve level exists.

The Bureau’s 2018-19 Fund Condition shows a 5.7 month reserve. The 2019-20 expenditures are anticipated to be \$5.7 million. There is no reference to ‘Reserves’ in the Bureau of Real Estate Appraisers Practice Act of the California Business and Professions Code.

10. Describe if/when a deficit is projected to occur and if/when fee increase or reduction is anticipated. Describe the fee changes (increases or decreases) anticipated by the board.

According to the Bureau’s 2019-20 Fund Condition dated July 16, 2019, deficit is expected to occur in Fiscal Year 2021/2022. The Bureau anticipates the fee increase to be effective January 1, 2020.

The license, registration, and permit fees are increasing to assist the Bureau in structurally balancing its budget. The Bureau will be solvent in 20/21, and the Bureau estimates that the solvency will be sustainable more than six years beyond 20/21.

| Table 2. Fund Condition | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|----------------|----------------|
| (Dollars in Thousands) | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | FY 2019/20 | FY 2020/21 |
| Beginning Balance | 7,732 | 8,712 | 9,742 | 7,238 | 5,730 | 3,023 |
| Revenues and Transfers | 2,597 | 3,015 | 2,887 | 3,798 | 3,543 | 3,516 |
| Total Revenue | \$10,329 | \$11,727 | \$12,629 | \$11,036 | \$9,273 | \$6,539 |
| Budget Authority | 5,770 | 5,675 | 5,831 | 6,304 | 5,740 | 5,912 |
| Expenditures | 5,311 | 5,583 | 5,391 | 5,961 | 6,250 | 6,331 |
| Loans to General Fund | 0 | 0 | 0 | 0 | 0 | 0 |
| Accrued Interest, Loans to General Fund | 615 | 598 | 0 | 155 | 0 | 0 |
| Loans Repaid From General Fund | 3,000 | 3,000 | 0 | 500 | 0 | 0 |
| Fund Balance | \$8,633 | \$9,742 | \$7,238 | \$5,730 | \$3,023 | \$208 |
| Months in Reserve | 18.6 | 21.7 | 14.6 | 11.0 | 5.7 | .4 |

11. Describe the history of general fund loans. When were the loans made? When have payments been made to the board? Has interest been paid? What is the remaining balance?

The Bureau’s licensee population peaked in Fiscal Year 2006-2007 at 20,080 licensees, which resulted in surplus funds. As indicated by the table below, three loans were made to the General Fund. All loaned funds and interest have been paid to the Bureau. There is no outstanding balance due to the Bureau.

| Loans to General Fund (GF) and Repayment Schedule with Interest | | | |
|---|---------------|------------------------|---------------------|
| Fiscal Year | Loan/Transfer | Amount | Interest |
| 2002/03 | To GF | \$ 1,000,000 | |
| 2003/04 | To GF | \$ 2,000,000 | |
| 2008/09 | To GF | \$ 16,600,000 | |
| Total Loaned | To GF | \$ 19,600,000 | |
| 2009/10 | From GF | \$ (5,000,000) | \$ 217,000 |
| 2013/14 | From GF | \$ (8,100,000) | \$ 1,151,000 |
| 2015/16 | From GF | \$ (3,000,000) | \$ 615,000 |
| 2016/17 | From GF | \$ (3,000,000) | \$ 598,000 |
| 2018/19 | From GF | \$ (500,000) | |
| Total Payment of Loaned Surplus | | \$ (19,600,000) | |
| Interest Earned on Loaned Surplus | | | \$ 2,581,000 |

12. Describe the amounts and percentages of expenditures by program component. Use *Table 3. Expenditures by Program Component* to provide a breakdown of the expenditures by the board in each program area. Expenditures by each component (except for pro rata) should be broken out by personnel expenditures and other expenditures.

| Table 3. Expenditures by Program Component | | | | | | | | |
|--|--------------------|----------------|--------------------|----------------|--------------------|----------------|--------------------|----------------|
| (list dollars in thousands) | | | | | | | | |
| | FY 2015/16 | | FY 2016/17 | | FY 2017/18 | | FY 2018/19 | |
| | Personnel Services | OE&E | Personnel Services | OE&E | Personnel Services | OE&E | Personnel Services | OE&E |
| Enforcement | 1,850 | 685 | 1,866 | 580 | 1,733 | 446 | 1,751 | 676 |
| Licensing | 597 | 342 | 492 | 273 | 493 | 210 | 507 | 338 |
| Administration * | 1,046 | 305 | 1,075 | 340 | 1,352 | 262 | 1,218 | 380 |
| DCA Pro Rata | | 470 | | 520 | | 569 | | 684 |
| TOTALS | \$3,493 | \$1,802 | \$3,433 | \$1,713 | \$3,578 | \$1,487 | \$3,476 | \$2,078 |

*Administration includes actual costs for executive staff, board, administrative support, and fiscal services.

13. Describe the amount the board has contributed to the BreZE program. What are the anticipated BreZE costs the board has received from DCA?

Not applicable.

14. Describe license renewal cycles and history of fee changes in the last 10 years. Give the fee authority (Business and Professions Code and California Code of Regulations citation) for each fee charged by the board.

The license renewal cycle time is every two years. The fee authority is California Business and Professions Code, Division 4., Real Estate, Part 3, Licensing and Certification of Real Estate Appraisers, Chapter 7, Section 114004-11408 and the Code of Regulation, Title 10., Investment, Chapter 6.5, Real Estate Appraisers, Article 5, Fees, Section 3582.

In 2006, amidst a booming licensee population and thus a booming budget, the Bureau temporarily reduced its issuance fee for trainees and residential appraisers to \$150 (from \$300) and certified appraisers to \$200 (from \$375) until 2014. In 2014, despite the declining population, the Bureau was receiving repayments from the General Fund with interest and determined it was in the best interest of the licensee population to maintain the lower fees.

Effective July 1, 2018, the issuance fees were returned to the regulatory rates for trainees and residential appraisers of \$300 and certified appraisers of \$375. As of June 30, 2019, the licensee population has dropped to 10,069 from a peak of 20,080 in 2006-2007. Due to the continued decline, the Bureau performed a workload and cost analysis to determine the appropriate fee increase. The Bureau will be raising its fees with an effective date of January 1, 2020.

| Fee | Current Fee Amount | Statutory Limit | FY 2015/16 Revenue | FY 2016/17 Revenue | FY 2017/18 Revenue | FY 2018/19 Revenue | % of Total Revenue |
|--|--------------------|-----------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| (AT) Trainee Initial* | \$555 | \$450 | 59 | 78 | 85 | 81 | 2.5% |
| (AL) Residential (Res.) Initial* | \$635 | \$450 | 8 | 9 | 9 | 17 | .38% |
| (AR/AG) Certified Res./Gen. Initial* | \$710 | \$525 | 64 | 44 | 35 | 29 | 1.45% |
| AT Renewal* | \$485 | \$450 | 64 | 44 | 46 | 85 | 2.01% |
| AL Renewal* | \$565 | \$450 | 195 | 219 | 213 | 270 | 7.49% |
| AR/AG Renewal* | \$640 | \$525 | 1,570 | 2,003 | 1,757 | 2,686 | 66.83% |
| AT Late Renewal* | \$610 | | 7 | 21 | 9 | 15 | .45% |
| AL Late Renewal* | \$690 | | 31 | 34 | 24 | 20 | .92% |
| AR/AG Late Renewal* | \$765 | | 77 | 86 | 47 | 95 | 2.55% |
| Trainee Upgrade to AL* | \$265 | | 8 | 11 | 12 | 14 | .38% |
| AT Upgrade to AR/AG* | \$340 | | 6 | 10 | 9 | 7 | .28% |
| AL/AR Upgrade to AR/AG* | \$260 | | 9 | 10 | 21 | 23 | .55% |
| Reciprocal AL* | \$635 | | 1 | 1 | 0 | 1 | .03% |
| Reciprocal AR/AG* | \$710 | | 4 | 21 | 32 | 40 | .83% |
| DCSS Reinstatement | \$140 | | 0 | 0 | 0 | 0 | .01% |
| Dishonored Check | \$25 | | 0 | 0 | 0 | 0 | .01% |
| AMC Registration | \$1750 | | 261 | 170 | 269 | 170 | 7.27% |
| AMC Controlling Person | \$80 | | 6 | 9 | 10 | 7 | .28% |
| AMC Misc. Changes | Varies | | 0 | 1 | 1 | 0 | .04% |
| Temp. Practice Permits | \$80 | | 23 | 25 | 23 | 25 | .82% |
| Non-Taxable Sales of State Registry | \$55 | | 0 | 1 | 0 | 0 | .03% |
| One Year Subscription of CA State Registry | \$660 | | 0 | 0 | 0 | 0 | .01% |
| Petition for Equivalency | \$45 | | 2 | 4 | 6 | 3 | .15% |
| Misc. Changes, Dup. Lic. and Lic. History | Varies | | 7 | 6 | 5 | 5 | .21% |
| Course Provider Accreditation (Accred.) | \$150 | | 4 | 3 | 2 | 1 | .10% |
| Basic Ed. Accred. | Varies | | 11 | 11 | 8 | 11 | .35% |
| Continuing Ed. Accred. | Varies | | 36 | 27 | 15 | 11 | .76% |

| | | | | | | | |
|----------------------------------|--------|--|----|----|-----|----|-------|
| Miscellaneous | Varies | | 1 | 0 | 0 | 0 | .02% |
| Penalty Assessments (Fines) | Varies | | 72 | 48 | 105 | 74 | 2.52% |
| Penalty Assessments (Enf. Cost) | Varies | | 7 | 32 | 10 | 0 | .43% |
| Penalty Assessments (Mon. Costs) | \$450 | | 13 | 14 | 6 | 3 | .32% |

15. Describe Budget Change Proposals (BCPs) submitted by the board in the past four fiscal years.

| Table 5. Budget Change Proposals (BCPs) | | | | | | | | |
|---|-------------|---|---|---|--------------|-------------|--------------|-------------|
| BCP ID # | Fiscal Year | Description of Purpose of BCP | Personnel Services | | | | OE&E | |
| | | | # Staff Requested (include classification) | # Staff Approved (include classification) | \$ Requested | \$ Approved | \$ Requested | \$ Approved |
| 1111-002-BCP-2019-GB | 19-20 | Budget reduction in 2019-20 and on-going by eliminating 3 permanent positions to align resources with projected workload. | 2 Senior Property Appraiser/Invest. (5458) 1 Program Technician (9927) | 2 Senior Property Appraiser/Invest. (5458) 1 Program Technician (9927) | -333,000 | -333,000 | \$17,000 | \$17,000 |

Staffing Issues

16. Describe any board staffing issues/challenges, i.e., vacancy rates, efforts to reclassify positions, staff turnover, recruitment and retention efforts, succession planning.

The Bureau is seeking to fill any future vacant Property Appraiser/Investigator positions with Certified General (AG) real estate appraiser licensees. The Bureau has cut three Investigator positions in the last two years and may cut more depending on future industry changes and workload challenges. Hiring Certified Residential (AR) appraisers' limits complaint investigations to residential real estate properties. With fewer investigators, it becomes difficult to distribute the workload when ARs are unable to investigate all type of properties.

The Bureau's strategy is to hire the AG real estate appraiser license level because these appraisers have the knowledge, experience and skills to perform investigations on all types of real estate properties (residential, non-residential and commercial).

The Bureau will continue to analyze workload to determine staffing needs, so it is imperative to hire at the AG license level to provide efficient utilization of staff when assigning projects. The main issue is AG licensees typically have higher earnings in the industry. As a result, the Property Appraiser/Investigator salary range is not sufficient to attract that level of licensee. Additionally, some Senior Level staff are performing the most difficult commercial and non-residential work but are not compensated for the highest level of difficulty and complexity.

The Bureau needs a deeper class or other incentive (pay differential) to recruit for vacant positions and to compensate current staff who are performing the most difficult and complex work.

17. Describe the board's staff development efforts and how much is spent annually on staff development (cf., Section 12, Attachment D).

The Bureau spends approximately \$10,000 annually on investigator development (approximately \$800 per investigator). The Bureau's investigators, on an ongoing basis, attend continuing education training, seminars, and conferences that provide information about the real estate appraisal industry trends relating to a wide variety of real property issues, such as land rights, easements, eminent domain, and water rights. This training supports staff in being an expert witness as it relates to real property issues in court.

The Bureau's Enforcement work is highly technical and cannot be performed by anyone without the knowledge, experience and licensing relating to real estate appraisals. Investigators must be able to examine the real property appraisals to determine if ethical or Uniform Standards of Professional Appraisal Practice violations have occurred.

Appraisals incorporate a physical observation (measurements, pictures and notes of specific issues with improvements, land or commercial property) with data collection and comparables, all rights associated with property to determine the value of the property, which cannot be done by a layperson.

Federal oversight requires investigations be performed by people with knowledge about appraisal practice, and the states must document how such persons are so qualified. The Bureau hires licensed appraisers. California's Minimum Qualification for all Property Appraiser/Investigators states:

"Must hold in good standing a full license, residential certification or general certification, issued by the Office of Real Estate Appraisers (OREA). (Applicants who do not hold such a certification but meet the education and experience criteria for general certification will be admitted to the examination and may be appointed but must satisfactorily meet the requirement within six months. Failure to do so may be considered evidence of unsatisfactory progress and cause for rejection during the probationary period.)"

The investigators cannot perform their duties without being licensed (the hire is contingent on remaining licensed in good standing). It is mission critical that they receive the continuous education credit in order to meet their bi-annual licensing requirements. More important is the continuous updating of information and industry trends the continuous education brings to the Bureau. As a result, the Bureau can protect the public and staff can remain the top experts when investigating and testifying at hearings.

Section 4 Licensing Program

18. What are the board's performance targets/expectations for its licensing¹ program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

Title 10 California Code of Regulations section 3570 provides a 90-day time limit on processing license applications. This requires the Bureau to provide the applicant written notice of whether

¹ The term "license" in this document includes a license certificate or registration.

their application is complete or deficient within 90 days. The law also requires that licenses be issued or denied within 90 days of the Bureau's receipt of the Request for Issuance form, which indicates that all requirements for licensure have been met including a background investigation and passage of the licensing examination. The Bureau currently meets these processing requirements.

19. Describe any increase or decrease in the board's average time to process applications, administer exams and/or issue licenses. Have pending applications grown at a rate that exceeds completed applications? If so, what has been done by the board to address them? What are the performance barriers and what improvement plans are in place? What has the board done and what is the board going to do to address any performance issues, i.e., process efficiencies, regulations, BCP, legislation?

Federal guidelines require applications to be processed within 90 days and the Bureau meets or exceeds this requirement for all license processing activities including: new applications, upgrade applications, renewal applications, educational course provider and course approval, and AMC registration. Online renewals have significantly reduced the turn-around time to five working days or less in many cases. There are no processing backlogs.

20. How many licenses or registrations does the board issue each year? How many renewals does the board issue each year?

The Bureau issues approximately 297 new licenses and approximately 4,891 license renewals annually. License upgrades have averaged 99 annually over the last four years. The Bureau issues approximately 13 new AMC registrations annually and approximately 92 renewals annually.

21. How many licenses or registrations has the board denied over the past four years based on criminal history that is determined to be substantially related to the qualifications, functions, or duties of the profession, pursuant to BPC § 480? Please provide a breakdown of each instance of denial and the acts the board determined were substantially related.

Four denials were issued over the past four years based on criminal history that was determined to be substantially related to the qualifications, functions, or duties of the profession. One denial was for an individual with seven driving under the influence convictions and a conviction for conspiracy to defraud the U.S. Department of Treasury. Another denial was for an individual convicted of cocaine distribution, reckless driving, and driving under the influence. Another denial was for nine separate convictions including disturbing the peace, assault with a deadly weapon, reckless driving, failing to appear at court, driving under the influence multiple times, and perjury. Another denial was for three counts of unlawful sexual intercourse with a minor.

Table 6. Licensee Population

| | | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 |
|-----------------------|----------------|------------|------------|------------|------------|
| Trainee | Active | 719 | 738 | 661 | 775 |
| | Delinquent | N/A | N/A | N/A | N/A |
| | Retired | N/A | N/A | N/A | N/A |
| | Out of State | N/A | N/A | N/A | N/A |
| | Out of Country | N/A | N/A | N/A | N/A |
| Residential | Active | 1,438 | 1,447 | 1,226 | 1,208 |
| | Delinquent | N/A | N/A | N/A | N/A |
| | Retired | N/A | N/A | N/A | N/A |
| | Out of State | 3 | 3 | 2 | 2 |
| | Out of Country | N/A | N/A | N/A | N/A |
| Certified Residential | Active | 5,150 | 6,537 | 4,895 | 6,162 |
| | Delinquent | N/A | N/A | N/A | N/A |
| | Retired | N/A | N/A | N/A | N/A |
| | Out of State | 24 | 18 | 19 | 14 |
| | Out of Country | N/A | N/A | N/A | N/A |

| | | | | | |
|-------------------|----------------|-------|-------|-------|-------|
| Certified General | Active | 2,508 | 3,555 | 2,575 | 3,393 |
| | Delinquent | N/A | N/A | N/A | N/A |
| | Retired | N/A | N/A | N/A | N/A |
| | Out of State | 54 | 51 | 46 | 39 |
| | Out of Country | N/A | N/A | N/A | N/A |

Note: 'Out of State' and 'Out of Country' are two mutually exclusive categories. A licensee should not be counted in both.

Table 7a. Licensing Data by Type

| Application Type | | Received | Approved | Closed | Issued | Pending Applications | | | Cycle Times | | |
|------------------|-----------|----------|----------|--------|--------|----------------------|------------------------|-----------------------|---------------|-----------------|-------------------------------------|
| | | | | | | Total (Close of FY) | Outside Board control* | Within Board control* | Complete Apps | Incomplete Apps | combined, IF unable to separate out |
| FY 2016/17 | (Exam) | 387 | 218 | 11 | 218 | 46 | N/A | N/A | 20 | 43 | N/A |
| | (License) | 164 | 157 | 8 | 157 | 0 | N/A | N/A | 16 | 42 | N/A |
| | (Renewal) | 5436 | 5523 | 7 | 5523 | 26 | N/A | N/A | N/A | N/A | N/A |
| FY 2017/18 | (Exam) | 454 | 233 | 11 | 233 | 33 | N/A | N/A | 11 | 44 | N/A |
| | (License) | 155 | 366 | 8 | 366 | 3 | N/A | N/A | 18 | 45 | N/A |
| | (Renewal) | 4407 | 4393 | 9 | 4393 | 19 | N/A | N/A | N/A | N/A | N/A |
| FY 2018/19 | (Exam) | 388 | 247 | 10 | 247 | 41 | N/A | N/A | 8 | 48 | N/A |
| | (License) | 154 | 333 | 9 | 333 | 3 | N/A | N/A | 17 | 52 | N/A |
| | (Renewal) | 5051 | 5021 | 10 | 5021 | 32 | N/A | N/A | N/A | N/A | N/A |

* Optional. List if tracked by the board.

Note: "Approved" and "Issued" (License) category data is the same data.

Note: Table 7a is count of combined Initial and Upgrade applications that required an exam and 7b is only Initial applications that required an exam.

| Table 7b. Total Licensing Data | | | |
|--|---------------|---------------|---------------|
| | FY 2016/17 | FY 2017/18 | FY 2018/19 |
| Initial Licensing Data: | | | |
| Initial License/Initial Exam Applications Received | 134 | 76 | 71 |
| Initial License/Initial Exam Applications Approved | 95 | 71 | 75 |
| Initial License/Initial Exam Applications Closed | 1 | 4 | 2 |
| License Issued | 67 | 46 | 57 |
| Initial License/Initial Exam Pending Application Data: | | | |
| Pending Applications (total at close of FY) | 45 | 22 | 18 |
| Pending Applications (outside of board control)* | N/A | N/A | N/A |
| Pending Applications (within the board control)* | N/A | N/A | N/A |
| Initial License/Initial Exam Cycle Time Data (WEIGHTED AVERAGE): | | | |
| Average Days to Application Approval (All - Complete/Incomplete) | 29.5 | 28.5 | 24.5 |
| Average Days to Application Approval (incomplete applications)* | 41 | 44 | 42 |
| Average Days to Application Approval (complete applications)* | 18 | 13 | 7 |
| License Renewal Data: | | | |
| License Renewed | 5523 | 4393 | 5021 |
| Note: Table 7a is count of combined Initial and Upgrade applications that required an exam and 7b is only Initial applications that required an exam. * Optional. List if tracked by the board. | | | |

22. How does the board verify information provided by the applicant?

- a. **What process does the board use to check prior criminal history information, prior disciplinary actions, or other unlawful acts of the applicant? Has the board denied any licenses over the last four years based on the applicant's failure to disclose information on the application, including failure to self-disclose criminal history? If so, how many times and for what types of crimes (please be specific)?**

The Bureau conducts criminal background investigations through the California Department of Justice and the Federal Bureau of Investigations. The Bureau also checks the Appraisal Subcommittee (ASC) National Registry for all out of state applicants. The Bureau has not denied a license over failure to disclose on an application.

- b. **Does the board fingerprint all applicants?**

Yes, the Bureau uses Live Scan to obtain electronic fingerprints or requires submittal of hardcopy fingerprint cards of all applicants.

- c. **Have all current licensees been fingerprinted? If not, explain.**

Yes, all current licensees have been fingerprinted.

- d. **Is there a national databank relating to disciplinary actions? Does the board check the national databank prior to issuing a license? Renewing a license?**

The Appraisal Subcommittee maintains a National Registry of licensed appraisers which includes disciplinary actions. The Bureau checks the National Registry prior to renewing a license.

e. Does the board require primary source documentation?

Applicants are required to provide certified copies of police reports and/or court documents related to the applicant's record.² The Bureau follows up by acquiring an original set of documents directly from the arresting agency or the court of record in cases of significant violations or if incomplete records are submitted by the applicant.

23. Describe the board's legal requirement and process for out-of-state and out-of-country applicants to obtain licensure.

Per Title XI, FIRREA (1989) and amended by the Dodd-Frank Act, the Bureau offers license reciprocity when an appraiser has a valid home state credential from a compliant state whose credentialing requirements meet or exceed those of California at the time of application. Licenses are issued without a repeat of the examination, but they must complete a California laws and regulations course with a test and pay the license fee prior to receiving a license. Out-of-country applicants must meet the same initial licensing requirements as in country applicants.

24. Describe the board's process, if any, for considering military education, training, and experience for purposes of licensing or credentialing requirements, including college credit equivalency.

a. Does the board identify or track applicants who are veterans? If not, when does the board expect to be compliant with BPC § 114.5?

The Bureau does identify and track applicants who are veterans.

b. How many applicants offered military education, training or experience towards meeting licensing or credentialing requirements, and how many applicants had such education, training or experience accepted by the board?

To date, the Bureau has had one applicant offer military education towards meeting the licensing requirements and that education was accepted. Experience and training requirements dictated by the Appraisal Qualification Board are very specific and can only be met through working in the appraisal profession while under the supervision of a state certified appraiser.

c. What regulatory changes has the board made to bring it into conformance with BPC § 35?

The minimum education requirements for licensure are established by the Appraisal Qualification Board and implemented by the Bureau. The Bureau has the authority to approve military education within the guidelines set by the Appraisal Qualification Board. Because the Bureau has only had one request under this section, each application is reviewed on a case-by-case basis to determine how military education, training, and experience may be used to meet the licensure requirements. Therefore, no regulatory changes are needed to comply with BCP § 35.

d. How many licensees has the board waived fees or requirements for pursuant to BPC § 114.3, and what has the impact been on board revenues?

To date, the Bureau has not had any requests for waiver pursuant to this code section.

² Required by Business and Professions Code section 11318.

e. How many applications has the board expedited pursuant to BPC § 115.5?

The Bureau has expedited 33 applications pursuant to this code section over the four-year period of Fiscal Years 2015/2016, 2016/2017, 2017/2018 and 2018/2019.

25. Does the board send No Longer Interested notifications to DOJ on a regular and ongoing basis? Is this done electronically? Is there a backlog? If so, describe the extent and efforts to address the backlog.

Yes, the Bureau sends electronic “No Longer Interested” notifications to DOJ on a regular and ongoing basis. There is no backlog.

Examinations

| Table 8. Examination Data | | | | |
|---|--------------------------------------|--|------------------------------|--------------------------|
| California Examination (include multiple language) if any: | | | | |
| | License Type: Exam Title: | Licensed Residential | Certified Residential | Certified General |
| FY 2015/16 | # of 1 st Time Candidates | 28 | 39 | 51 |
| | Pass % | 68 | 79 | 73 |
| FY 2016/17 | # of 1 st Time Candidates | 17 | 36 | 53 |
| | Pass % | 53 | 75 | 74 |
| FY 2017/18 | # of 1 st Time Candidates | 31 | 63 | 53 |
| | Pass % | 63 | 75 | 68 |
| FY 2018/19 | # of 1 st time Candidates | 49 | 78 | 34 |
| | Pass % | 51 | 58 | 59 |
| Date of Last OA | | 2014 | 2014 | 2014 |
| Name of OA Developer | | The Appraisal Foundation, through the Appraisal Qualifications Board | | |
| Target OA Date | | N/A | N/A | N/A |
| National Examination (include multiple language) if any: | | | | |
| | License Type: Exam Title: | Licensed Residential | Certified Residential | Certified General |
| FY 2015/16* | # of 1 st Time Candidates | 169 | 411 | 393 |
| | Pass % | 53 | 64 | 66 |
| FY 2016/17* | # of 1 st Time Candidates | 175 | 402 | 407 |
| | Pass % | 62 | 66 | 71 |
| FY 2017/18* | # of 1 st Time Candidates | 260 | 465 | 447 |
| | Pass % | 67 | 73 | 71 |
| FY 2018/19* | # of 1 st time Candidates | 325 | 735 | 399 |
| | Pass % | 62 | 68 | 71 |
| Date of Last OA | | 2014 | 2014 | 2014 |
| Name of OA Developer | | The Appraisal Foundation, through the Appraisal Qualifications Board | | |
| Target OA Date | | N/A | N/A | N/A |

*National Examination Data is based on Calendar Year

26. Describe the examinations required for licensure. Is a national examination used? Is a California specific examination required? Are examinations offered in a language other than English?

The examination for each license category is a national examination developed by the Appraisal Qualifications Board of the Appraisal Foundation and administered to all license candidates nationwide. It is only offered in English.

27. What are pass rates for first time vs. retakes in the past 4 fiscal years? (Refer to Table 8: Examination Data) Are pass rates collected for examinations offered in a language other than English?

The pass rates for first time test takers averaged approximately 66% over the past four years. Retake pass rates averaged just over 32% over the past four years.

28. Is the board using computer-based testing? If so, for which tests? Describe how it works. Where is it available? How often are tests administered?

Testing for all three licensure categories is computerized; however, a pencil-and-paper option is still available. The examinations for all license categories are scheduled and administered at least five times weekly at 16 testing sites located throughout the state.

29. Are there existing statutes that hinder the efficient and effective processing of applications and/or examinations? If so, please describe.

There are currently no statutes that hinder the Bureau's efficient and effective processing of applications or examinations.

School approvals

30. Describe legal requirements regarding school approval. Who approves your schools? What role does BPPE have in approving schools? How does the board work with BPPE in the school approval process?

The Bureau's education program is driven by requirements set forth by the Appraisal Foundation through the Appraisal Qualification Board. The Appraisal Qualification Board establishes the minimum national education requirements for real property appraiser licensing. All states must implement these education requirements in order to comply and be eligible to be listed on the National Registry. This eligibility extends to appraisals performed for federally related transactions.

The legal requirements regarding course providers is consistent with the Appraisal Qualification Board requirements. The Bureau approves courses and course providers for both qualifying and continuing education. This coursework may be completed at private vocational schools, professional organizations, accredited community colleges or universities. The Bureau does not work directly with Bureau of Private Post-Secondary Education (BPPE) in the school approval process. However, the Bureau may accept courses offered at BPPE approved schools. BPPE courses must meet minimum Appraisal Qualification Board requirements.

31. How many schools are approved by the board? How often are approved schools reviewed? Can the board remove its approval of a school?

Currently 72 course providers are on the Bureau's list of approved providers. Course providers are reviewed every four years or whenever there is a significant change in one or more aspects of the course providers ownership, management or operating policies. The Bureau can remove the approval of a course provider if it no longer meets or has violated Bureau requirements.

32. What are the board's legal requirements regarding approval of international schools?

The Bureau can accept an international course provider. International course providers must meet all the same requirements as other course providers approved by the Bureau. For instance, online/distance education courses must have approval from the International Distance Education Certification Center (IDECC) and meet the minimum Appraisal Qualification Board requirements.

Continuing Education/Competency Requirements

33. Describe the board's continuing education/competency requirements, if any. Describe any changes made by the board since the last review.

The term of a California real estate appraiser's license is two years. All licensed appraisers must meet minimum continuing education requirements before renewing their license. A total of 56 hours of continuing education is required during the four-year continuing education cycle including the following mandatory courses for all license categories:

- 7-hour National Uniform Standards of Professional Appraisal Practice course-required every two years.
- 4-hour Bureau approved course entitled "Federal and State Laws and Regulations". The Bureau added an examination requirement to this course as per SB 1196 in 2017.

Continuing education courses or seminars must cover appraisal related topics, including subjects such as: land use planning, appraisal computer applications, cost estimating, and green building appraisals.

a. How does the board verify CE or other competency requirements? Has the Board worked with the Department to receive primary source verification of CE completion through the Department's cloud?

The Bureau reviews each course completion certificate upon receipt for compliance with continuing education requirements. As a result, the Bureau has not worked with the Department to receive primary source verification of CE completion through the Department's cloud.

b. Does the board conduct CE audits of licensees? Describe the board's policy on CE audits.

Bureau staff reviews each completion certificate for course name and approval number, number of hours, method of instruction, completion date, and a penalty of perjury statement with signature of instructor/verifier. As such, subsequent audit of licensee continuing education is not necessary.

c. What are consequences for failing a CE audit?

If CE hours cannot be verified upon application receipt, a deficiency letter is issued, and the applicant is allowed to supplement the application with additional documentation. If CE hours still cannot be verified, CE hours are not awarded and the application for license renewal remains deficient until CE hours can be verified or until the application is denied. Expired licensees continue to have a two-year grace period for renewal after expiration during which time a renewal can still be completed after submitting evidence of the required education.

d. How many CE audits were conducted in the past four fiscal years? How many fails? What is the percentage of CE failure?

CE audits are not performed because verification of CE completion is done for each and every applicant for renewal. Failure to submit required evidence of CE results in denial of the application so there are no licensees who failed to complete their CE.

e. What is the board's course approval policy?

Course providers must submit course descriptions including: method of instruction, timed course outline, textbooks, proposed advertising, promotional material, examinations and instructor bio. Course material must cover appraisal-related subjects consistent with Appraisal Qualifications Board requirements. Since the last Sunset Review, the Bureau has reviewed and approved approximately 995 courses.

f. Who approves CE providers? Who approves CE courses? If the board approves them, what is the board application review process?

The Bureau approves CE course providers and CE courses. Courses may also be pre-approved by the Appraisal Qualifications Board. The Bureau reviews course approval applications for compliance with the Bureau's approval policy and consistency with Appraisal Qualifications Board requirements.

g. How many applications for CE providers and CE courses were received? How many were approved?

For Fiscal Year 2017-2018, the Bureau received 17 applications for course provider accreditation, and all were approved. During the same time frame the Bureau received 164 applications for the approval of specific courses approval. The Bureau works directly with all course providers to assure courses meet minimum Bureau standards. As a result, all courses were approved.

h. Does the board audit CE providers? If so, describe the board's policy and process.

The Bureau does not formally audit CE providers unless there is a flag/event that triggers the Bureau to conduct a formal audit. Continuing education provider accreditation is valid for four years. Continuing education providers must resubmit an entirely new application which is reviewed by the Bureau. During the four-year accreditation period, course providers must notify the Bureau of any material change to the education offering, ownership or operating policies.

The Bureau's full-time education coordinator is tasked with monitoring CE provider performance and compliance with Bureau requirements through feedback from students, instructors and providers. Bureau staff investigators are also debriefed after attendance at continuing education course offerings to provide the education coordinator information on the content and quality of the courses. If necessary, the education coordinator can request a formal audit or attendance in a course by a staff investigator.

i. Describe the board's effort, if any, to review its CE policy for purpose of moving toward performance-based assessments of the licensee's continuing competence.

The Bureau's new Strategic Plan includes a commitment to study the feasibility of implementing a process to gather information on the effectiveness of CE, including a performance-based assessment.

34. What are the board's performance targets/expectations for its enforcement program? Is the board meeting those expectations? If not, what is the board doing to improve performance?

The primary program goal for enforcement is timely, effective, and consistent processing of complaints in a manner that is equitable and well-documented. Appraisal Subcommittee Policy Statement seven requires resolution of complaints filed against appraisers within one year of the complaint filing date. In the majority of cases, the Bureau is meeting these expectations. However, there are a small number of very complex multiple property cases that do not meet the Bureau's one-year timeline. To improve performance, the Bureau attends settlement conferences, seeks the earliest possible hearing date, and works with investigators to reduce investigation time.

Another focus of the enforcement program is ensuring only qualified applicants are granted licenses. All applicants must complete a certain number of hours of appraisal experience in order to qualify for a license. Investigators ensure the appraisal work submitted meets the minimum standard stated in the Uniform Standards of Professional Appraisal Practice. This results in only those appraisers who have demonstrated an ability to comply with Uniform Standards of Professional Appraisal Practice are granted a license.

35. Explain trends in enforcement data and the board's efforts to address any increase in volume, timeframes, ratio of closure to pending cases, or other challenges. What are the performance barriers? What improvement plans are in place? What has the board done and what is the board going to do to address these issues, i.e., process efficiencies, regulations, BCP, legislation?

The volume of complaints increases and decreases with significant changes in market trends, including lending volumes and property values. During the real estate boom from 2003 to 2007, complaints were down in volume; during the downturn from 2008 to 2012 complaints went up precipitously. Now that the market has recovered, complaints are declining.

The Bureau continually works to improve any potential barriers by: maintaining an adequate number of qualified enforcement staff, working with the Office of the Attorney General to ensure better understanding of technical appraisal issues, ensure the timely drafting of pleadings and request earliest hearing date, and request settlement conferences on cases not requiring a mandatory conference.

| Table 9a. Enforcement Statistics (unit values are in days) | | | |
|---|------------|------------|------------|
| | FY 2016/17 | FY 2017/18 | FY 2018/19 |
| COMPLAINT | | | |
| Intake | | | |
| Received | 341 | 288 | 216 |
| Closed | 336 | 304 | 214 |
| Referred to INV | 341 | 285 | 216 |
| Average Time to Close | 2 | 5 | 4 |
| Pending (close of FY) | 3 | 3 | 1 |
| Source of Complaint | | | |
| Public | 179 | 146 | 105 |
| Licensee/Professional Groups | 140 | 114 | 86 |
| Governmental Agencies | 13 | 12 | 15 |
| Other | 9 | 16 | 10 |
| Conviction / Arrest | N/A | N/A | N/A |
| CONV Received | N/A | N/A | N/A |
| CONV Closed | N/A | N/A | N/A |
| Average Time to Close | N/A | N/A | N/A |
| CONV Pending (close of FY) | N/A | N/A | N/A |
| LICENSE DENIAL | | | |
| License Applications Denied | 9 | 3 | 3 |
| SOIs Filed | 0 | 0 | 3 |
| SOIs Withdrawn | 0 | 0 | 0 |
| SOIs Dismissed | 0 | 0 | 0 |
| SOIs Declined | 0 | 0 | 0 |
| Average Days SOI | N/A | N/A | 144 |
| ACCUSATION | | | |
| Accusations Filed | 16 | 7 | 9 |
| Accusations Withdrawn | 0 | 0 | 0 |
| Accusations Dismissed | 0 | 0 | 0 |
| Accusations Declined | 0 | 0 | 0 |
| Average Days Accusations | 65 | 37 | 70 |
| Pending (close of FY) | 9 | 4 | 3 |
| DISCIPLINE | | | |
| Disciplinary Actions | | | |
| Proposed/Default Decisions | 8 | 3 | 5 |
| Stipulations | 18 | 17 | 10 |
| Average Days to Complete | 404 | 323 | 529 |
| AG Cases Initiated | 11 | 6 | 12 |
| AG Cases Pending (close of FY) | 13 | 8 | 7 |
| Disciplinary Outcomes | | | |
| Revocation | 15 | 2 | 6 |
| Voluntary Surrender | 5 | 5 | 8 |
| Suspension | 0 | 0 | 0 |
| Probation with Suspension | 2 | 0 | 1 |
| Probation | 16 | 13 | 4 |
| Probationary License Issued | N/A | N/A | N/A |
| Other | 0 | 0 | 0 |
| Table 9a. Enforcement Statistics (continued) (unit values are in days) | | | |
| | FY 2016/17 | FY 2017/18 | FY 2018/19 |
| PROBATION | | | |

| | | | |
|--------------------------------------|-----|-----|-----|
| New Probationers | 20 | 13 | 4 |
| Probations Successfully Completed | 15 | 18 | 15 |
| Probationers (close of FY) | 42 | 47 | 47 |
| Petitions to Revoke Probation | 2 | 3 | 0 |
| Probations Revoked | 0 | 1 | 0 |
| Probations Modified | 0 | 0 | 0 |
| Probations Extended | 0 | 0 | 0 |
| Probationers Subject to Drug Testing | 0 | 0 | 0 |
| Drug Tests Ordered | 0 | 0 | 0 |
| Positive Drug Tests | 0 | 0 | 0 |
| Petition for Reinstatement Granted | 0 | 0 | 0 |
| DIVERSION | | | |
| New Participants | N/A | N/A | N/A |
| Successful Completions | N/A | N/A | N/A |
| Participants (close of FY) | N/A | N/A | N/A |
| Terminations | N/A | N/A | N/A |
| Terminations for Public Threat | N/A | N/A | N/A |
| Drug Tests Ordered | N/A | N/A | N/A |
| Positive Drug Tests | N/A | N/A | N/A |
| INVESTIGATION | | | |
| All Investigations | 341 | 285 | 217 |
| First Assigned | 336 | 304 | 214 |
| Closed | 120 | 123 | 180 |
| Average days to close | 128 | 111 | 96 |
| Pending (close of FY) | 3 | 3 | 1 |
| Desk Investigations | | | |
| Closed | 336 | 304 | 214 |
| Average days to close | 120 | 123 | 180 |
| Pending (close of FY) | 128 | 111 | 96 |
| Non-Sworn Investigation | | | |
| Closed | N/A | N/A | N/A |
| Average days to close | N/A | N/A | N/A |
| Pending (close of FY) | N/A | N/A | N/A |
| Sworn Investigation | | | |
| Closed | N/A | N/A | N/A |
| Average days to close | N/A | N/A | N/A |
| Pending (close of FY) | N/A | N/A | N/A |
| COMPLIANCE ACTION | | | |
| ISO & TRO Issued | 1 | 0 | 0 |
| PC 23 Orders Requested | 1 | 1 | 1 |
| Other Suspension Orders | N/A | N/A | N/A |
| Public Letter of Reprimand | N/A | N/A | N/A |
| Cease & Desist/Warning | N/A | N/A | N/A |
| Referred for Diversion | N/A | N/A | N/A |
| Compel Examination | N/A | N/A | N/A |

| Table 9a. Enforcement Statistics (continued) | | (unit values are in days) | | |
|---|------------|---------------------------|------------|--|
| | FY 2016/17 | FY 2017/18 | FY 2018/19 | |
| CITATION AND FINE | | | | |
| Citations Issued | 42 | 66 | 42 | |
| Average Days to Complete | 259 | 322 | 272 | |
| Amount of Fines Assessed | \$40,000 | \$66,000 | \$46,000 | |
| Reduced, Withdrawn, Dismissed | 0 | 0 | 0 | |
| Amount Collected | \$48,765 | \$105,878 | \$74,831 | |
| CRIMINAL ACTION | | | | |
| Referred for Criminal Prosecution | 0 | 3 | 2 | |

| Table 10. Enforcement Aging | | | | | | | |
|---|------------|------------|------------|------------|--------------|-----------|--|
| | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 | Cases Closed | Average % | |
| Attorney General Cases (Average %) | | | | | | | |
| Closed Within: | | | | | | | |
| 0 - 1 Year | 3 | 5 | 1 | 4 | 13 | 21.7 | |
| 1 - 2 Years | 11 | 14 | 7 | 4 | 36 | 60.0 | |
| 2 - 3 Years | 5 | 0 | 2 | 3 | 10 | 16.7 | |
| 3 - 4 Years | 0 | 0 | 0 | 1 | 1 | 1.6 | |
| Over 4 Years | 0 | 0 | 0 | 0 | 0 | 0 | |
| Total Attorney General Cases Closed | 19 | 19 | 10 | 12 | 60 | 100.0 | |
| Investigations (Average %) | | | | | | | |
| Closed Within: | | | | | | | |
| 90 Days | 132 | 209 | 164 | 99 | 604 | 51.7 | |
| 91 - 180 Days | 58 | 36 | 22 | 25 | 141 | 12.1 | |
| 181 - 1 Year | 84 | 67 | 75 | 70 | 296 | 25.3 | |
| 1 - 2 Years | 26 | 27 | 42 | 19 | 114 | 9.8 | |
| 2 - 3 Years | 7 | 0 | 1 | 3 | 11 | .9 | |
| Over 3 Years | 0 | 0 | 2 | 1 | 3 | .2 | |
| Total Investigation Cases Closed | 307 | 339 | 306 | 217 | 1169 | 100.0 | |

36. What do overall statistics show as to increases or decreases in disciplinary action since last review?

Due to the stabilization of the market, the number of complaints and investigations has decreased. The number of actions filed has decreased primarily because of the Bureau's focus on settling cases.

37. How are cases prioritized? What is the board's complaint prioritization policy? Is it different from DCA's *Complaint Prioritization Guidelines for Health Care Agencies (August 31, 2009)*? If so, explain why.

The Bureau's complaint prioritization policy is based on the mission of protection of the public. Priority is elevated based on the extent to which a complaint demonstrates a threat to the public, such as fraud and forgery. Cases are screened to identify priority. First priority cases are where the subject of the new complaint is currently the object of another investigation already in progress, pending disposition, or complaints that provide evidence of systematic fraud or other danger to the public. Cases are otherwise investigated in the order received. The Bureau is not a health care agency so the DCA's *Prioritization Guidelines for Health Care Agencies* is not applicable.

38. Are there mandatory reporting requirements? For example, requiring local officials or organizations, or other professionals to report violations, or for civil courts to report to the board actions taken against a licensee. Are there problems with the board receiving the required reports? If so, what could be done to correct the problems?

The Bureau does not have a mandatory reporting requirement for civil settlements.

There is a mandatory complaint reporting requirement: 15 U.S.C.A. Section 1639e(e) requires any mortgage lender, mortgage broker, mortgage banker, real estate broker, appraisal management company or employee thereof, or any other person involved in a real estate transaction involving an appraisal in connection with a consumer credit transaction secured by the principal dwelling of a consumer who has a reasonable basis to believe an appraiser is failing to comply with the Uniform Standards of Professional Appraisal Practice, is violating applicable laws, or is otherwise engaging in unethical or unprofessional conduct, shall refer the matter to the applicable State appraiser certifying and licensing agency. The Bureau has not had issues receiving these reports.

a. What is the dollar threshold for settlement reports received by the board?

There is no dollar threshold for settlement reports. The Bureau does not receive civil settlement reports, so subdivision a and b are not applicable.

b. What is the average dollar amount of settlements reported to the board?

The Bureau does not receive settlement reports, it receives complaints. The Bureau does not receive civil settlement reports, so subdivision a and b are not applicable.

39. Describe settlements the board, and Office of the Attorney General on behalf of the board, enter into with licensees.

a. What is the number of cases, pre-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?

During the last four years, the Bureau has settled 53 cases³ pre-accusations. As these were settled, none went to hearing.

b. What is the number of cases, post-accusation, that the board settled for the past four years, compared to the number that resulted in a hearing?

During the last four years, the Bureau has resolved 30 accusations. Of those, 13 settled before a hearing, nine had a hearing, and eight did not contest the accusation and defaulted.

c. What is the overall percentage of cases for the past four years that have been settled rather than resulted in a hearing?

80 percent of cases settled and did not go to a hearing.

40. Does the board operate with a statute of limitations? If so, please describe and provide citation. If so, how many cases have been lost due to statute of limitations? If not, what is the board's policy on statute of limitations?

There is no statute of limitations, but appraisers are required to maintain records for five years.

41. Describe the board's efforts to address unlicensed activity and the underground economy.

California Business and Professions Code section 11320 states in part: "no person shall engage in a federally related real estate appraisal activity governed by this part or assume or use the title of or any title designation or abbreviation as a licensed appraiser in this state without first

³ Each case settled may include multiple complaints.

obtaining a license as defined in Section 11302.” Lenders are required by Title XI of FIRREA to ensure that appraisals are performed by licensed appraisers, with the appropriate license level, when the loan is a federally related transaction. In the rare case that a complaint is received regarding unlicensed activity, the case is investigated and may be resolved with a citation, a cease and desist letter and/or referral to the district attorney’s office.

California is not a mandatory licensure state. This means individuals can appraise property without a license if the property they appraise is not involved in federally related real estate appraisal activity. Of the subset of appraisers who are required to be licensed, those involved in federally related real estate appraisal activity, there are a couple factors that prevent unlicensed individuals from practicing without a license. Lenders who facilitate federally related real estate appraisal activity ensure the appraisers are licensed in order for the transaction to comply with federal law. Also, practicing without a license subjects an appraiser to criminal action and Bureau citation. As a result, the Bureau receives very few complaints for unlicensed activity. The Bureau received one complaint for unlicensed activity in Fiscal Year 2018/2019.

Cite and Fine

42. Discuss the extent to which the board has used its cite and fine authority. Discuss any changes from last review and describe the last time regulations were updated and any changes that were made. Has the board increased its maximum fines to the \$5,000 statutory limit?

The Bureau routinely uses cite and fine authority. Business and Professions Code section 11315(e) allows maximum fines of \$10,000 per violation. However, citation fines typically range from \$500 to \$3,000. There have been no changes since the last review.

43. How is cite and fine used? What types of violations are the basis for citation and fine?

Cite and fine authority is the most common action taken by the Bureau encompassing the majority of its actions. Citations are typically used for violations that do not involve fraud, gross ethical abuses or significant lack of competency. The most common violations found in citations include misrepresentation of a property characteristic and inappropriate use of sales data.

44. How many informal office conferences, Disciplinary Review Committees reviews and/or Administrative Procedure Act appeals of a citation or fine in the last 4 fiscal years?

The Bureau does not usually hold informal conferences outside of investigations, nor does it have a Disciplinary Review Committee. There have been no appeals during the last four Fiscal Years.

45. What are the 5 most common violations for which citations are issued?

The most common violations yielding a citation relate to Standard Rule 1 and 2 of the Uniform Standards of Professional Appraisal Practice. Uniform Standards of Professional Appraisal Practice is a document that sets forth the minimum standards used in the industry and are imbedded in both federal and state law. The purpose of Uniform Standards of Professional Appraisal Practice is to establish requirements for appraisers that promote a high level of public protection and result in appraisal services that are meaningful and not misleading.

Generally, these are minor to moderate competency or ethics violations, including:

- Failure to implement an adequate scope of work;
- Not correctly employing recognized methods and techniques;
- Use of insufficient or inappropriate market data;

- Failing to report accurate physical or locational characteristics;
- Producing reports with errors or omissions which result in an appraisal report that is not credible or is in some way misleading.

46. What is average fine pre- and post- appeal?

The average fine amount is \$1,500. There is no difference between pre and post-appeal fine amount.

47. Describe the board’s use of Franchise Tax Board intercepts to collect outstanding fines.

After the Bureau has received a final order with a fine, the Bureau waits until the amount is due. This is typically upon the effective date of the decision or 30 days thereafter. If the amount is not paid, the Bureau sends a notice of overdue payment to the respondent. The Bureau will send the licensee three notices before referring the matter for collection with the FTB. The Bureau submits the required documents to Department for the FTB request to intercept the fine amount.

Cost Recovery and Restitution

48. Describe the board’s efforts to obtain cost recovery. Discuss any changes from the last review.

The Bureau includes a request for costs in every accusation and statement of issues. The Bureau also prohibits licensees who owe costs from renewing their licenses until the amount is paid.⁴

49. How many and how much is ordered by the board for revocations, surrenders and probationers? How much do you believe is uncollectable? Explain.

All cases seeking revocation or probation seek cost recovery. Surrenders are very rare, but when accepted by the Bureau they are often conditional on payment of cost recovery. Most cases settle, and the Bureau and respondent typically agree to have respondent pay a monetary amount in addition to any probationary terms that may be applicable. Typically, the amount is negotiated as a fine and cost recovery. The amount varies from case to case, but fines are usually \$10,000 and cost recovery varies, but is most typically between \$5,000 and \$15,000. Cases that do not settle and go to hearing usually contain an order for partial or full cost recovery. The amount of recovery for cases that go to hearing varies greatly from a few thousand to tens of thousands of dollars depending on the complexity and length of the hearing. The Bureau currently has eight cost awards totaling \$47,000, that have not been paid in the FTB collection process, two of those within the last two years. The FTB collection order runs indefinitely so it is unknown which cost awards are uncollectable.

50. Are there cases for which the board does not seek cost recovery? Why?

The Bureau does not seek cost recovery for citations because the respondents are ordered to pay a fine. Citations involve lower level violations that typically do not consume a large amount of investigator time. It is more cost effective to not seek cost recovery because respondents typically want to litigate cost awards. Therefore, removing the litigation trigger allows investigators to move to the next case and not get overburdened with citation hearings.

51. Describe the board’s use of Franchise Tax Board intercepts to collect cost recovery.

After the Bureau has received a final order awarding the Bureau their cost, the Bureau waits until the amount is due. This is typically upon the effective date of the decision or 30 days thereafter. If the amount is not paid, the Bureau sends a notice of overdue payment to the respondent. The Bureau will send the licensee three notices before referring the matter for collection with the FTB.

⁴ See BPC section 11409(c)(2)

The Bureau submits the required documents to the Department for the FTB request to intercept the amount of cost recovery ordered.

52. Describe the board’s efforts to obtain restitution for individual consumers, any formal or informal board restitution policy, and the types of restitution that the board attempts to collect, i.e., monetary, services, etc. Describe the situation in which the board may seek restitution from the licensee to a harmed consumer.

The Bureau does not have legal authority to seek restitution.

| Table 11. Cost Recovery (list dollars in thousands) | | | | |
|---|------------|------------|------------|------------|
| | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 |
| Total Enforcement Expenditures | \$2,535 | \$2,446 | \$2,179 | \$2,427 |
| Potential Cases for Recovery * | 6 | 8 | 5 | 9 |
| Cases Recovery Ordered | 4 | 5 | 1 | 1 |
| Amount of Cost Recovery Ordered | \$26.0 | \$34.4 | \$7.2 | \$24.7 |
| Amount Collected** | \$98.5 | \$98.8 | \$126.2 | \$79.2 |

* “Potential Cases for Recovery” are those cases in which disciplinary action has been taken based on violation of the license practice act. **Amount collected includes: fines, cost of enforcement and cost of monitoring.

| Table 12. Restitution (list dollars in thousands) | | | | |
|---|------------|------------|------------|------------|
| | FY 2015/16 | FY 2016/17 | FY 2017/18 | FY 2018/19 |
| Amount Ordered | N/A | N/A | N/A | N/A |
| Amount Collected | N/A | N/A | N/A | N/A |

**Section 6
Public Information Policies**

53. How does the board use the internet to keep the public informed of board activities? Does the board post board meeting materials online? When are they posted? How long do they remain on the board’s website? When are draft meeting minutes posted online? When does the board post final meeting minutes? How long do meeting minutes remain available online?

The Bureau uses its newsletter and other important announcements on its website to communicate with stakeholders. The Bureau does not hold public meetings so there are no meeting materials or minutes to publicly post.

54. Does the board webcast its meetings? What is the board’s plan to webcast future board and committee meetings? How long to webcast meetings remain available online?

Not applicable; the Bureau does not hold public meetings.

55. Does the board establish an annual meeting calendar, and post it on the board’s web site?

Not applicable; the Bureau does not hold public meetings.

56. Is the board's complaint disclosure policy consistent with DCA's *Recommended Minimum Standards for Consumer Complaint Disclosure*? Does the board post accusations and disciplinary actions consistent with DCA's *Web Site Posting of Accusations and Disciplinary Actions* (May 21, 2010)?

Yes, the Bureau's complaint disclosure policy is consistent with DCA's Recommended Minimum Standards for Consumer Complaint Disclosure. The Bureau posts accusations and disciplinary actions consistent with DCA's Web Site Posting of Accusations and Disciplinary Actions.

57. What information does the board provide to the public regarding its licensees (i.e., education completed, awards, certificates, certification, specialty areas, disciplinary action, etc.)?

The Bureau provides the ability to perform licensee lookups via its website. The lookup contains: the name, license number, company, phone address, license level, license status, license history, continuing education history, effective dates of all licensees and published disciplinary actions, if any. In addition, the Bureau provides all publicly available documents to the public upon request.

58. What methods are used by the board to provide consumer outreach and education?

The Bureau maintains a continuously updated webpage with information and links to all consumer and licensee material. The Bureau posts and emails a biannual newsletter containing articles, statistics and updates, as well as a list of major enforcement actions taken during the previous six months.

Section 7 Online Practice Issues

59. Discuss the prevalence of online practice and whether there are issues with unlicensed activity. How does the board regulate online practice? Does the board have any plans to regulate internet business practices or believe there is a need to do so?

The internet is used for communication between clients and appraisers, such as receiving requests for appraisal reports, transmission of completed appraisal reports. Additionally, the internet is used to conduct research for data regarding the appraisals. The appraiser client relationship is well regulated, as is the reporting process, so the use of online services for normal business activities is common. The Bureau sees no need for further regulation regarding the use of the internet for appraisal business.

Section 8 Workforce Development and Job Creation

60. What actions has the board taken in terms of workforce development?

The Bureau promoted the idea of developing an alternative to the trainee/supervisor model, which limits workforce development. The Appraisal Qualification Board has taken up this issue to resolve the issue on a national level with the development of Practical Applications of Real Estate Appraisal (PAREA) to provide an alternative to the trainee/supervisor model.

61. Describe any assessment the board has conducted on the impact of licensing delays.

The Bureau does not have licensing delays, so no assessment has been completed.

62. Describe the board's efforts to work with schools to inform potential licensees of the licensing requirements and licensing process.

The Bureau coordinates with approved course providers regularly regarding changes to the minimum education requirements. The Bureau's website includes a Course Provider Handbook for use by current and potential course providers specifying licensing course requirements for both qualifying and continuing education.

63. Describe any barriers to licensure and/or employment the board believes exist.

There are a limited number of supervisors willing to train new appraisers. The Bureau is working with the Appraisal Qualification Board to remedy this problem with PAREA.

64. Provide any workforce development data collected by the board, such as:

a. Workforce shortages

Changing real estate market conditions and lending requirements dictate the demand for appraisal services. Since the 2008 market downturn the volume of real estate transactions has declined, and the lender requirements have changed. As a result, the number of licensed appraisers in California has dropped by approximately 50% and is still declining. There are several reasons for the decline, including: (1) difficulty entering the profession due to lack of supervisors and increased licensing requirements; (2) decrease in requests for appraisals due to other products being utilized and a reduction in the amount of properties requiring an appraisal; (3) many appraisers see a stagnation in wages that discourages new appraisers and causes current appraisers to retire; and (4) many appraisers find working for AMCs difficult. There are no appraiser workforce shortages in California currently.

The Bureau is anticipating the supply of appraiser to balance in the future, but at this time, the Bureau has not seen evidence of a shortage of appraisers.

b. Successful training programs.

As explained above, the development of PAREA seeks to address the issue of limited supervisors to allow more trainees to enter the profession.

**Section 9
Current Issues**

65. What is the status of the board's implementation of the Uniform Standards for Substance Abusing Licensees?

The Uniform Standards for Substance Abusing Licensees only apply to health care boards. The Bureau is not a health care board.

66. What is the status of the board's implementation of the Consumer Protection Enforcement Initiative (CPEI) regulations?

The Consumer Protection Enforcement Initiative applies to health care boards. The Bureau is not a health care board.

67. Describe how the board is participating in development of BreEZe and any other secondary IT issues affecting the board.

a. Is the board utilizing BreEZe? What Release was the board included in? What is the status of the board's change requests?

The Bureau does not participate in the BreEZe program, and instead has a custom-built IT business enterprise tool which has been in use for seven years. This tool, the Real Estate Appraiser Licensing and Enforcement (REALE) system includes database applications and reporting options that allow for efficient and effective processing and record keeping for all Bureau functions including licensing, enforcement, and education. Currently, there is no plan for the Bureau to participate in BreEZe.

b. If the board is not utilizing BreEZe, what is the board's plan for future IT needs? What discussions has the board had with DCA about IT needs and options? What is the board's understanding of Release 3 boards? Is the board currently using a bridge or workaround system?

The Bureau plans to continue to maintain its well-functioning IT system.

Section 10 Board Action and Response to Prior Sunset Issues

Include the following:

1. Background information concerning the issue as it pertains to the board.
2. Short discussion of recommendations made by the Committees during prior sunset review.
3. What action the board took in response to the recommendation or findings made under prior sunset review.
4. Any recommendations the board has for dealing with the issue, if appropriate.

ISSUE #1: (STRATEGIC PLAN) Is the BREA able to meet the goals and objectives of its Five-Year Strategic Plan developed in 2014?

Staff Recommendation: *The BREA should report to the Committees on the status of meeting its strategic goals developed and implemented two years ago. Particularly related to Goal 4 in the plan related to organizational effectiveness, the Bureau should advise if it has any remaining staff vacancies and how long positions have been vacant.*

The Bureau met all its strategic goals and objectives by 2018. All vacant positions have been filled and staff rotations and cross training is an ongoing process.

ISSUE #2: (PUBLIC INTERACTION WITH THE BUREAU) Should a Real Estate Appraiser Advisory Committee be established with a public member majority to advise the Bureau Chief and give policy input to the BREA, the Administration, and the Legislature?

Staff Recommendation: *BREA should detail its efforts to provide a consistent forum for input from the public and from licensees. BREA should further advise the Committees as to whether an advisory committee should be established with a public member majority to advise the Commissioner and give policy input to BREA, the Administration, and the Legislature.*

The Bureau welcomes public input. The Bureau Chief travels the state talking to members of the public and licensees about the Bureau, which provides a forum for public feedback about the Bureau's operations. The Bureau also includes a link to a survey on all communication leaving the Bureau. These responses are reviewed by the appropriate manager (licensing or enforcement). The Bureau provides two staff members to field public inquires, calls and emails for both the Licensing and Enforcement Division. The Bureau does not have a position as to whether an advisory committee should be established.

ISSUE #3: (BREA INFORMATION TECHNOLOGY) BREA has its own system to support its regulatory activities. How does the DCA support the Bureau's system?

Staff Recommendation: BREA should report on continued efforts to enhance REALE and support it receives from the DCA for this system.

The Bureau supports its own IT system and efforts. The Bureau coordinates with the Department on reporting consistent performance measures. The Bureau has continued the ongoing process of making enhancements to the REALE system. Among recent enhancements are the Online Complaint system and new search features. The Bureau plans to continue to maintain and enhance the REALE system.

ISSUE #4: (RELATIONSHIP WITH DCA FOLLOWING THE 2012 REORGANIZATION AND TRANSFER TO THE DCA) Has DCA provided adequate resources and management to BREA?

Staff Recommendation: BREA should update the Committees as to whether DCA's functions and role have improved. Additionally, BREA should compare its functionality as a Bureau to when it was an Office.

DCA's functions and role have improved since the last sunset review although there are a few areas that still need improvement, which DCA is currently working to address. Because the Bureau is a program within the Department, there are more administrative requirements compared to when the Bureau was an Office reporting directly to Agency. Access to current accounting information has been made more challenging after the transition to Fi\$Cal. In addition, the timeframe for the approval of regulations has increased. DCA is committed to addressing these issues and the Bureau has avenues to address any concerns. DCA's budget office is working on issues with Fi\$Cal to ensure sharing of accurate, up-to-date accounting information. Also, the creation of a Regulations Unit within the Legal Affairs Division of DCA, which was created in July 2019, will decrease regulation processing timelines and enable DCA to meet the Bureaus' demands for regulations.

ISSUE #5: (PRO RATA) What services does BREA receive for its share of pro rata?

Staff Recommendation: BREA should advise the Committees for the basis upon which pro rata is calculated, and the methodology for determining what services it receives from DCA. DCA should also explain to the Committees why BREA's pro-rata has almost doubled since FY 2013/2014.

The primary services the Bureau receives are: budget, fiscal, contracts (purchasing, services, training), Cal Card, human resources, regulation approval, legislation, some legal, information technology, media relations, publications. The costs for these services are detailed in DCA's July 1, 2019, letter to the legislature explaining how DCA calculates the pro-rata calculations for the various services received.

ISSUE #6: (LICENSEE EDUCATION) Are there improvements that could be made to the licensee education program?

Staff Recommendation: *BREA should inform the Committees on the process, the cost, and the feasibility of requiring applicants to have taken a course in state and federal regulations prior to licensure, rather than the current requirement that licensee complete this education only upon renewal of their license. The Bureau should discuss whether this process involves hand-scoring or whether a computer-based technology is available. Additionally, since both federal and state laws change often, the Committees may wish to amend the Appraisal Law so that BREA can provide oversight to CE courses that test for fluency in California laws and regulations.*

The Business and Professions Code section 11340(a)(2) requires an initial licensee complete a minimum of four hours of federal and California appraisal related statutory and regulatory law prior to receiving a license. The course requires an examination which is scored by the course provider.

ISSUE #7: (LIMITED ENGLISH PROFICIENT APPLICANTS) What can BREA do to improve access to licensing materials and exams for limited English proficient (LEP) applicants?

Staff Recommendation: *BREA should explain to the Committees its outreach efforts to LEP consumers and applicants. The Bureau should explain steps it is taking to ensure outreach to LEP interested parties, including consumers and licensees.*

Though the Bureau supports licensing appraisers that speak languages other than English to serve California's diverse population, the business of real estate and real estate appraisals is conducted in English. Financial loan contracts, local government filings, appraisals, and other related real estate documents are required to be in English under federal law. Given this constraint, and that the Bureau is bound to closely follow federal law in its licensing practices, it is imperative that licensees are English language proficient.

However, the Bureau and DCA have several methods available to help Limited English proficiency consumers. The Bureau has an employee that can assist consumers in Spanish and is looking into a translation service for its website and applications. In 2018, DCA conducted a foreign language survey of the Bureau and found no deficiencies.

The Department offers a language line for Bureau staff to speak with a translator. The Department can also assist with public outreach by coordinating the translation of materials through a private translation company.

ISSUE # 8: (DECREASE IN LICENSEE POPULATION) The number of licensed real estate appraisers has steadily decreased. What adjustments has BREA made because of the decrease in licensee population?

Staff Recommendation: *BREA should explain to the Committees the impact of the drop in the number of licensees upon its operations, including the impact upon revenues and licensing staff, and any efforts made by the BREA to redirect staff to other areas of BREA's regulatory programs. Additionally, given the shrinking licensee population, does the Bureau plan on requesting a fee increase to sustain its regulatory functions?*

The appraiser licensee population is significantly affected by the volume of mortgage originations, and overall activity in the real estate market. Bureau revenue follows this downward trend as the number of licensees declines. Over the past few years, the licensee population decline has slowed, but continues. The Bureau implemented cost-saving measures and is in the process of increasing fees to ensure the Bureau can continue to meet its statutory obligation of public protection.

ISSUE # 9: (REPORTING REQUIREMENTS) Should BRE licensees be required to report to the BRE upon arrest?

Staff Recommendation: *The Appraisers Law should be amended to ensure that BRE licensees submit a report to the Bureau when arrested.*

Business and Professions Code section 11318 requires licensees, applicants for licensure, course providers, or applicants for course provider accreditation to notify the Bureau upon the bringing of an indictment or information charging a felony against them. Therefore, the Bureau may not be aware of misdemeanor arrests unless they result in a conviction at which point it must be disclosed. The Bureau supports requiring notification of misdemeanor arrests though, it is not as critical as being notified of felony arrests as is currently required.

ISSUE # 10: (REPORTING REQUIREMENTS) Should court clerks be required to report to BRE when a judgment is entered against a BRE licensee for a crime or personal injury, or when a felony charge is filed against a BRE licensee?

Staff Recommendation: *The law should be amended to require that the clerk of the court provide notice to BRE, if there is a judgment for a crime committed in excess of \$30,000, for which the licensee is responsible due to negligence, error or omission in practice, or his or her rendering unauthorized professional services. The law should further be amended to require the clerk of the court to report any filings of charges of a felony against a real estate appraiser to the BRE.*

The Bureau maintains no position on this potential policy change.

ISSUE # 11: (FORCES INFLUENCING VALUE) What is the Bureau doing to maintain independence and lawful relationships between loan officers, AMCs, and appraisers?

Staff Recommendation: BRE should explain to the Committees any observations of the AMC registration requirement. Are the rules accomplishing what was intended? How will the new rules published by the Federal Registrar affect BRE's regulatory functions? Have there been complaints that AMCs exercise undue dominance over appraisers? Is there a possibility of kickbacks or gifts between AMCs and lenders? Are appraisers forced out of the profession because of harsh and cheap practices of AMCs?

California implemented an AMC registration requirement in 2009, far in advance of the federal requirement of June 2018. The revised AMC law has improved the AMC program but there is still work to be done.

The Bureau receives complaints against AMCs, mainly from licensees complaining of non-payment, low payment, being blacklisted, or having unreasonable requirements being placed on them to complete assignments (such as short turnarounds). The Bureau recently required terms of payment be included on all AMC engagement letters. This is to ensure appraisers know the terms prior to accepting an assignment and have legal recourse if the AMC has breached the agreement. However, the issue of low payment, being blacklisted, and having unreasonable requirements is more difficult to regulate. One possible solution is to require a licensee be a controlling person of an AMC. This will provide appraiser knowledge to each AMC. This is necessary because many AMCs do not have an appraiser as a controlling person.

While complainants are vocal about their complaints against AMCs, the number of complaints against AMCs make up less than 10% of overall complaint volume. When complaints involve AMCs exercising undue influence over appraisers or other violations of law, those complaints are taken seriously and investigated.

The Bureau is not aware of kickbacks or gifts between AMCs and lenders since the Bureau only has authority over the appraiser's relationship with AMCs and not the relationship the AMCs have with lenders. That oversight falls to federal regulators and is not within the purview of the Bureau.

The Bureau cannot substantiate whether appraisers are forced out of the profession because of unfair practices by AMCs. The Bureau is aware some licensees complain about low AMC fees and claim they are getting out of the profession as a result. The proliferation of AMCs has had an impact on the distribution of work and on the delivery process of appraisal reports. AMC appraisal work does make up a majority of the residential appraisal work in the market, so the AMC's business practices do have an impact on appraisers, which is why complaints of violations of the law are investigated by the Bureau. However, complaint of low payment is not a violation of the law.

ISSUE # 12: (STANDARDS OF CONDUCT) Should appraisers be able to use any standard of valuation practice for use in conducting non-federally related transaction?

Staff Recommendation: BREA should inform the Committees on how a change in valuation standards for non-federally related transactions would affect BREA's licensing and enforcement efforts.

Currently, all licensees must meet the standards set forth in the Uniform Standards of Professional Appraisal Practice for all their work. The Uniform Standards are the only federally created and approved standard. Federal law requires all appraisals prepared for federally related transactions follow the minimum Uniform Standards' requirements. Therefore, the issue is whether to allow alternative standards of practice for non-federally related appraisals in California.

Although the Bureau does not have a position on this proposal, the impacts on the profession, the Bureau, and consumers could be significant. The Bureau's priority would be to make sure that whatever standard might be adopted would not put consumers at risk. The Bureau's mission is to protect the public, so any proposed appraisal standard would need to be carefully evaluated to ensure the public is adequately protected. In addition, the Bureau would incur administrative costs due to the necessity of creating regulations, and ongoing training to make sure investigative staff is adequately trained in any newly adopted standards.

ISSUE # 13: (FEDERAL OVERSIGHT) Has BREA corrected the issues raised by the Appraisal Subcommittee's 2014 Compliance Review?

Staff Recommendation: BREA should update the Committees on correcting ASC's noted non-compliance areas. If these issues are still unresolved, how does the Bureau plan on correcting them prior to the October 2016 review?

The Bureau has resolved the issues noted in the ASC's 2016 review.

ISSUE # 14: (FEDERAL-STATE CONSISTENCY) Has the Bureau analyzed where California Appraisers' Law complies with federal regulations and where it needs to be updated?

Staff Recommendation: BREA should explain to the Committees what changes need to be made in California law and whether the Bureau has developed any language conforming to these new federal regulations.

Senate Bill 547 (Hill, Chapter 429, Statutes of 2017) updated the Business and Professions Code to conform to the new federal regulations related to AMCs.

ISSUE # 15: (SHOULD THE BUREAU BE CONTINUED?) Should the licensing and regulation of appraisers and AMCs be continued and be regulated by the Bureau?

Staff Recommendation: *Staff recommends that the Bureau's operations and the Appraisers Law be reviewed again in four years by the respective policy committees of the Senate and Assembly. Recommend that appraisers and AMCs continue to be regulated by the Bureau in order to protect the interests of licensees and the public.*

The Bureau agrees with the staff recommendation.

Section 11 New Issues

This is the opportunity for the board to inform the Committees of solutions to issues identified by the board and by the Committees. Provide a short discussion of each of the outstanding issues, and the board's recommendation for action that could be taken by the board, by DCA or by the Legislature to resolve these issues (i.e., policy direction, budget changes, legislative changes) for each of the following:

1. Issues that were raised under prior Sunset Review that have not been addressed.

- Recovery Account. The Real Estate Appraisers' Licensing and Certification Law contains a provision in Business and Professions Code section 11411, requiring the establishment of a separate account called a recovery account. Business and Professions Code section 11411 also directs the former Office of Real Estate Appraisers (Office) to direct 5 percent of licensing fees and for the fund to be continuously appropriated beginning January 1, 2003. The Director of the former Office was also tasked, in statute, with the responsibility of determining whether or not a recovery account was necessary by January 1, 2002, and to establish regulations creating such an account by January 1, 2004. The fund was never established, and licensing fees were never directed to a separate account. According to records, only one potential claimant has ever contacted the Bureau in the intervening years regarding this account, and that potential claimant never sought payment. The Bureau requests the Recovery Account be removed from the law.

2. New issues that are identified by the board in this report.

- Bureau Investigators. Bureau Property Appraiser/Investigators (investigators) determine whether a licensee's appraisal report complies with the minimum standard stated in the Uniform Standards of Professional Appraisal Practice. Investigators do not conduct appraisal or appraisal reviews. However, those being investigated often attempt to discredit investigators by claiming the investigator completed an appraisal or appraisal review and failed to comply with Uniform Standards of Professional Appraisal Practice themselves. This deflection is a distraction that costs the Bureau time and money as the Bureau must educate each court individually that Bureau investigators conduct investigations to determine Uniform Standards of Professional Appraisal Practice compliance not appraisal or appraisal reviews. The Bureau seeks to amend the Business and Professions Code to clarify investigators do not conduct appraisal or appraisal reviews and are exempt from Uniform Standards of Professional Appraisal Practice.

3. New issues not previously discussed in this report.

Not applicable.

4. New issues raised by the Committees.

Not applicable.

Section 12 Attachments

Please provide the following attachments:

A. Board's administrative manual.

Not applicable.

B. Current organizational chart showing relationship of committees to the board and membership of each committee (cf., Section 1, Question 1).

The Bureau does not have any committees.

C. Major studies, if any (cf., Section 1, Question 4).

The Bureau has not conducted any major studies.

D. Year-end organization charts for last four fiscal years. Each chart should include number of staff by classifications assigned to each major program area (licensing, enforcement, administration, etc.) (cf., Section 3, Question 15).

See Attachment D.

E. Letter to Legislature, re: pro-rata – referenced in Issue #5

F. Performance Measures