PUBLIC MEETING OF THE NEBRASKA REAL PROPERTY APPRAISER BOARD
BY VIRTUAL CONFERENCING
Thursday, February 15, 2024, 9:00 a.m.
Nebraska Real Property Appraiser Board Office, First Floor, Nebraska State Office Building
301 Centennial Mall South, Lincoln, Nebraska

AGENDA

A. Opening 9:00 a.m.

B. Notice of Meeting (Adopt Agenda)

The Nebraska Real Property Appraiser Board will meet in executive session for the purpose of reviewing applicants for credentialing; applicants for appraisal management company registration; investigations; pending litigation, or litigation that is imminent as evidenced by communication of a claim or threat of litigation; and employee performance evaluation. The Board will exit executive session at 11:00 a.m. If needed, the Board will re-enter executive session at the conclusion of the public agenda items discussion to complete review of the above-mentioned items. The Board will not take action on agenda items C, D, E, and F until executive session is completed.

C. Credentialing as a Nebraska Real Property Appraiser

D. Registration as an Appraisal Management Company 1-8

1. New Applicants for Appraisal Management Company Registration
    a. NE2023004
2. Applicants for Renewal of Appraisal Management Company Registration
    a. NE2013022
    b. NE2012072

E. Consideration of Compliance Matters 1

1. New Grievances
    a. 23-08
    b. 23-09
    c. 23-10
    d. 23-12
2. Active Investigations
    a. 23-07
3. Post-Board Action Matters
    a. 23-01

F. Consideration of Other Executive Session Items 1-270

1. 2023.23
2. 2024.01
3. 2024.02
4. 2024.03
5. 2024.04
6. 2024.05
7. Personnel Matters

Welcome and Chair's Remarks ***(Public Agenda 11:00 a.m.)***

P. Other Business

1. Board Meetings
    a. 2024 Strategic Planning Meeting
2. Conferences/Education
    a. Spring AARO Conference; May 3-5, 2024 – Nashville, TN
3. Memos from the Board
4. Quarterly Newsletter
5. Appraisal Subcommittee

6. The Appraisal Foundation

7. Association of Appraiser Regulatory Officials
8. In the News

Q. Adjourn

NEBRASKA REAL PROPERTY APPRAISER BOARD
NRPAB OFFICE MEETING ROOM, FIRST FLOOR
NEBRASKA STATE OFFICE BUILDING
301 CENTENNIAL MALL SOUTH, LINCOLN, NE

January 18, 2024 Meeting Minutes

Swearing in of new Board Member Rodney Johnson took place prior to the start of the meeting.

A. OPENING

Chairperson Walkenhorst called to order the January 18, 2024 meeting of the Nebraska Real Property Appraiser Board at 9:00 a.m. by virtual conferencing in the Nebraska Real Property Appraiser Board meeting room located on the first floor of the Nebraska State Office Building, 301 Centennial Mall South, Lincoln, Nebraska.

B. NOTICE OF MEETING

Chairperson Walkenhorst announced the notice of the meeting was duly given, posted, published, and tendered in compliance with the Open Meetings Act, and all board members received notice simultaneously by email. Publication of official notice of the meeting appeared on the State of Nebraska Public Calendar found at www.nebraska.gov on January 12, 2024. The agenda was kept current in the Nebraska Real Property Appraiser Board office and on the Board's website. In accordance with the Open Meetings Act, at least one copy of all reproducible written material for this meeting, either in paper or electronic form, was available for examination and copying by members of the public. The material in paper form was available on the table in a public folder, and the material in electronic form was available on the Board's website in Public Meeting Material (https://appraiser.ne.gov/board_meetings/). A copy of the Open Meetings Act was available for the duration of the meeting. For the record, Board Members Wade Walkenhorst of Lincoln, Nebraska, Bonnie Downing of Dunning, Nebraska, Cody Gerdes of Lincoln, Nebraska, Kevin Hermsen of Gretna, Nebraska, and Rodney Johnson of Norfolk, Nebraska were present. Also present were Director Tyler Kohtz, Business Programs Manager Karen Loll, Licensing Programs Manager Allison Nespor, and Education Program Manager Kashinda Sims, who are headquartered in Lincoln, Nebraska.

ADOPTION OF THE AGENDA

Chairperson Walkenhorst reminded those present for the meeting that the agenda cannot be altered twenty-four hours prior to the meeting except for emergency items according to the Open Meetings Act. Board Member Downing moved to adopt the agenda as printed. Board Member Johnson seconded the motion. With no further discussion, the motion carried with Downing, Gerdes, Hermsen, Johnson, and Walkenhorst voting aye.

C. ELECTION OF OFFICERS

Chairperson Walkenhorst called for nominations for Chairperson of the Board in 2024. Board Member Gerdes nominated Bonnie Downing as Chairperson of the Board for 2024. Board Member Hermsen seconded the nomination. Chairperson Walkenhorst recognized the nomination and asked for any additional nominations or discussion. With no additional nominations or discussion, Chairperson Walkenhorst called for a vote. Downing was elected with Gerdes, Hermsen, Johnson, and Walkenhorst voting aye. Downing abstained.

Chairperson Downing called for nominations for Vice Chairperson of the Board in 2024. Board Member Hermsen nominated Cody Gerdes as Vice Chairperson of the Board for 2024. Board Member Walkenhorst seconded the nomination. Chairperson Downing recognized the nomination and asked for any additional nominations or discussion. With no additional nominations or discussion, Chairperson Downing called for a vote. Gerdes was elected with Hermsen, Johnson, Walkenhorst, and Downing voting aye. Gerdes abstained.

Board Member Gerdes moved that the Board go into executive session for the purpose of reviewing applicants for credentialing; applicants for appraisal management company registration; investigations; pending litigation, or litigation which is imminent as evidenced by communication of a claim or threat of litigation; and employee performance evaluation. A closed session is clearly necessary to prevent needless injury to the reputation of those involved. Board Member Walkenhorst seconded the motion. The time on the meeting clock was 9:05 a.m. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

Board Member Walkenhorst moved to come out of executive session at 9:47 a.m. Board Member Gerdes seconded the motion. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

Break from 9:47 a.m. to 9:55 a.m.

H. WELCOME AND CHAIR'S REMARKS

Chairperson Downing welcomed all to the January 18, 2024 meeting of the Nebraska Real Property Appraiser Board. The Chairperson then welcomed Board Member Johnson to the Board and indicated that she is looking forward to working with him. The Chairperson then recognized Board Member Walkenhorst for his service as chairperson over the past year and congratulated Board Member Gerdes on his election to Vice-Chairperson. The Chairperson finished her remarks by thanking her fellow board members and staff for their hard work during the past year. There were no members of the public present.

I. NRPAB EMPLOYEE RECOGNITION AWARD

Director Kohtz brought attention to the completion of Board Member Walkenhorst's term. Chairperson Downing presented Board Member Walkenhorst with a plaque in recognition of his service to the Board, and once again, thanked him for his service and leadership. The other Board members agreed. Board Member Walkenhorst expressed gratitude to the board members he served with and to staff for making his work easy.

J. **BOARD MEETING MINUTES**

1. **APPROVAL OF DECEMBER 21, 2023 MEETING MINUTES**

Chairperson Downing asked for any additions or corrections to the December 21, 2023 meeting minutes. With no discussion, Chairperson Downing called for a motion. Board Member Gerdes moved to approve the December 21, 2023 meeting minutes as presented. Board Member Walkenhorst seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With no discussion, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst and Downing voting aye.

K. **DIRECTOR'S REPORT**

1. **REAL PROPERTY APPRAISER AND AMC COUNTS AND TRENDS**

a. **Real Property Appraiser Report**

Director Kohtz presented nine charts outlining the number of real property appraisers as of January 18, 2024 to the Board for review and informed the Board that this report provides insight into the real property appraiser renewals vs. non-renewals for the fiscal year. The Director began with the "Real Property Appraisers Credentialed through Education, Experience, and Examination – Five Year Trend" report and indicated that the certified general classification experienced a slight decline between 2023 and 2024, but was for the most part stable; the certified residential classification showed a slight increase between 2023 and 2024, and this classification has trended upwards during the last four years of the five-year period; the licensed residential classification had stabilized over the past year, after four years of decline.

Director Kohtz then moved to the "Real Property Appraisers by Classification Credentialed through Reciprocity – Five Year Trend" report and brought attention to the sharp increase in the certified general classification between January 2023 and January 2024. The Director informed the Board that the number of certified general real property appraisers credentialed through reciprocity has trended upwards during the entire five-year period, which has more than offset the decrease in real property appraisers credentialed through education, experience, and examination. The number of certified residential real property appraisers has increased, which is a reverse from last year. The licensed residential classification trend remains stable over the five-year period.

The Director then guided the Board to the "Total Real Property Appraisers – Five Year Trend" report and informed the Board that there was a significant increase in the number of credentialed real property appraisers between 2023 and 2024, and that 633 is the high for the five-year period. Director Kohtz reported that the certified general classification is at a five-year high; the certified residential classification is stable; licensed residential classification has experienced a downward trend during the five-year period, but stabilized between 2023 and 2024; and the trainee classification is mostly stable, but did experience a decline between 2023 and 2024.

Director Kohtz brought attention to the “Total Real Property Appraisers by Classification – Five Year Trend” report and informed the Board that the total number of real property appraisers, including all classifications, are mostly stable during the five-year period, but noted that 2024 is a five-year high.

Director Kohtz then reported on each classification in the “Real Property Appraisers by Classification – Thirteen Month Trend” report. The Director informed the Board that the certified general classification will start the year with twenty-three more credential holders compared to a year ago. In addition, the number of non-renewals was much lower than anticipated. Director Kohtz then moved to the certified residential classification, and indicated that this classification will start the year with six more credential holders compared to a year ago; there were only six credentials not renewed. The Director informed the Board that the licensed residential classification only had two non-renewed credentials for 2024, which is a positive. According to Director Kohtz, the trainee classification experienced the most dramatic change. Although a large decline is common due to the number of non-renewed trainee real property appraiser credentials, sixteen non-renewed credentials was more than typical. The Director added that he doesn’t expect this to be a regular occurrence.

Next, Director Kohtz guided the Board to the “Total Real Property Appraisers – Thirteen Month Trend and informed the Board that the number of active credential holders is higher than this time last year, so there is a good foundation from which to increase the numbers. The Director added that the decline in the total number of real property appraisers between December 2023 and January 2024 was mostly due to the certified general and trainee classification non-renewals. As mentioned previously, the certified general classification is at a five-year high, so the decline in this report is not concerning at all.

Finally, Director Kohtz presented the “2024-25 Appraiser Count Renewal Progress Report” as of 9:00 a.m. on January 18, 2024, to the Board for review, which showed that 443 of 492 real property appraiser renewal applications have been received and approved. The Director also reported that of the real property appraisers that were to renew their credential for 2024, 90 percent have been completed; 89 percent was the projected renewal rate. Director Kohtz finished by informing the Board that this was a good year for real property appraiser renewals and the year has started off with a strong foundation from which to build. The Director asked for any questions or comments. Chairperson Downing thanked Director Kohtz for the report. There was no further discussion.

b. Temporary Real Property Appraiser Report

Director Kohtz presented three charts outlining the number of temporary credentials issued as of December 31, 2023 to the Board for review. The Director reported that the Board finished the 2023 calendar year with 161 temporary credentials issued, which is quite a bit below the previous four years. Director Kohtz indicated that he has no rationale as to why this year was different. LPM Nespor suggested that the decline could be due to the increase in real property appraiser applications through reciprocity. Board Member Johnson asked if a temporary credential is issued per assignment. The Director responded that the answer is yes, but added that if there are multiple properties on one engagement letter, then only on temporary permit is needed. Board Member Johnson reported that neighboring states charge $200.00 for a temporary credential and asked the Director what the fee is in Nebraska. Director Kohtz reported that the total fee for temporary credential is $150.00 in Nebraska and acknowledged that Nebraska is low compared to its peer states. There was no further discussion.

c. Supervisory Real Property Appraiser Report

Director Kohtz presented two charts outlining the number of supervisory real property appraisers as of January 18, 2024, to the Board for review. The Director reported a significant decline in the number of supervisory real property appraisers between December 2023 and January 2024. Director Kohtz indicated that the decline is due to trainee real property appraisers or supervisory real property appraisers not renewing their credentials for 2024. The Director expressed surprise that the decline was so dramatic, but also indicated that it is not concerning at the present time. Director Kohtz asked for any questions or comments. Board Member Johnson inquired if there is a sufficient number of supervisory real property appraisers in Nebraska. The Director respond that Nebraska is in a great position. The appraiser community takes this responsibility seriously and, in his opinion, takes pride in assisting with the growth of the profession. Compared to other states, Nebraska has a very high number of active supervisory real property appraisers. Director Kohtz added that, although he is not aware of the current numbers, he saw a comparison a few years ago, and Nebraska had almost as many supervisory real property appraisers as Texas. There was no further discussion.

d. Appraisal Management Company Report

Director Kohtz presented two charts outlining the number of AMCs as of January 18, 2024 to the Board for review and reported the trend has once again stabilized. The Director asked for any questions or comments. There was no further discussion.

2. DIRECTOR APPROVAL OF APPLICANTS

a. Real Property Appraiser Report

Director Kohtz presented the Real Property Appraiser Report to the Board for review showing real property appraiser applicants approved for credentialing by the Director, and the real property appraiser applicants approved to sit for exam by the Director, for the period between December 13, 2023 and January 9, 2024. The Director asked for any questions or comments. There was no further discussion.

b. Education Activity and Instructors Report

Director Kohtz presented the Education Activities and Instructors Report to the Board for review showing education activities and instructors approved by the Director for the period between December 13, 2023 and January 9, 2024. The Director asked for any questions or comments. There was no further discussion.

3. 2023-24 NRPAB GOALS AND OBJECTIVES + SWOT ANALYSIS

Director Kohtz presented the 2023-2024 NRPAB Goals and Objectives and SWOT Analysis to the Board for review and provided a status update. The Director brought attention to the Laws, Rules, and Guidance Documents goals and objectives and reported that, concerning the goals to work with the Banking, Commerce, and Insurance Legislative Committee's Legal Counsel to draft bills for introduction addressing the changes needed in the Real Property Appraiser Act and Appraisal Management Company Registration Act, LB992 and LB989 were introduced by Senator Dungan on January 5, 2024, and the hearing for each bill will be January 23, 2024. The Director informed the Board that he will testify on behalf of the Board. Chairperson Downing thanked the Director for testifying at these hearings on behalf of the agency.

Director Kohtz welcomed Board Member Johnson and informed the Board that Board Member Johnson went through orientation on January 16, 2024 and appeared to pick things up quickly. Director Kohtz expressed confidence that Board Member Johnson will be a great addition to the Board. Director Kohtz informed Board Member Johnson that he looks forward to serving him. The Director finished his report by thanking Board Member Walkenhorst for his service to the Board during the past five years and for his leadership during the past year as the chairperson. The Director informed Board Member Walkenhorst that it has been a pleasure working with him. Board Member Walkenhorst thanked the Director for the recognition.

L. FINANCIAL REPORT AND CONSIDERATIONS

1. APPROVAL OF DECEMBER RECEIPTS AND EXPENDITURES

The receipts and expenditures for December were presented to the Board for review in the Budget Status Report. The Director brought the Data Processing Expense in the amount of $3,211.31 to the attention of the Board and reported that this increased expenditure was due in part to correcting a code issue concerning the timing of when disciplinary actions are automatically removed from the website. Some of the conditions were not properly updated by CIO and some credentialing card statuses were not tested. The Director next pointed out the Non-Capitalized Equipment Purchase expenditure in the amount of $653.70 and informed the Board that this amount is the cost of the parts for the Education Program Manager workstation upgrade. Director Kohtz then brought attention to the Voice Equipment expense of $31.34 and indicated that this expense was for the Business Programs Manager headset hook switch adapter approved by the Board at the November meeting. Director Kohtz then indicated that the expenditures for the month of December totaled $29,730.69, and the year-to-date expenditures for the fiscal year are $183,766.75, which amounts to 42.40 percent of the budgeted expenditures for the fiscal year; 50.41 percent of the fiscal year has passed. The Director asked for any questions or comments. There was no further discussion.

Director Kohtz then brought the Board's attention to revenues and reported that revenues are once again driven by AMC and real property appraiser renewals; both the AMC and real property appraiser revenues are on pace with projections. The Director reported the total revenues were $61,119.93 for the month of December, and the year-to-date total revenues for the fiscal year are $256,576.33, which amounts to 70.18 percent of the projected revenues for the fiscal year. The Director reiterated that 50.41 percent of the fiscal year has passed and asked for any questions or comments. There was no further discussion.

Director Kohtz then guided the Board to the MTD General Ledger Detail report for the month of December and brought attention to Batch #7330594 with the Payee/Explanation, "NRPAB NPI WORKSTATION" found on page L.9. The Director reported that this $653.70 entry is for the workstation upgrade mentioned during review of the Budget Status Report. The Director asked for any questions or comments. There was no further discussion.

Director Kohtz presented four graphs showing expenses, revenues, and cash balances. The Director again noted the expenditures and revenues for the month of December for the Real Property Appraiser program, which includes both the Appraiser Fund and the AMC Fund. The Director reported that the Real Property Appraiser Fund expenditures totaled $18,312.63, the Real Property Appraiser Fund revenues totaled $47,975.03, the AMC Fund expenses totaled $11,418.06, and the AMC Fund revenues totaled $13,144.90. Director Kohtz remarked that the cash balance for the AMC Fund is $344,949.64, the Appraiser Fund is $494,424.21, and the overall cash balance for both funds is $839,373.85 as of the end of December. The Director asked for any questions or comments. There was no further discussion.

Board Member Walkenhorst moved to accept and file the December financial reports for audit. Board Member Gerdes seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With no discussion, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

2. **PER DIEMS**

Director Kohtz informed the Board that he had no per diem requests for this meeting and asked if any board members had a request for the Board to consider. There was no further discussion.

M. GENERAL PUBLIC COMMENTS

Chairperson Downing asked for any public comments. With no comments, Chairperson Downing moved on to Consideration of Education/Instructor Requests.

N. CONSIDERATION OF EDUCATION/INSTRUCTOR REQUESTS:

1. **REQUESTS TO RESCIND CONTINUING EDUCATION ACTIVITY APPROVAL**
   BEPM Sims presented a memo to the Board for review regarding a request from the Appraisal Institute to rescind approval of the continuing education activities titled, "Review Case Studies – General" (2141421.02), "Review Case Studies – Residential" (2161426.02), and "Review Case Studies – Residential – Synchronous" (2172441.02) and recommended that the Board rescind approval of each activity as requested. Board Member Johnson moved to rescind the approval for continuing education activities titled, "Review Case Studies – General" (2141421.02), "Review Case Studies – Residential" (2161426.02), and "Review Case Studies – Residential – Synchronous" (2172441.02). Board Member Gerdes seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With none, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst and Downing voting aye.

O. UNFINISHED BUSINESS

1. **OPEN AT-LARGE LICENSED REAL ESTATE BROKER POSITION**
   Director Kohtz brought attention to the At-Large Licensed Real Estate Broker position and informed the Board that this item will be removed from the agenda as the Governor has made an appointment.

2. **OPEN AT-LARGE REPRESENTATIVE OF FINANCIAL INSTITUTIONS POSITION**
   Director Kohtz informed the Board that he has no additional update regarding the open At-Large Representative of Financial Institutions position. There was no further discussion.

P. NEW BUSINESS: No discussion.

Q. LEGISLATIVE REPORT AND BUSINESS

1. **108TH LEGISLATURE (2ND REGULAR SESSION) BILLS OF NRPAB INTEREST**
   Director Kohtz presented the first legislative report of the current session to the Board for review. The Director informed the Board that he will provide a summary of carryover bills from the previous session as necessary and will provide a brief summary for all bills introduced through January 11, 2024. Director Kohtz reminded the Board to let him know if any discussion is needed on any of the bills. The following bills were discussed:

   LB16 – Director Kohtz reminded the Board that LB16 requires occupational boards to issue certain credentials based on credentials or work experience in another jurisdiction, make a determination regarding an applicant's criminal conviction, provides for jurisprudential examinations and appeals from denial of a license, and changes requirements for membership of the State Electrical Board. The Director informed the board that Amendment 748 to LB16 inserts "the Real Property Appraiser Board" after the second comma on page 8, line 1. This amendment exempts the Board from Subsections (8) and (9) of this bill and Neb. Rev. Stat. § 84-947 pertaining to preliminary background reviews for applicants of occupational licensing. There was no further discussion.

LB43 – Director Kohtz reminded the Board that LB43 requires hearing officers and judges to interpret statutes and regulations to limit agency power and maximize individual liberty. The Director informed the Board that this bill has had a lot of activity already. The Director reported that Amendment 2076 to LB43 strikes all original sections and creates the First Freedom Act prohibiting the substantial burden of a person's right to the exercise of religion unless it is demonstrated that applying the burden to that person's exercise of religion in this particular instance is essential to further a compelling governmental interest and is the least restrictive means of furthering that compelling governmental interest. AM2076 also amends the Nebraska Public Records Act to include in the actual added cost used as the basis for the calculation of a fee for records a charge for the proportion of the existing salary or pay obligation to the public officers or employees, including a proportional charge for the services of an attorney to review the requested public records, for the time spent searching, identifying, physically redacting, copying, or reviewing such records, when request is made by a non-resident of Nebraska. AM2076 adds records relating to the nature, location, or function of cybersecurity by the State of Nebraska or any of its political subdivisions. AM2076 requires that a hearing officer or judge hearing a contested case under the Administrative Procedure Act, interpreting a state statute or agency regulation, shall not defer to the state agency's interpretation of such statute or regulation and shall interpret the statute or regulation de novo on the record. AM2076 introduces the Personal Protection Privacy Act, which notwithstanding any provision of law to the contrary, and except as otherwise provided in this section, each public agency is prohibited from: (a) Requiring any individual to provide personal information or otherwise compelling the release of personal information; (b) Requiring any nonprofit organization to provide such public agency with personal information or otherwise compelling the release of personal information; (c) Publicizing or otherwise publicly disclosing personal information in the possession of such public agency without the express permission of every individual who is identifiable from the potential release of such personal information, including individuals identifiable as members, supporters, or volunteers of, or donors to, a nonprofit organization. Director Kohtz then informed the board that Amendment 2081 amends AM2076 to amend the First Freedom Act so that it shall not apply to any provision of law or the implementation of a law that provides for, or requires, any protection against discrimination or the promotion of equal opportunity, including the Age Discrimination in Employment Act, the Nebraska Fair Employment Practice Act, the Nebraska Fair Housing Act, and the federal Americans with Disabilities Act of 1990. There was no further discussion.

LB164 – Director Kohtz reminded the Board that LB164 adopts updates to building and energy codes. The Director reported that Amendment 2075 to LB164 amends the Municipal Inland Port Authority Act to restrict an inland port authority to one per city of the metropolitan class and defines the structure and funding for such inland port authority. Director Kohtz added that a hearing is set for January 16, 2024 before the Urban Affairs Committee for AM2075. There was no further discussion.

LB214 – The Director reminded the Board that LB214 adopts changes to federal law regarding banking and finance and changes provisions relating to digital asset depositories, loan brokers, mortgage loan originators, and installment loans. Provisions of LB214 were amended into LB92 by AM1364 and approved by the Governor on June 6, 2023. This bill was indefinitely postponed on June 1, 2023. The Director requested that LB214 be removed from the legislative report. The Board agreed to remove this bill from the legislative report.

LB820 – Director Kohtz reminded the Board that LB820 enacts the Agricultural Valuation Fairness Act to provide for uniform assessment of agricultural and horticultural land in Nebraska. It declares that sales of agricultural and horticultural land are influenced by uses other than agricultural or horticultural purposes and cause the price paid for agricultural land and horticultural land to exceed the value such land has for agricultural or horticultural purposes. To achieve fairness, all agricultural and horticultural land will be assessed based on its capacity to produce income, called agricultural use value. Procedurally, LB820 establishes an Agricultural Land Valuation Committee to establish agricultural land values by Land Capability Groups for agricultural land throughout the state. Land values are established utilizing a production approach to value. Gross income will be computed using eight-year average yield data, with the highest and lowest values removed. Gross income is reduced to net income by utilizing expense ratios. The net income is then capitalized to determine assessed value. The capitalization rate is also determined by the committee and is calculated to arrive at valuations within 69-75% of market value ensuring assessed values are uniformly and proportionately assessed within the class of Agricultural Land. The Director reminded the Board that this bill as drafted required that the real property appraiser member on the ALVC hold a credential issued by the Board or an MAI designation.

Director Kohtz also reminded the Board that during the last session, he worked with Board Members Downing and Luhrs to address issues in this bill, specifically as it relates to the real property appraiser member on the Agricultural Land Valuation Committee. It was recommended that he request that consideration be given for the American Society of Farm Managers and Rural Appraisers ARA designation for the appraiser member on the Agricultural Land Valuation Committee as this designation would be more relevant. Prior to contacting Senator Albrecht's office, Director Kohtz established that the committee members would not be exempt from the Real Property Appraiser Act. The Agricultural Land Valuation Committee members are not state employees, nor are they contractors to or employees of counties. When this was reported back to Board Member Downing, she agreed that this must be brought to Senator Albrecht's attention. This matter was discussed with Senator Albrecht's office, who requested that proposed language be drafted for a potential amendment to LB820 that exempts the individuals serving on the Agricultural Land Valuation Committee from the Real Property Appraiser Act. The professional designation matter was also discussed, and it was recommended that the professional designation be struck from (1)(c). The amendment has been drafted; however, this bill appears to have stalled so there has been no action since February of 2023. The Board thanked the Director for the update. There was no further discussion.

LB909 – Director Kohtz reported that this bill amends the Occupational Board Reform Act to require that each agency notify the Executive Board of the Legislative Council of the status of any rule or regulation pending before the agency that constitutes an occupational regulation as defined in section 84-940 and that has not been adopted and promulgated. The Director expressed support for this change as all proposed and existing rules or regulations must be reported now. There was no further discussion.

LB914 – Director Kohtz reported that this bill enacts the Uniform Unlawful Restrictions in Land Records Act to provide for an owner of real property subject to an unlawful restriction the ability to submit to the recorder for recordation in the land records an amendment to remove the unlawful restriction, but only as to the owner's property. There was no further discussion.

LB947 – Director Kohtz reported that this bill provides for any state agency, county, city, or village that requires an inspection as part of a building permit to allow for virtual inspection by an authorized inspector if the following conditions are met: (i) The inspection is of an area of a building that is less than three stories in height and under ten thousand square feet; (ii) The individual requesting or holding the building permit has provided a list of personnel who are completing the work onsite; and (iii) with certain exceptions, the virtual inspection is conducted live with both the individual requesting or holding the building permit and the authorized inspector. There was no further discussion.

LB989 – Director Kohtz reported that LB989 is the bill introduced at the request of the Board to update the Nebraska Appraisal Management Company Registration Act. The hearing for LB989 is scheduled for January 23, 2024 before the Banking, Commerce, and Insurance Committee. Director Kohtz reminded the Board that he will be testifying on behalf of the Board. There was no further discussion.

LB992 – Director Kohtz reported that LB992 is the bill introduced at the request of the Board to update the Nebraska Real Property Appraiser Act. The hearing for LB992 is scheduled for January 23, 2024 before the Banking, Commerce, and Insurance Committee. Director Kohtz reminded the Board that he will be testifying on behalf of the Board. There was no further discussion.

LB1075 – Director Kohtz reported that this bill provides for background checks of certain applicants and licensees under the Delayed Deposit Services Licensing Act. LB1075 also requires that a licensee notify the director in writing or through the Nationwide Mortgage Licensing System and Registry within three business days from the time that the licensee becomes aware of any breach of security of the system of computerized data owned or licensed by the licensee, which contains personal information about a Nebraska resident, or the unauthorized access to or use of such information about a Nebraska resident as a result of the breach. There was no further discussion.

LB1136 – Director Kohtz reported that this bill updates the civil penalty for a finding of guilt in a complaint and updates the requirements and terms and conditions for errors and omissions insurance in the Real Estate Licensing Act. There was no further discussion.

Director Kohtz asked for any additional questions or comments concerning the legislative report. The Director requested that, if there is a bill that is not included in the report that may be of importance to the Board, he be contacted to have it added to the list. There was no further discussion.

2. **OTHER LEGISLATIVE MATTERS:** No discussion.

R. ADMINISTRATIVE BUSINESS

1. **GUIDANCE DOCUMENTS:** No discussion.

2. **INTERNAL PROCEDURAL DOCUMENTS:** No discussion.

3. **FORMS, APPLICATIONS, AND PROCEDURES:** No discussion.

4. **REAL PROPERTY APPRAISER APPLICANT EXPERIENCE REVIEW SUBCOMMITTEE ASSIGNMENTS**

Director Kohtz informed the Board that, with a new board member, it must establish new Real Property Appraiser Applicant Experience Review Subcommittee Assignments in accordance with Internal Procedure 202301. Director Kohtz indicated that he has made recommendations for each subcommittee; however, the Board is free to establish the makeup of the subcommittees however it sees fit.

Board member Walkenhorst moved to rename existing Real Property Appraiser Applicant Experience Review Subcommittee 2023A, Downing and Gerdes, to 2024A; 2023B, Downing and Hermsen, to 2024B; 2023C, Downing, to 2024C; 2023D, Hermsen and Gerdes, to 2024D; 2023E, Hermsen, to 2024E; and 2023F, Gerdes, to 2024F. Board Member Gerdes seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With none, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

Board Member Gerdes moved to nominate Board Member Johnson for Real Property Appraiser Applicant Experience Review Subcommittees 2024C, 2024E, and 2024F. Board Member Walkenhorst seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With none, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Walkenhorst, and Downing voting aye. Johnson abstained.

S. OTHER BUSINESS

1. **BOARD MEETINGS:** No discussion.

2. **CONFERENCES/ EDUCATION:** No discussion.

3. **MEMOS FROM THE BOARD:** No discussion.

4. **QUARTERLY NEWSLETTER:** No discussion.

5. **APPRAISAL SUBCOMMITTEE:** No discussion.

6. **THE APPRAISAL FOUNDATION**
   a. **TAF January Newsletter**
   Director Kohtz presented The Appraisal Foundation's January Newsletter to the Board for review and reported that he had no specific comments. The Director asked for any questions or comments. There was no further discussion.

   b. **The Appraisal Foundation Board of Trustees Overhauls Governance Structure, Ending Direct Appointments by Outside Organizations**
   Director Kohtz presented The Appraisal Foundation's press release titled, "The Appraisal Foundation Board of Trustees Overhauls Governance Structure, Ending Direct Appointments by Outside Organizations" to the Board for review**.** The Director informed the Board that he had no specific comments and asked for any questions or comments. There was no further discussion.

   c. **BOT Public Meeting: October 24-26, 2024 – Denver, CO**
   Director Kohtz reported that The Appraisal Foundation's Board of Trustees next public meeting is scheduled for October 24-26, 2024 in Denver, Colorado. The Director informed the Board that he had no specific comments and asked for any questions or comments. There was no further discussion.

7. **ASSOCIATION OF APPRAISER REGULATORY OFFICIALS**
   a. **AARO Quarterly Newsletter – December 2023**
   Director Kohtz presented the AARO Quarterly Newsletter to the Board for review and reported that he had no specific comments. The Director asked for any questions or comments. There was no further discussion.

8. **IN THE NEWS:** No discussion.

Board Member Gerdes moved that the Board go into executive session for the purpose of investigations. A closed session is clearly necessary to prevent needless injury to the reputation of those involved. Board Member Walkenhorst seconded the motion. The time on the meeting clock was 10:47 a.m. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

Board Member Johnson moved to come out of executive session at 11:30 a.m. Board Member Walkenhorst seconded the motion. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

D. Credentialing as a Nebraska Real Property Appraiser
The Board reviewed applicant T23001. Chairperson Downing asked for a motion on T23001.

Board Member Gerdes moved to take the following action:

T23001 / Deny application for failure to possess a background required under Neb. Rev. Stat. 76-2227(4)(d)(i).

Board member Hermsen seconded the motion. Chairperson Downing recognized the motion and called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

E. Registration as an Appraisal Management Company: No discussion.

F. Consideration of Compliance Matters
The Board reviewed Grievances 23-01 and 23-07. Chairperson Downing asked for a motion on Grievance 23-01.

Board Member Gerdes moved to take the following action:

23-01 / Authorize Special Assistant Attorney General Blake to file formal charges for violation of Neb. Rev. Stat. §§ 76-2237 and 76-2238 (12) and (14).

Board Member Walkenhorst seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With none, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

G. Consideration of Other Executive Session Items

1. **2023.10**
   The Board reviewed 2023.10. Board Member Gerdes moved to close the matter. Board Member Walkenhorst seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With none, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

2. **2023.23**
   The Board reviewed an appraisal report received from the Fannie Mae Loan Quality Center. The Board took no action and will continue discussion at the February 15, 2024 regular meeting.

3. **2024.01**

   The Board reviewed a matter in which a Nebraska real property appraiser submitted a document certifying completion for a qualifying education activity that is not approved for synchronous delivery in Nebraska. Although the Board acknowledged that this activity is not approved for synchronous delivery, it is approved for classroom and asynchronous delivery. As such, the Board accepted this qualifying education activity as approved for the real property appraiser. Board Member Gerdes moved to approve the certificate of completion for this activity for the real property appraiser as submitted. Board Member Walkenhorst seconded the motion. Chairperson Downing recognized the motion and asked for any discussion. With no discussion, Chairperson Downing called for a vote. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye. The Board requested that the education provider be notified of this matter and discussion will continue at its regular meeting on February 15, 2024.

4. **Personnel Matters**

   Personnel Matters were discussed.

T. ADJOURNMENT

Board Member Walkenhorst moved to adjourn the meeting. Board Member Gerdes seconded the motion. The motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye. At 11:34 a.m., Chairperson Downing adjourned the January 18, 2024 meeting of the Nebraska Real Property Appraiser Board.

Respectfully submitted,

Tyler N. Kohtz
Director

These minutes were available for public inspection on January 26, 2024, in compliance with Nebraska Revised Statute § 84-1413 (5).

NEBRASKA REAL PROPERTY APPRAISER BOARD
NRPAB OFFICE MEETING ROOM, FIRST FLOOR
NEBRASKA STATE OFFICE BUILDING
301 CENTENNIAL MALL SOUTH, LINCOLN, NE

January 22, 2024 Meeting Minutes

A. OPENING

Chairperson Downing called to order the January 22, 2024 meeting of the Nebraska Real Property Appraiser Board at 3:03 p.m. by virtual conferencing in the Nebraska Real Property Appraiser Board meeting room located on the first floor of the Nebraska State Office Building, 301 Centennial Mall South, Lincoln, Nebraska.

B. NOTICE OF MEETING

Chairperson Downing announced the notice of the meeting was duly given, posted, published, and tendered in compliance with the Open Meetings Act, and all board members received notice simultaneously by email. Publication of official notice of the meeting appeared on the State of Nebraska Public Calendar found at www.nebraska.gov on January 19, 2024. The agenda was kept current in the Nebraska Real Property Appraiser Board office and on the Board's website. In accordance with the Open Meetings Act, at least one copy of all reproducible written material for this meeting, either in paper or electronic form, was available for examination and copying by members of the public. The material in paper form was available on the table in a public folder, and the material in electronic form was available on the Board's website in Public Meeting Material (https://appraiser.ne.gov/board_meetings/). A copy of the Open Meetings Act was available for the duration of the meeting. For the record, Board Members Wade Walkenhorst of Lincoln, Nebraska, Bonnie Downing of Dunning, Nebraska, Cody Gerdes of Lincoln, Nebraska, Rodney Johnson of Norfolk, Nebraska, and Kevin Hermsen of Gretna, Nebraska were present. Also present were Director Tyler Kohtz, Business Programs Manager Karen Loll, and Licensing Programs Manager Allison Nespor, who are headquartered in Lincoln, Nebraska.

ADOPTION OF THE AGENDA

Chairperson Downing reminded those present for the meeting that the agenda cannot be altered 24 hours prior to the meeting except for emergency items according to the Open Meetings Act. Board Member Gerdes moved to adopt the agenda as printed. Board Member Johnson seconded the motion. With no further discussion, the motion carried with Walkenhorst, Gerdes, Hermsen, Johnson and Downing voting aye.

C. LB1417

Director Kohtz presented LB1417 to the Board for review and gave a brief summary of the contents and the background research completed. A discussion of LB1417 took place. Board Member Gerdes moved to authorize Director Kohtz to draft a letter to Senator Brewer and Governor Pillen requesting clarification of the intent of LB1417 and to bring attention to the potential impact of this bill; and to authorize Director Kohtz to draft a Memo From the Board to notify the appraiser community of the introduction of LB1417. The motion was seconded by Johnson. Chairperson Downing asked for any discussion. With none, the motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye.

D. ADJOURNMENT

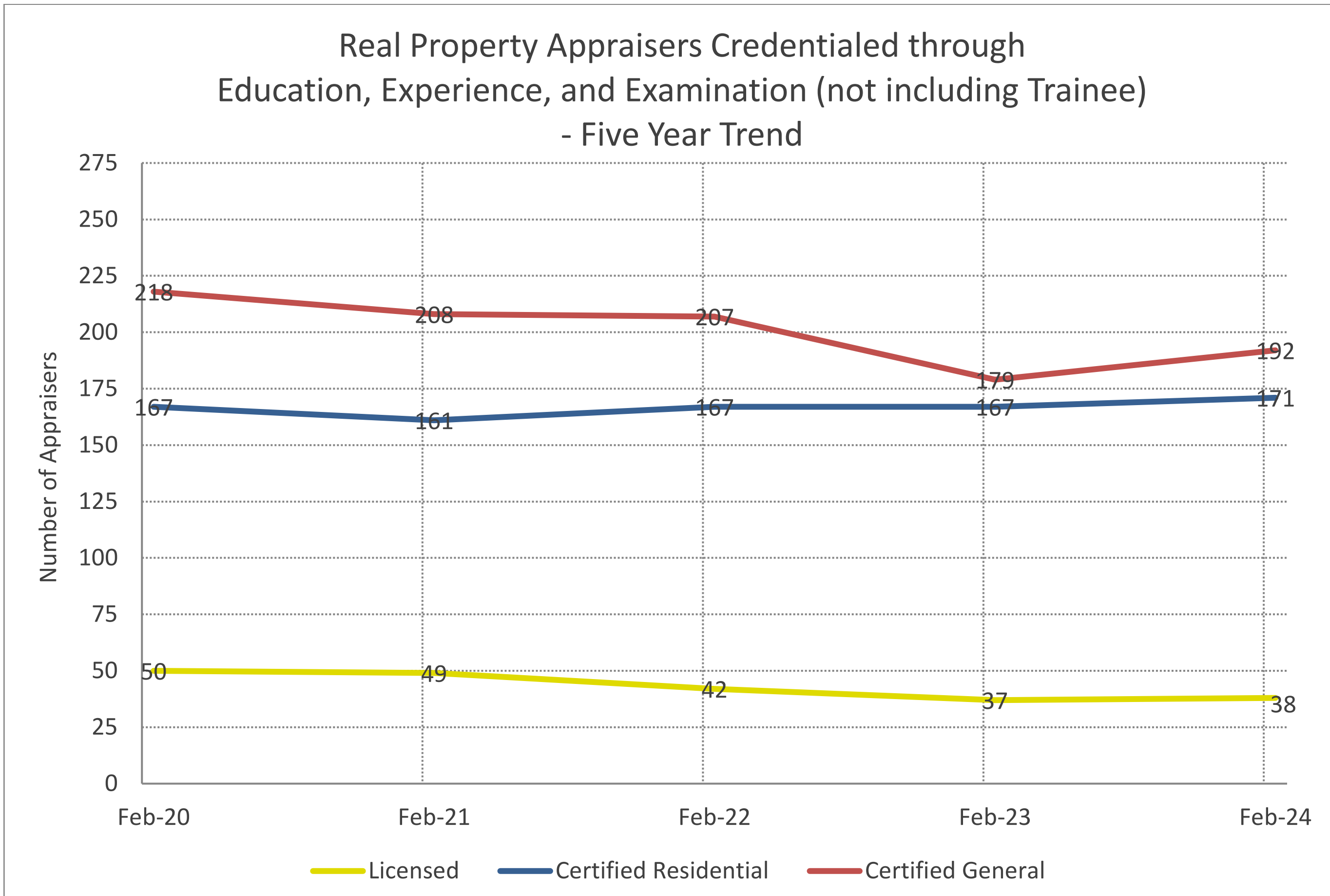
Board Member Walkenhorst moved to adjourn the meeting. Board Member Johnson seconded the motion. Motion carried with Gerdes, Hermsen, Johnson, Walkenhorst, and Downing voting aye. At 4:02 p.m., Chairperson Downing adjourned the January, 22, 2024 meeting of the Nebraska Real Property Appraiser Board.

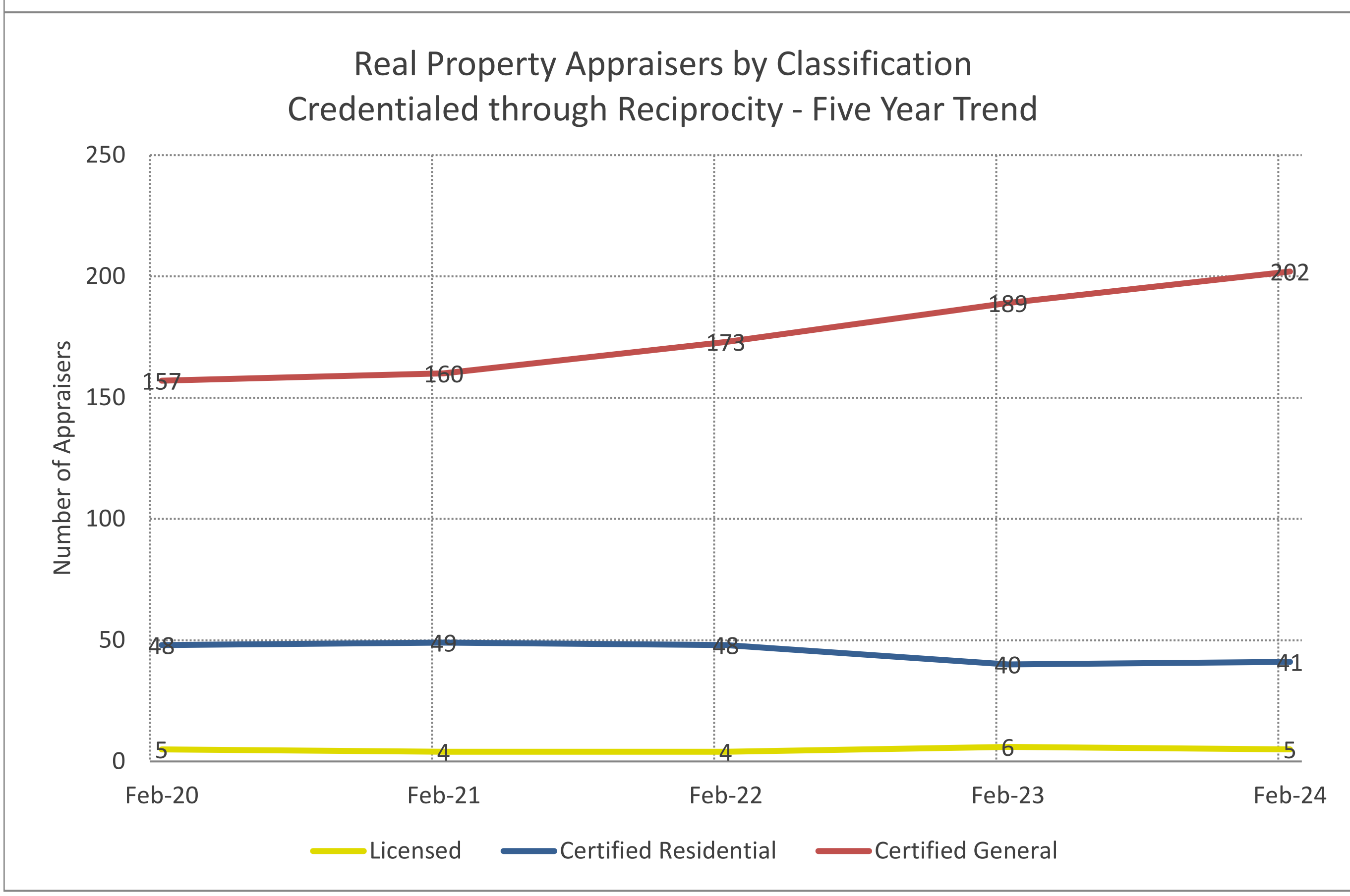
Respectfully submitted,

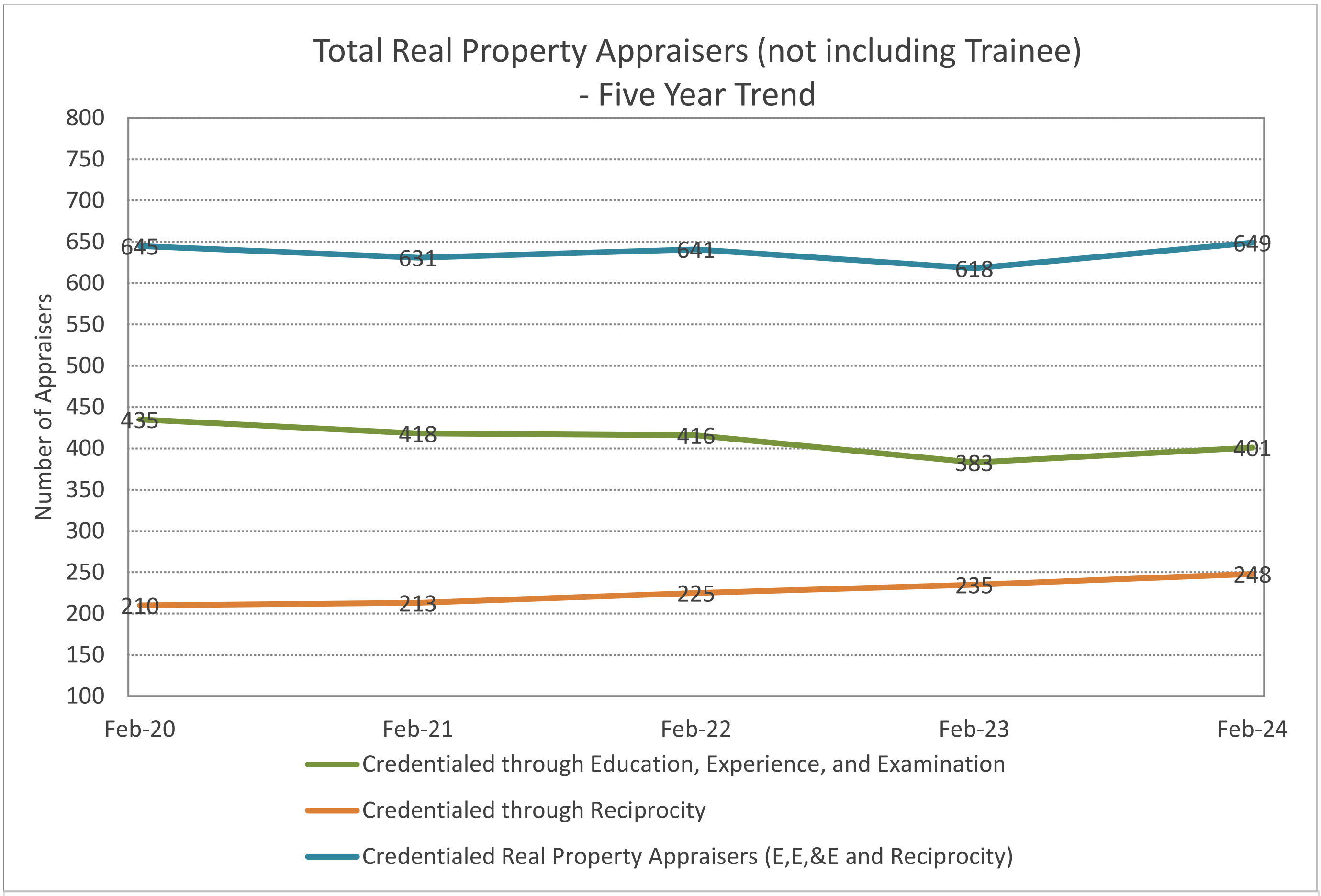
Tyler N. Kohtz
Director

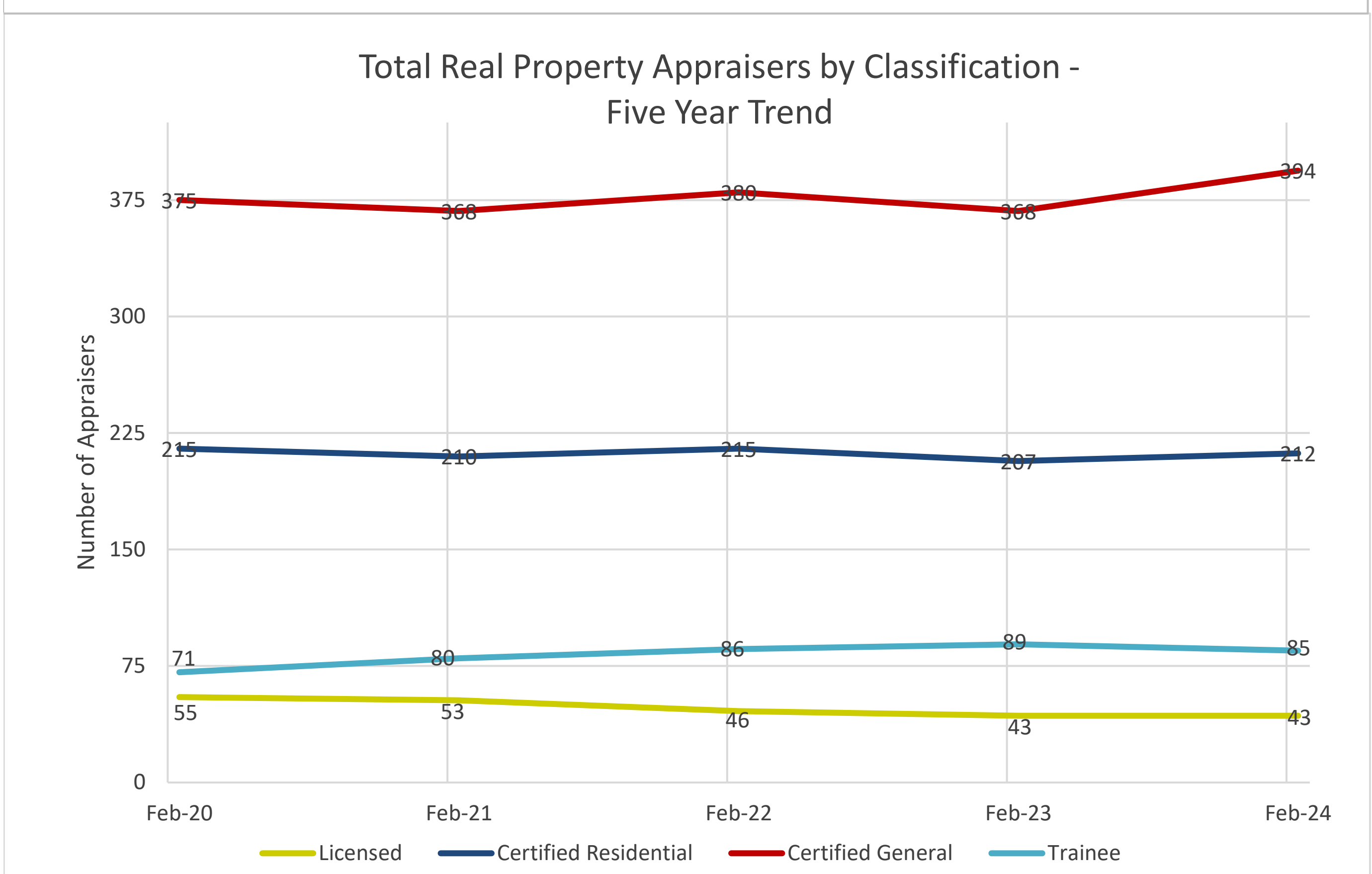
These minutes were available for public inspection on January 22, 2024, in compliance with Nebraska Revised Statute § 84-1413 (5).

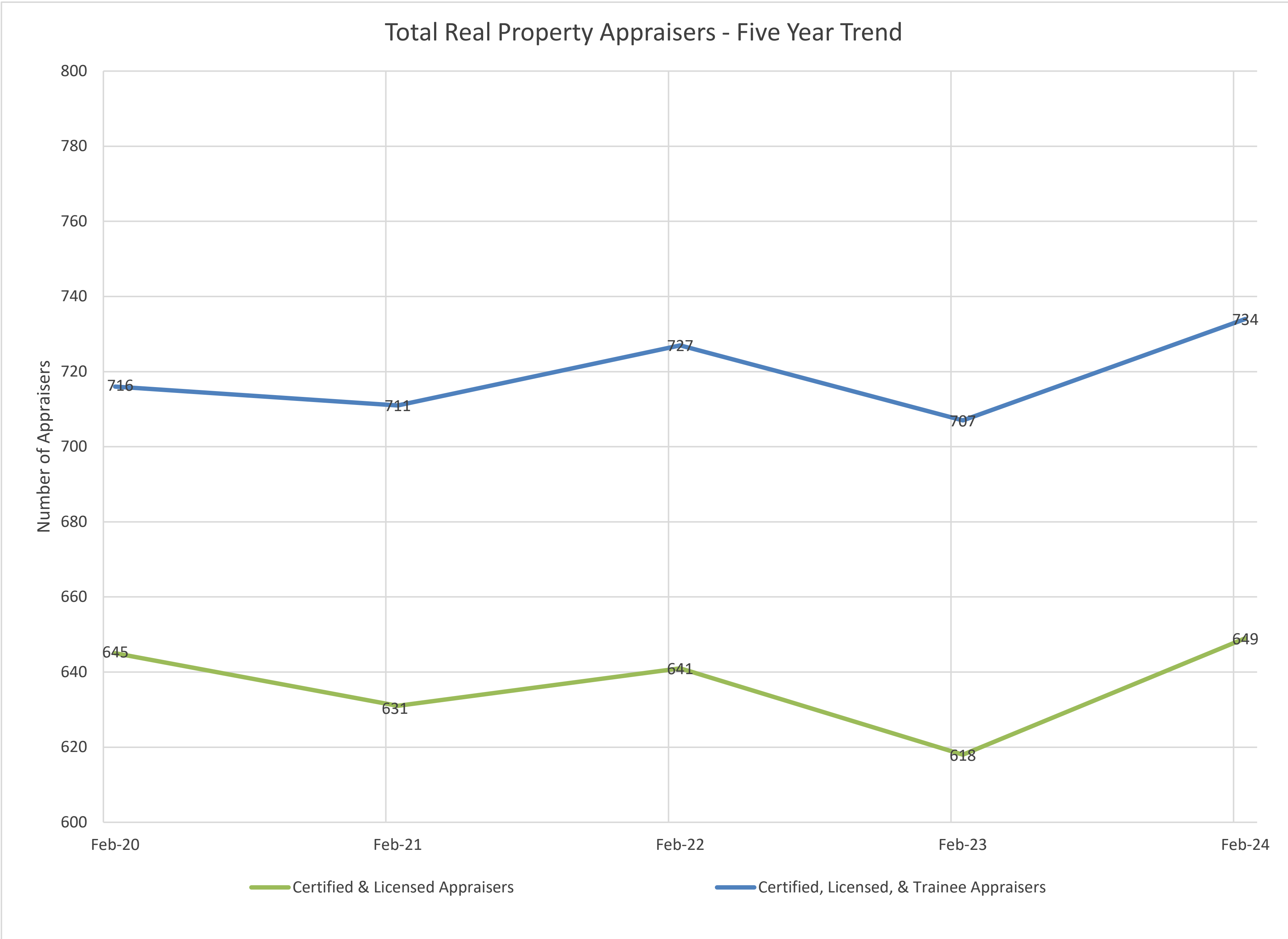
Real Property Appraiser Report

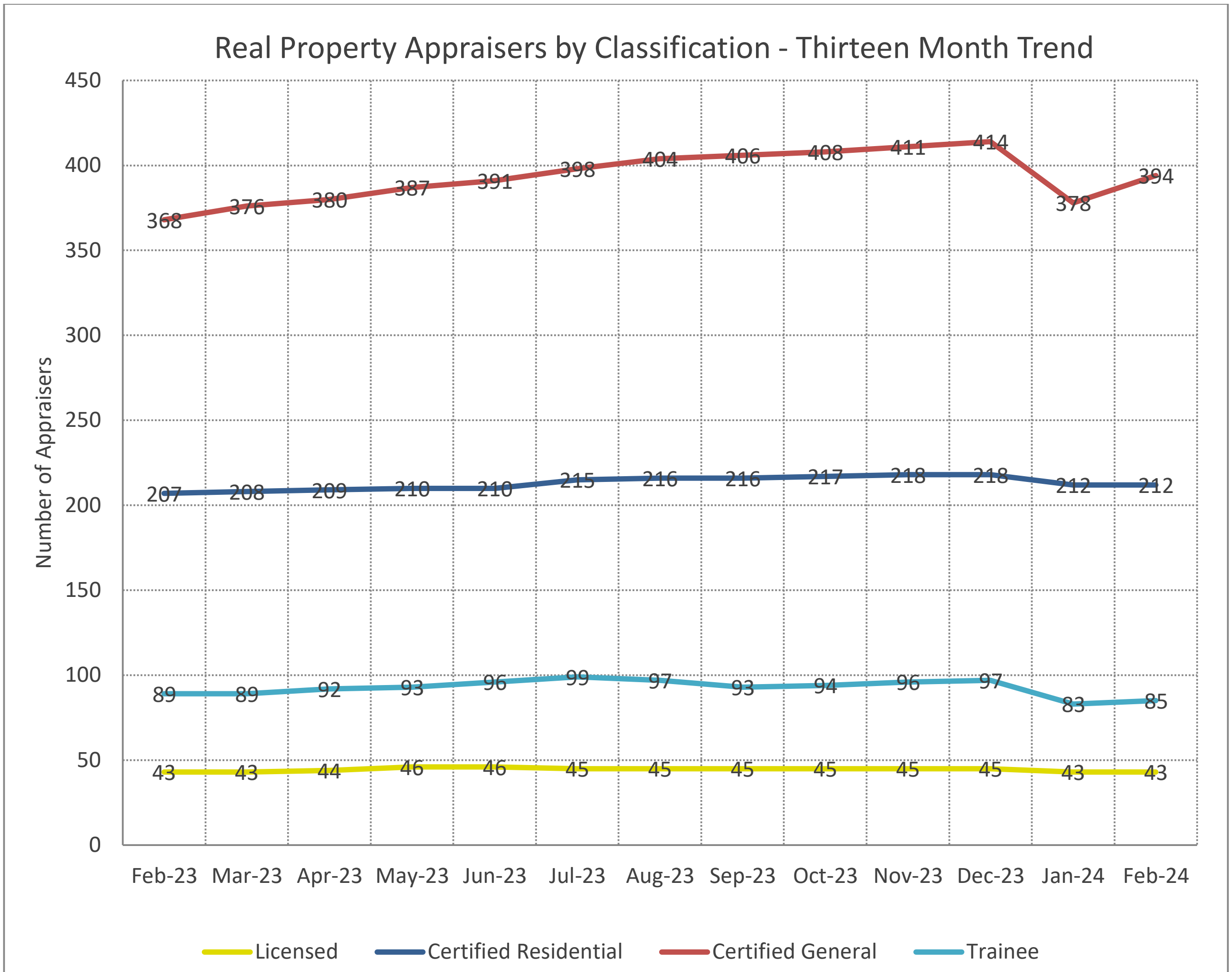


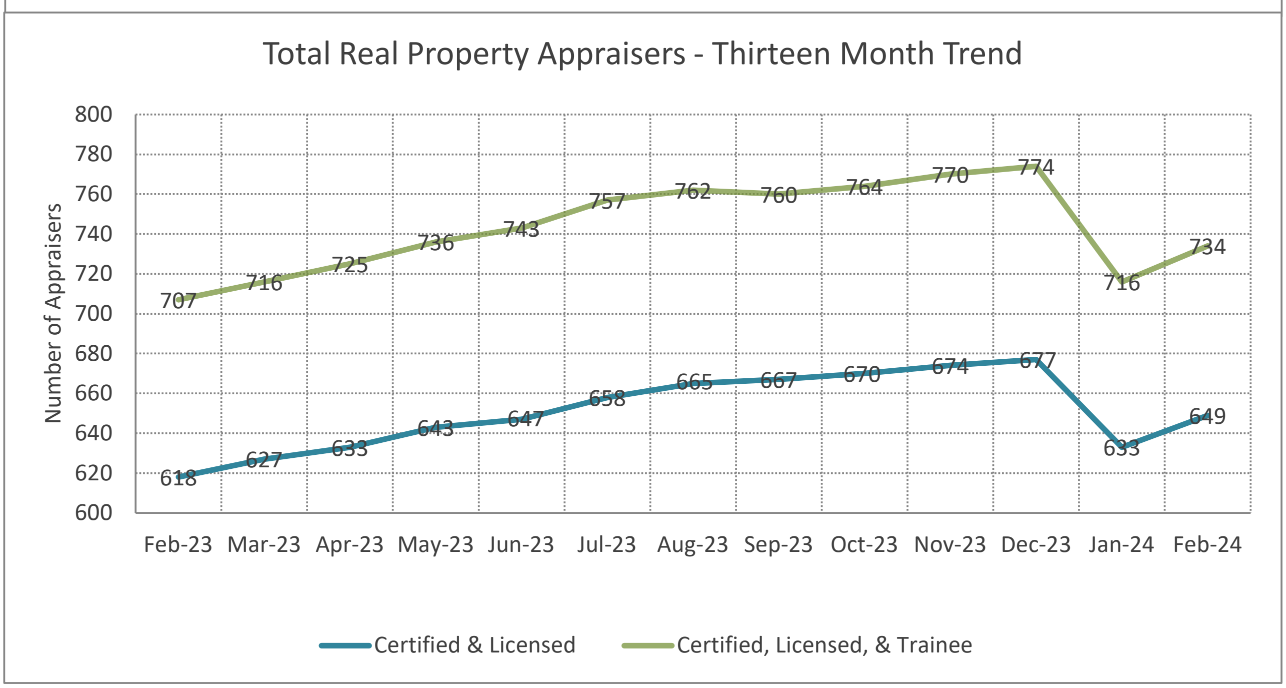



Total Real Property Appraisers (not including Trainee) - Five Year Trend
Number of Appraisers
800
750
700
650
600
550
500
450
400
350
300
250
200
150
100
645
631
641
618
649
435
418
416
383
401
210
213
225
235
248
Feb-20
Feb-21
Feb-22
Feb-23
Feb-24
Credentialed through Education, Experience, and Examination
Credentialed through Reciprocity
Credentialed Real Property Appraisers (E,E,&E and Reciprocity)

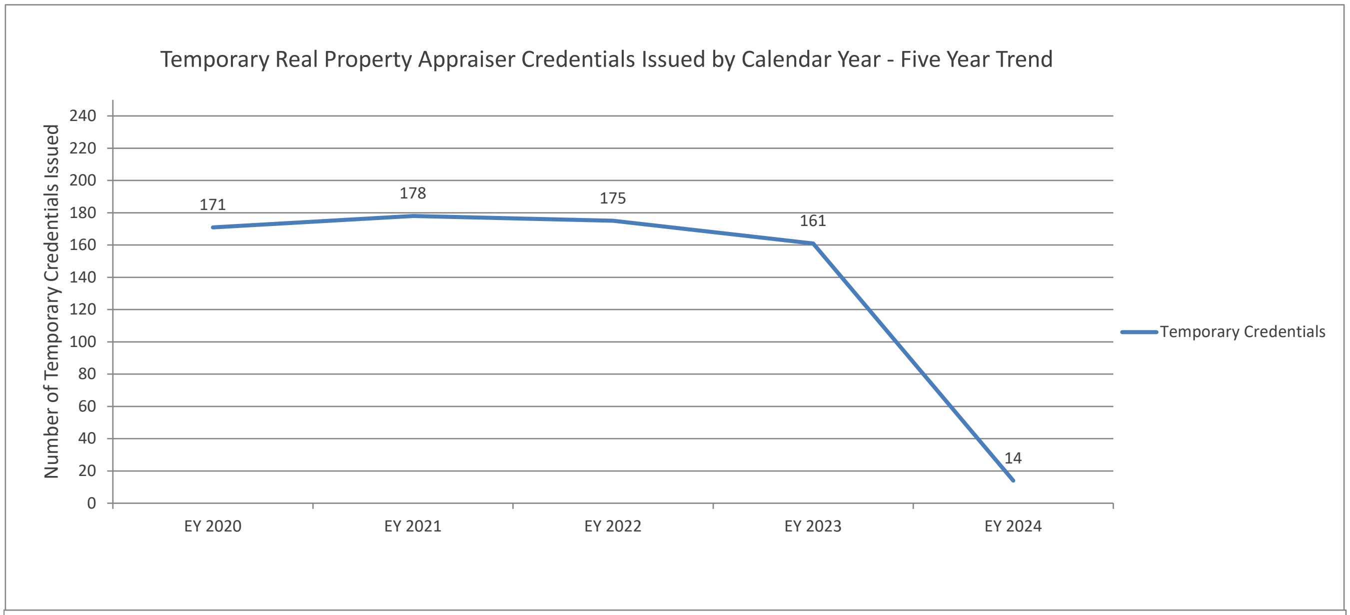

Total Real Property Appraisers by Classification - Five Year Trend
Number of Appraisers
375
300
225
150
75
0
375
368
380
368
394
215
210
215
207
212
71
80
86
89
85
55
53
46
43
43
Feb-20
Feb-21
Feb-22
Feb-23
Feb-24
Licensed
Certified Residential
Certified General
Trainee

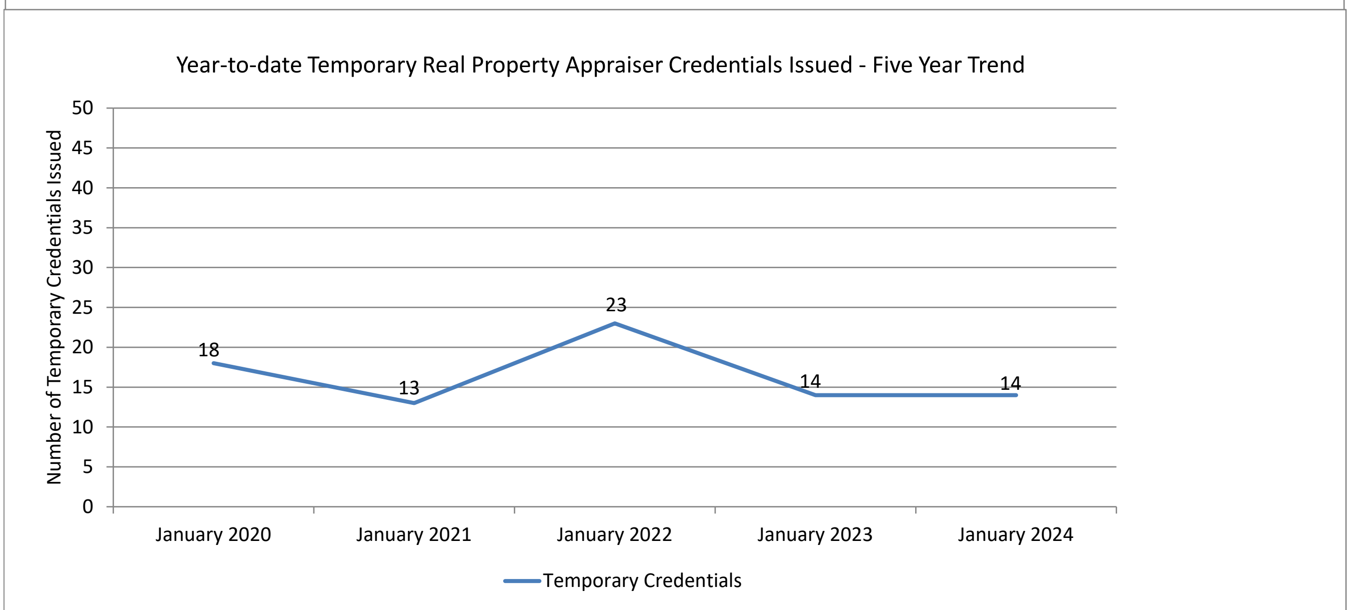

Total Real Property Appraisers - Five Year Trend
Number of Appraisers
800
780
760
740
720
700
680
660
640
620
600
716
711
727
707
734
645
631
641
618
649
Feb-20
Feb-21
Feb-22
Feb-23
Feb-24
Certified & Licensed Appraisers
Certified, Licensed, & Trainee Appraisers

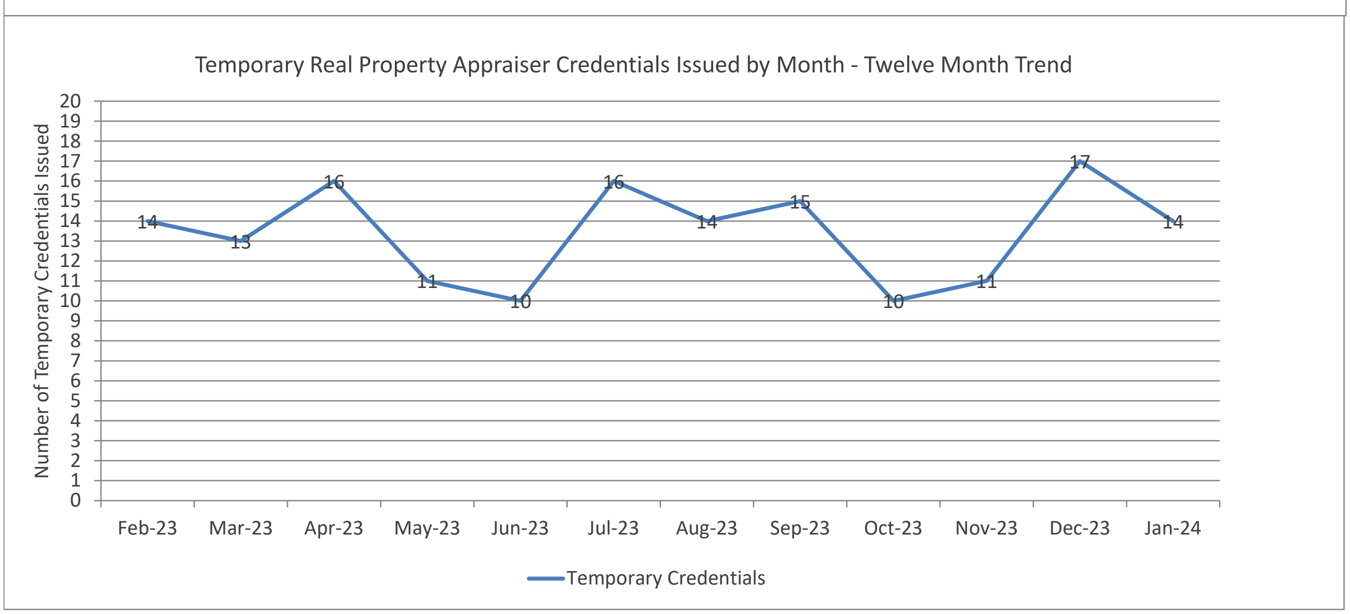

Real Property Appraisers by Classification - Thirteen Month Trend
Number of Appraisers
450
400
350
300
250
200
150
100
50
0
368 376 380 387 391 398 404 406 408 411 414 378 394
207 208 209 210 210 215 216 216 217 218 218 212 212
89 89 92 93 96 99 97 93 94 96 97 83 85
43 43 44 46 46 45 45 45 45 45 45 43 43
Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24 Feb-24
Licensed
Certified Residential
Certified General
Trainee


Total Real Property Appraisers - Thirteen Month Trend
Number of Appraisers
800
780
760
740
720
700
680
660
640
620
600
707 716 725 736 743 757 762 760 764 770 774 716 734
618 627 633 643 647 658 665 667 670 674 677 633 649
Feb-23 Mar-23 Apr-23 May-23 Jun-23 Jul-23 Aug-23 Sep-23 Oct-23 Nov-23 Dec-23 Jan-24 Feb-24
Certified & Licensed
Certified, Licensed, & Trainee

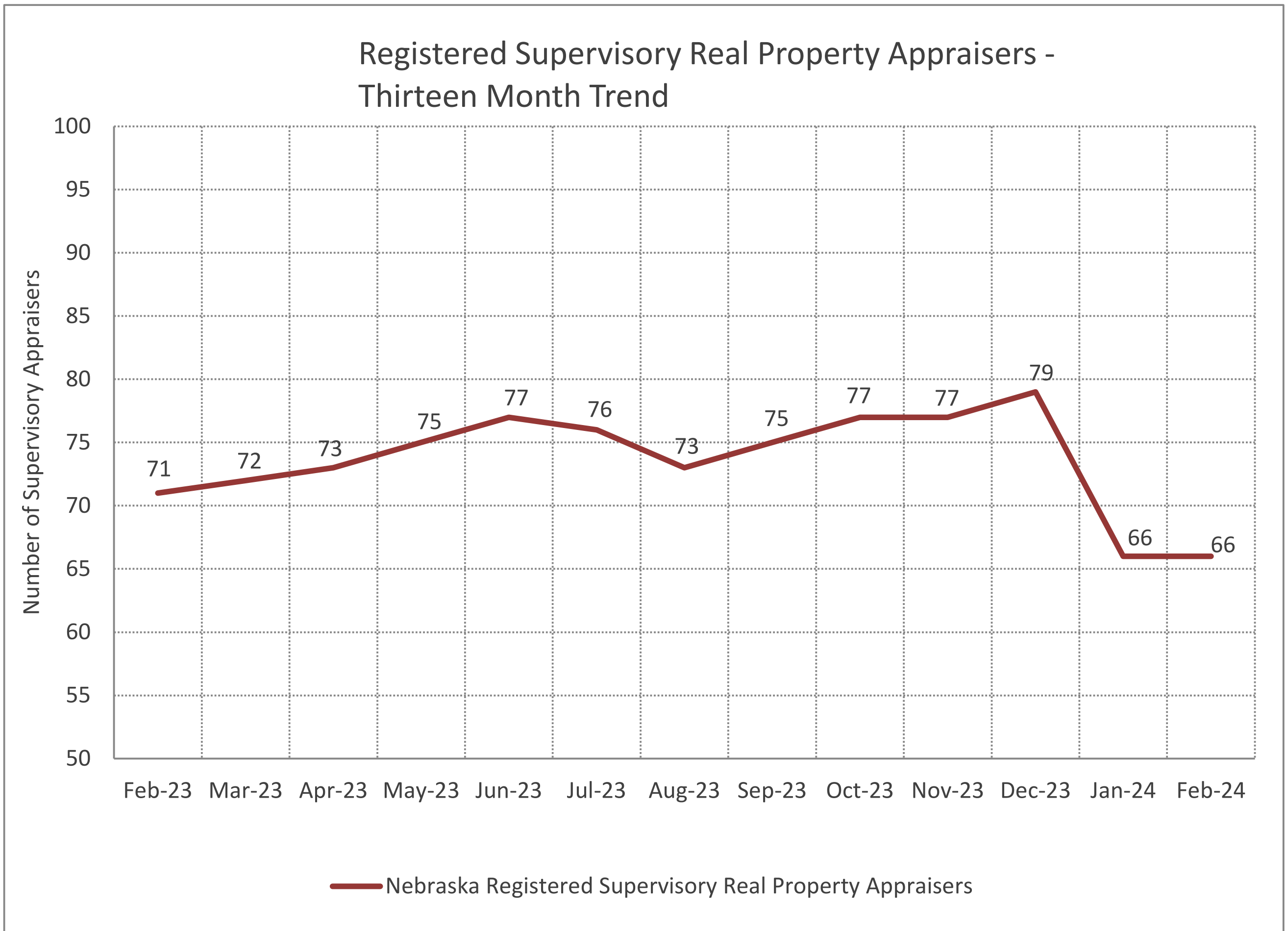
Temporary Real Property Appraiser Report

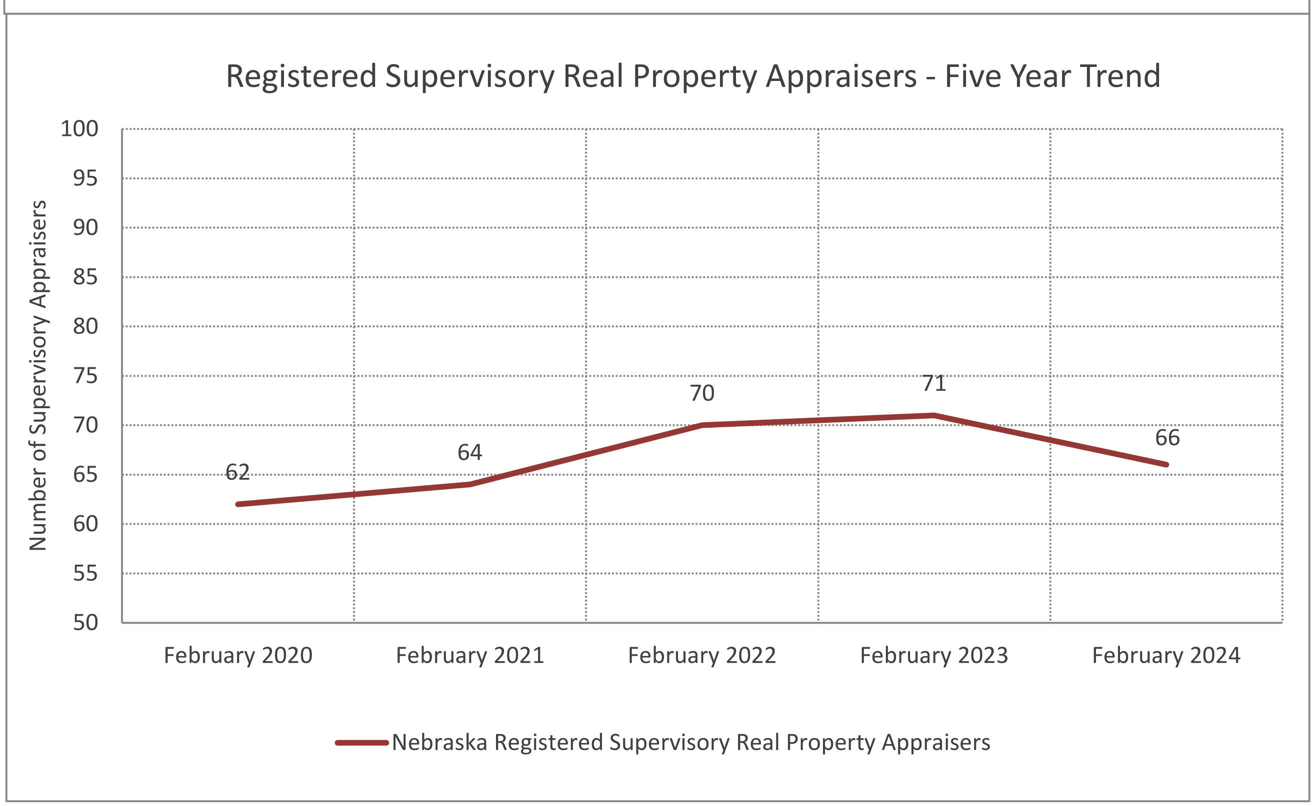




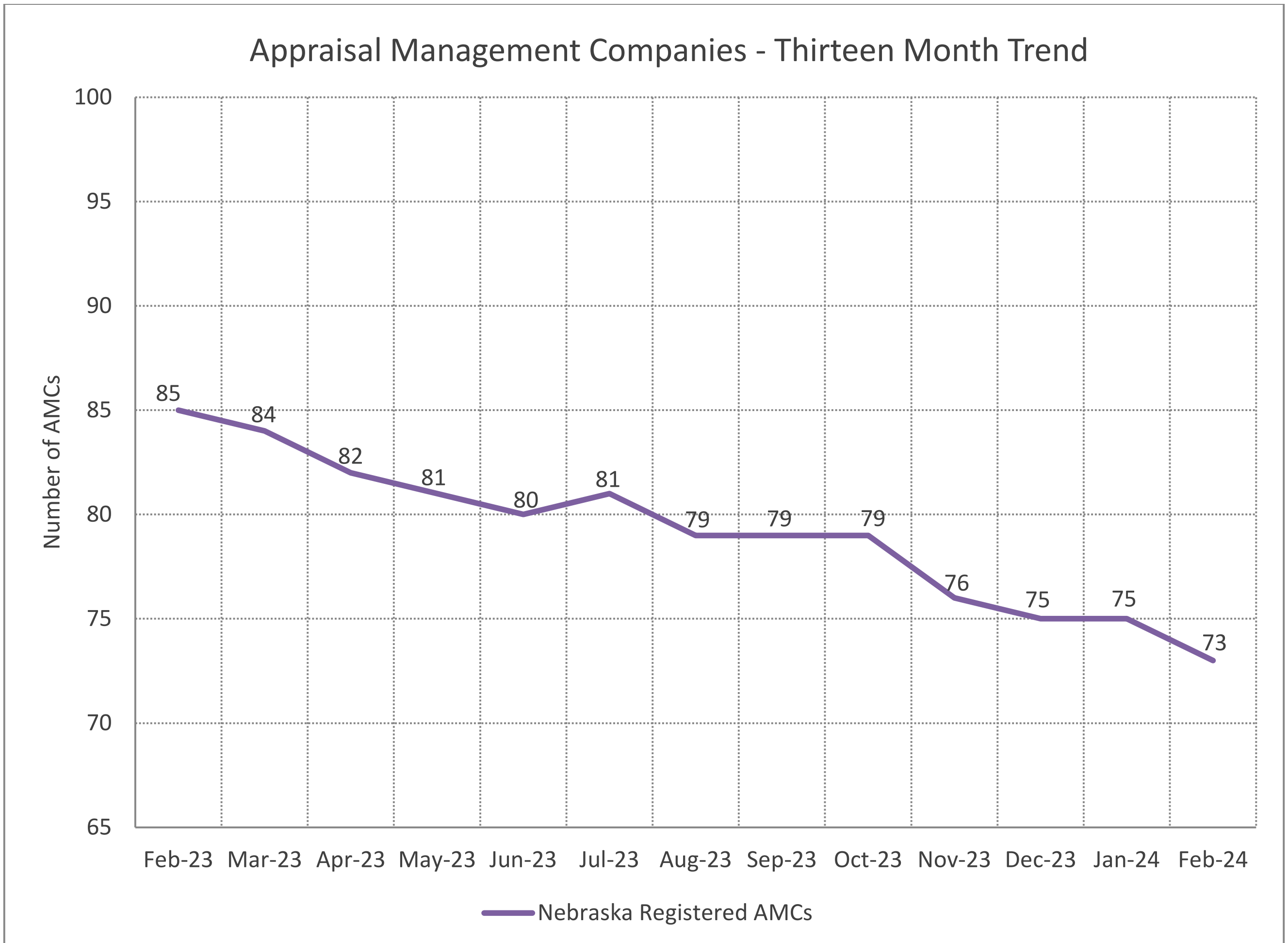


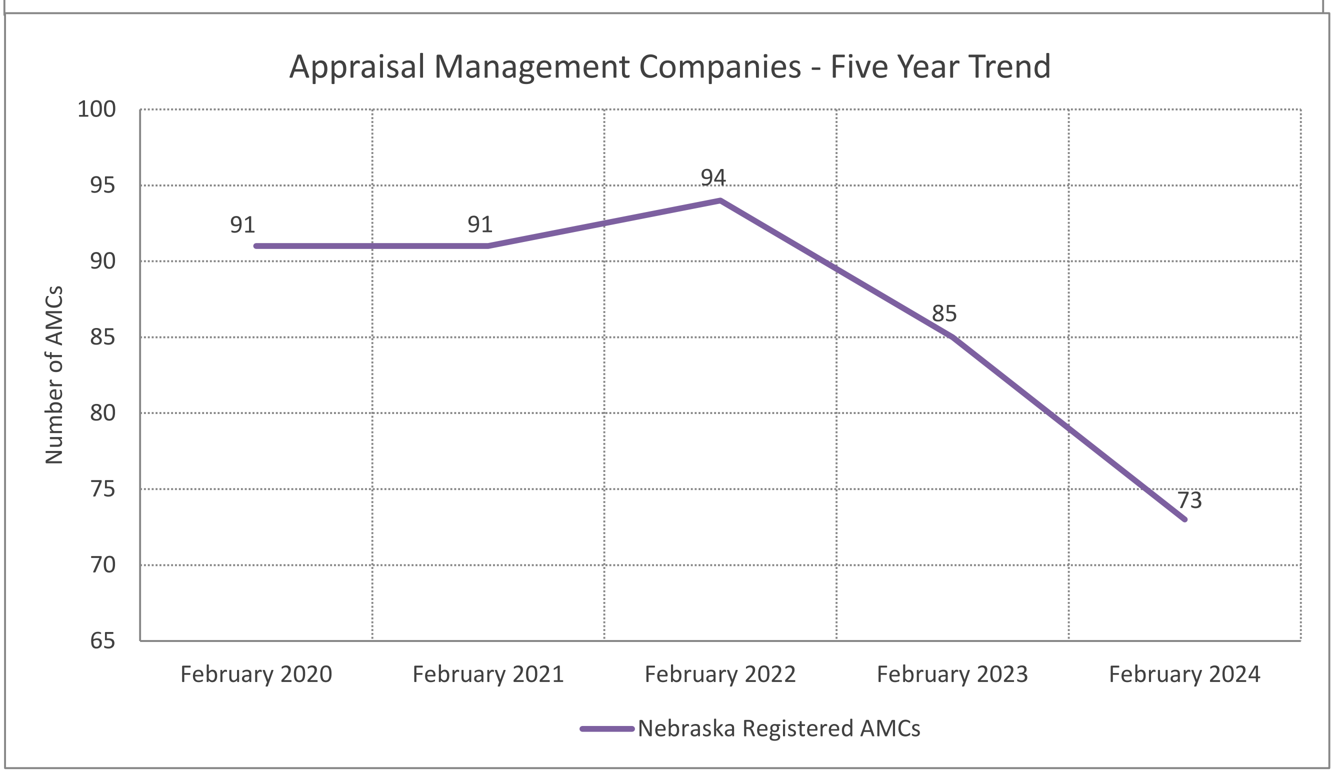
Supervisory Real Property Appraiser Report





Appraisal Management Company Report





NEBRASKA REAL PROPERTY APPRAISER BOARD

DIRECTOR APPROVAL OF REAL PROPERTY APPRAISER APPLICANTS

January 10, 2024 – February 6, 2024

New Trainee Real Property Appraisers		
T2024001	Jeffryes, Trina	Approved January 24, 2024 with advisory, no supervisor
T2024002	Mahalek, Sara	Approved January 26, 2024 with advisory, no supervisor

NEBRASKA REAL PROPERTY APPRAISER BOARD

DIRECTOR APPROVAL OF EDUCATION ACTIVITY AND INSTRUCTOR(S) APPLICANTS

January 10, 2024 – February 6, 2024

Provider	Activity Number	Hours	Title	Instructor(s)	Approval Date
New Continuing Education Activities and Instructors					
ASFMRA	223141Q.01	8	National Best Practices for Rural Appraisers	Jeffrey Berg	01/10/2024
Aloft Inc	223310Y.85	7	2024-2025 7-Hour National USPAP Update Course	Pam Teel, Josh Walitt	01/12/2024
Dennis Badger & Associates, Inc.	2243102.62	7	2024-2025 7-Hour National USPAP Update Course	Dennis Badger	01/19/2024
Appraisal Institute	223241K.02	7	Online Introduction to Green Buildings: Principles and Concepts	Alan Simmons	1/25/2024
Appraisal Institute	2242406.02	5	Online Valuation Bias – The Invisible Fence of Racial Discrimination	Craig Harrington	1/25/2024
The CE Shop, LLC	223241H.77	14	A Review of Appraisal Approaches and Techniques	Rebecca Jones	1/26/2024
Appraisal Institute	2242408.02	4	Online Appraising Residential Property on Tribal Lands in Closed Market Areas	Brian Gatzke	1/29/2024
ASFMRA	223141P.01	20	Advanced Appraisal Exam Preparation Course	Brent Stanger	1/31/2024
New Qualifying Education Activities and Instructors					
ASFMRA	1242401.01	30	Online Basic Appraisal Principles (A101)	Rebecca Stone, Jake Minton, Jaxson Love	01/10/2024
ASFMRA	123311M.01	15	15 Hour National USPAP Update Course (A113)	Chris Greenwalt, Benjamin Wilson, Dennis Badger	01/17/2024
ASFMRA	123111N.01	15	15 Hour National USPAP Update Course (A113)	Chris Greenwalt, Benjamin Wilson, Dennis Badger	01/17/2024
McKissock, LLC	123211T.03	15	2024 15-Hr National USPAP Course	Dan Bradley	01/19/2024
The CE Shop, LLC	1242403.77	30	Basic Appraisal Principles	Rebecca Jones	1/26/2024
The CE Shop, LLC	1242404.77	30	Basic Appraisal Procedures	Rebecca Jones	1/26/2024
The CE Shop, LLC	1243105.77	15	15-Hour National USPAP Course	Rebecca Jones	1/31/2024

2023-24 Nebraska Real Property Appraiser Board Goals and Objectives
June 21, 2023 Strategic Planning Meeting

	SHORT TERM GOALS / OBJECTIVES	EXPECTED COMPLETION DATE	STATUS/GOAL MET	LONG TERM GOALS / OBJECTIVES	EXPECTED COMPLETION DATE	NOTES
LAWS, RULES, AND GUIDANCE DOCUMENTS	Work with the Banking, Commerce and Insurance Legislative Committee's Legal Counsel to draft a bill for introduction addressing the changes needed in the Real Property Appraiser Act, which includes but is not limited to USPAP changes, Real Property Appraiser Qualifications Criteria changes, ASC SOA recommendations, the Board's PAVE Dashboard statute review, and removal of the Real Property Appraiser Renewal Random CHRC Program.	12/31/2023	LB992 was placed on General File on February 1, 2024.	Address changes to USPAP, Real Property Appraiser Qualifications Criteria, ASC Policy Statements, AQB CAP Program Guidelines, and Title XI as required.	Ongoing.	
	Work with the Banking, Commerce and Insurance Legislative Committee's Legal Counsel to draft a bill for introduction addressing the changes needed in the AMC Registration Act, which includes but is not limited to the ASC SOA recommendations, inclusion of criminal and civil immunity language, changes to the CHRC requirements for owners of more than 10% of an AMC.	12/31/2023	LB989 was was placed on General File on February 1, 2024.	Harmonize Title 298 with the changes made to the Nebraska Real Property Appraiser Act and Appraisal Management Company Registration Act as needed.	Ongoing.	
	Draft Title 298 changes to harmonize Title 298 with the changes made to the Nebraska Real Property Appraiser Act and Appraisal Management Company Registration Act in 2024, address the Board's PAVE Dashboard regulations review, and incorporate changes made to the Real Property Appraiser Qualification Criteria Effective January 1, 2026 and CAP Guidelines effective September 17, 2023.	12/31/2024		Continue to monitor the effectiveness of regulations to reduce unnecessary regulatory burden, remove barriers to entry into the real property appraiser profession, maintain an effective education program, and provide for better clarification and administration.	Ongoing.	
				Continue to adopt Guidance Documents for public advisement concerning interpretation of statutes and rules, and retire Guidance Documents that are no longer relevant.	Ongoing.	
				Continue to adopt internal procedures as needed to assist with the Board's administration of its programs, and retire internal procedures that are no longer relevant.	Ongoing.	
COMPLIANCE	None.			None		
CREDENTIALING AND REGISTRATION	None.			Explore opportunities to increase the number of Nebraska resident real property appraisers.	Ongoing.	
				Monitor real property appraiser credential renewal dates.	Ongoing.	
EDUCATION	None.			Encourage trainee real property appraisers who intend to engage in real property appraisal practice pertaining to agricultural real property upon credentialing as a certified general real property appraiser complete agricultural-based qualifying education offered by an education provider with an expertise in agricultural appraisal in approval letter sent to trainee real property appraisers.	Ongoing.	
				Request that supervisory real property appraisers with trainee real property appraisers who intend to engage in real property appraisal practice pertaining to agricultural real property upon credentialing as a certified general real property appraiser encourage their trainee real property appraisers to complete agricultural-based qualifying education offered by an education provider with an expertise in agricultural appraisal in approval letter sent to supervisory real property appraisers.	Ongoing.	
PERSONNEL	Hire Administrative Specialist classified employee. Adequate staffing is required to carry out the Board's mission, maintain a high-level operation, remain compliant with Title XI, and to maintain public satisfaction.	12/31/2023	Karen Loll has been hired as the Board's Business Programs Manager.	Continue updating the policies and procedures documents as needed to ensure compliance with state policy changes, NAPE/ASFCME contract changes and to address general work environment needs and/or changes.	Ongoing.	
PUBLIC INFORMATION	Populate the Disciplinary History Search with ten year real property appraiser and AMC disciplinary action history for active credential and registration holders.	12/31/2023	This project was completed on November 3, 2023	Encourage development of Memos from the Board and Facebook posts that contain facts of interest to the appraiser community.	Ongoing.	
				Continue utilizing the NRPAB website, NRPAB Facebook page, The Nebraska Appraiser, and Memos from the Board to disseminate relevant and important information to the appraisal business community and the general public in a timely manner. This includes information related to state and federal regulations, credentialing and registration requirements, renewal information, education information, Board policies and procedures, documents posted to the NRPAB website, meeting information, and other information that affects the industry.	Ongoing.	
				Continue utilization of Memos from the Board to disseminate important information in a timely manner that should not be held for the next release of The Nebraska Appraiser.	Ongoing.	
				Continue releasing new issues of The Nebraska Appraiser on a quarterly basis to disseminate important information to the appraisal business community and the general public in an effective and efficient manner.	Ongoing.	
				Continue to monitor the effectiveness of current NRPAB website, and repair bugs and make improvements and add enhancements needed to address functionality or use.	Ongoing.	
				Explore the development and implementation of an updated NRPAB logo.	None.	
				Populate the Disciplinary History Search with all real property appraiser and AMC disciplinary action history for active credential and registration holders.	None.	
ADMINISTRATION				Continue to monitor the effectiveness of current processes and procedures, and update processes and procedures as needed to maintain effectiveness and efficiency of the administration of the Board's programs.	Ongoing.	
				Continue to monitor the effectiveness of current NRPAB database, repair bugs, and make improvements and add enhancements needed to address program or use changes.	Ongoing.	
				Explore use of Federal grant money to pursue development of a translator system between the NRPAB Database and the ASC Federal Registry system.	Ongoing.	
				Explore online real property appraiser initial applications (Reciprocity; E,E,&E; Temporary) AMC initial applications, education activity applications, and other services that require payment of a fee.	None.	
FINANCIALS	None.			None.		

I.10

2023-24 NRPAB SWOT Analysis			
STRENGTHS: -	**WEAKNESSES:**	**OPPORTUNITIES:**	**THREATS:**
* Customer Service	* Industry's inability to grow	* Growth in real property appraiser field	* Agency turnover
* Organization	* Efficiency loss due to database not meeting potential	* Continued evaluation of Board and Agency operations	* Federal agency oversight
* Board member knowledge	* Size of Agency staff	* Embrace of available technology	* State economic climate
* Staff knowledge	* Regulatory and statutory barriers		* Aging appraiser population
* Adaptability	* Difficulty obtaining new board members		* Inadequate supervisory appraiser knowledge
* Professional Diversity of Board			* Deemphasis on appraisals at the Federal level
* Modernization of Accessability			

Agency 053 REAL PROPERTY APPRAISER BD
Division 000 Real Property App Bd
Program 079 APPRAISER LICENSING

Percent of Time Elapsed = 58.90

	ACCOUNT CODE DESCRIPTION	BUDGETED AMOUNT	CURRENT MONTH ACTIVITY	YEAR-TO-DATE ACTUALS	PERCENT OF BUDGET	ENCUMBERANCES	VARIANCE
BUDGETED FUND TYPES - EXPENDITURES							
510000 PERSONAL SERVICES							
511100	PERMANENT SALARIES-WAGES	186,486.00	13,787.58	93,959.57	50.38		92,526.43
511300	OVERTIME PAYMENTS	500.00		3,522.82	704.56		3,022.82-
511600	PER DIEM PAYMENTS	7,600.00	400.00	2,900.00	38.16		4,700.00
512100	VACATION LEAVE EXPENSE	16,241.00	994.85	6,278.06	38.66		9,962.94
512200	SICK LEAVE EXPENSE	2,189.00	56.02	547.74	25.02		1,641.26
512300	HOLIDAY LEAVE EXPENSE	10,046.00	1,679.32	6,549.46	65.19		3,496.54
Personal Services Subtotal		223,062.00	16,917.77	113,757.65	51.00	0.00	109,304.35
515100	RETIREMENT PLANS EXPENSE	16,160.00	1,236.86	8,301.09	51.37		7,858.91
515200	FICA EXPENSE	17,064.00	1,198.34	8,060.73	47.24		9,003.27
515500	HEALTH INSURANCE EXPENSE	39,668.00	2,851.58	19,961.06	50.32		19,706.94
516500	WORKERS COMP PREMIUMS	1,546.00		1,546.00	100.00		
Major Account 510000 Total		297,500.00	22,204.55	151,626.53	50.97	0.00	145,873.47
520000 OPERATING EXPENSES							
521100	POSTAGE EXPENSE	2,500.00	360.37	1,756.23	70.25		743.77
521400	DATA PROCESSING EXPENSE	31,870.00	945.64	20,602.17	64.64		11,267.83
521500	PUBLICATION & PRINT EXPENSE	3,000.00		636.92	21.23	27.75	2,335.33
521900	AWARDS EXPENSE	50.00	28.00	28.00	56.00		22.00
522100	DUES & SUBSCRIPTION EXPENSE	600.00	600.00	600.00	100.00		
522200	CONFERENCE REGISTRATION	1,100.00		600.00	54.55		500.00
524600	RENT EXPENSE-BUILDINGS	12,832.00	1,067.86	7,476.90	58.27		5,355.10
524900	RENT EXP-DUPR SURCHARGE	4,187.00	348.91	2,442.37	58.33		1,744.63
531100	OFFICE SUPPLIES EXPENSE	2,000.00	65.80	3,138.16	156.91	1,562.00	2,700.16-
532100	NON CAPITALIZED EQUIP PU	654.00		2,201.70	336.65	1,548.00	3,095.70-
532260	VOICE EQUIP	232.00		229.33	98.85		2.67
533100	HOUSEHOLD & INSTIT EXP			9.51			9.51-
541100	ACCTG & AUDITING SERVICES	1,128.00		1,128.00	100.00		
541200	PURCHASING ASSESSMENT	39.00		39.00	100.00		
541500	LEGAL SERVICES EXPENSE	20,000.00					20,000.00
541700	LEGAL RELATED EXPENSE	3,000.00	1.00	1.00	.03		2,999.00
542100	SOS TEMP SERV-PERSONNEL		1,246.62	3,814.46			3,814.46-
554900	OTHER CONTRACTUAL SERVICE	30,900.00	2,655.00	11,666.99	37.76	1,656.25	17,576.76

Agency 053 REAL PROPERTY APPRAISER BD
Division 000 Real Property App Bd
Program 079 APPRAISER LICENSING

Percent of Time Elapsed = 58.90

	ACCOUNT CODE DESCRIPTION	BUDGETED AMOUNT	CURRENT MONTH ACTIVITY	YEAR-TO-DATE ACTUALS	PERCENT OF BUDGET	ENCUMBERANCES	VARIANCE
556100	INSURANCE EXPENSE	49.00		52.51	107.16		3.51-
559100	OTHER OPERATING EXP	7,595.00	120.00	160.00	2.11		7,435.00
Major Account 520000 Total		121,736.00	7,439.20	56,583.25	46.48	4,794.00	60,358.75
570000 TRAVEL EXPENSES							
571100	BOARD & LODGING	4,000.00		1,620.36	40.51		2,379.64
571800	MEALS - TRAVEL STATUS	1,600.00		542.56	33.91		1,057.44
572100	COMMERCIAL TRANSPORTATION	1,700.00					1,700.00
573100	STATE-OWNED TRANSPORT	200.00					200.00
574500	PERSONAL VEHICLE MILEAGE	6,145.00	66.82	3,018.37	49.12		3,126.63
575100	MISC TRAVEL EXPENSES	550.00	5.50	91.75	16.68		458.25
Major Account 570000 Total		14,195.00	72.32	5,273.04	37.15	0.00	8,921.96
BUDGETED EXPENDITURES TOTAL		433,431.00	29,716.07	213,482.82	49.25	4,794.00	215,154.18

SUMMARY BY FUND TYPE - EXPENDITURES

2	CASH FUNDS	433,431.00	29,716.07	213,482.82	49.25	4,794.00	215,154.18
BUDGETED EXPENDITURES TOTAL		433,431.00	29,716.07	213,482.82	49.25	4,794.00	215,154.18

BUDGETED FUND TYPES - REVENUES

470000 REVENUE - SALES AND CHARGES

471100	SALE OF SERVICES	425.00-	75.00-	300.00-	70.59		125.00-
471120	QUALIFYING ED COURSE FEES	750.00-	300.00-	775.00-	103.33		25.00
471121	CONTINUING ED NEW FEES	3,000.00-	100.00-	1,205.00-	40.17		1,795.00-
471122	CONTINUING ED RENEWAL FEES	200.00-		110.00-	55.00		90.00-
475150	CERTIFIED GENERAL NEW FEES	10,200.00-	900.00-	6,000.00-	58.82		4,200.00-
475151	LICENSED NEW FEES	1,200.00-					1,200.00-
475152	FINGERPRINT FEES	3,574.75-	90.50-	1,629.00-	45.57		1,945.75-
475153	CERTIFIED RESIDENTIAL NEW	2,700.00-	300.00-	1,500.00-	55.56		1,200.00-
475154	CERTIFIED GENERAL RENEWAL	94,875.00-	8,250.00-	96,800.00-	102.03		1,925.00
475155	LICENSED RENEWAL	10,175.00-	275.00-	9,900.00-	97.30		275.00-
475156	FINGERPRINT AUDIT PROGRAM FEES	3,380.00-	170.00-	3,265.00-	96.60		115.00-
475157	CERTIFIED RESIDENTIAL RENEWAL	56,100.00-	275.00-	54,175.00-	96.57		1,925.00-
475161	TEMPORARY CERTIFIED GENERAL	9,000.00-	700.00-	4,850.00-	53.89		4,150.00-

Budget Status Report
As of 01/31/24

Agency 053 REAL PROPERTY APPRAISER BD
Division 000 Real Property App Bd
Program 079 APPRAISER LICENSING

Percent of Time Elapsed = 58.90

	ACCOUNT CODE DESCRIPTION	BUDGETED AMOUNT	CURRENT MONTH ACTIVITY	YEAR-TO-DATE ACTUALS	PERCENT OF BUDGET	ENCUMBERANCES	VARIANCE
475163	AMC REGISTERED NEW FEES	4,000.00-		2,000.00-	50.00		2,000.00-
475164	AMC APPLICATION FEES	700.00-		700.00-	100.00		
475165	AMC REGISTERED RENEWAL	114,000.00-	15,000.00-	73,500.00-	64.47		40,500.00-
475166	FED REG AMC RPT FORM PROC FEES	350.00-	350.00-	350.00-	100.00		
475167	CERTIFIED RESIDENTIAL INACTIVE	300.00-					300.00-
475168	CERTIFIED GENERAL INACTIVE	300.00-					300.00-
475234	APPLICATION FEES	29,850.00-	1,700.00-	15,100.00-	50.59		14,750.00-
476101	LATE PROCESSING FEES	3,500.00-	1,150.00-	2,800.00-	80.00		700.00-
Major Account 470000 Total		348,579.75-	29,635.50-	274,959.00-	78.88	0.00	73,620.75-
480000 REVENUE - MISCELLANEOUS							
481100	INVESTMENT INCOME	16,000.00-	2,038.48-	11,901.45-	74.38		4,098.55-
484500	REIMB NON-GOVT SOURCES	1,000.00-	26.11-	1,352.49-	135.25		352.49
Major Account 480000 Total		17,000.00-	2,064.59-	13,253.94-	77.96	0.00	3,746.06-
490000 REVENUE - OTHER FINANCIAL SOURCES/U							
491300	SALE - SURP PROP/FIXED ASSET			63.48-			63.48
Major Account 490000 Total		0.00	0.00	63.48-	0.00	0.00	63.48
BUDGETED REVENUE TOTAL		365,579.75-	31,700.09-	288,276.42-	78.85	0.00	77,303.33-

SUMMARY BY FUND TYPE - REVENUE

2	CASH FUNDS	365,579.75-	31,700.09-	288,276.42-	78.85		77,303.33-
BUDGETED REVENUE TOTAL		365,579.75-	31,700.09-	288,276.42-	78.85	0.00	77,303.33-

Agency 053 REAL PROPERTY APPRAISER BD
Division 000 AGENCY DEFINED DIVISION
Grant

All Objects
As of 01/31/24

Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
25310	079	000	53105018.471100.		540257	01/08/24	RC	RB	NRPAB DEPOSIT 210108	7357324		25.00-
25310	079	000	53105018.471100.		540540	01/09/24	RC	RB	NRPAB DEPOSIT 240109	7358847		25.00-
25310	079	000	53105018.471100.		542342	01/23/24	RC	RB	NRPAB DEPOSIT 240123	7371588		25.00-
Total for Object			471100 SALE OF SERVICES									75.00-
25310	079	000	53105018.471120.		540889	01/11/24	RC	RB	NRPAB DEPOSIT 240111	7361059		50.00-
25310	079	000	53105018.471120.		541101	01/11/24	RC	RB	NRPAB DEPOSIT 240112	7362915		150.00-
25310	079	000	53105018.471120.		542511	01/24/24	RC	RB	NRPAB DEPOSIT 240124	7373237		100.00-
Total for Object			471120 QUALIFYING ED COURSE FEES									300.00-
25310	079	000	53105018.471121.		541387	01/17/24	RC	RB	NRPAB DEPOSIT 240117	7365162		25.00-
25310	079	000	53105018.471121.		542342	01/23/24	RC	RB	NRPAB DEPOSIT 240123	7371588		50.00-
25310	079	000	53105018.471121.		542511	01/24/24	RC	RB	NRPAB DEPOSIT 240124	7373237		25.00-
Total for Object			471121 CONTINUING ED NEW FEES									100.00-
25310	079	000	53105018.475150.		540540	01/09/24	RC	RB	NRPAB DEPOSIT 240109	7358847		300.00-
25310	079	000	53105018.475150.		540889	01/11/24	RC	RB	NRPAB DEPOSIT 240111	7361059		300.00-
25310	079	000	53105018.475150.		542341	01/22/24	RC	RB	NRPAB DEPOSIT 240122	7372262		300.00-
Total for Object			475150 CERTIFIED GENERAL NEW FEES									900.00-
25310	079	000	53105018.475152.		540889	01/11/24	RC	RB	NRPAB DEPOSIT 240111	7361059		45.25-
25310	079	000	53105018.475152.		542342	01/23/24	RC	RB	NRPAB DEPOSIT 240123	7371588		45.25-
Total for Object			475152 FINGERPRINT FEES									90.50-
25310	079	000	53105018.475153.		539850	01/04/24	RC	RB	NRPAB DEPOSIT 210104	7354240		300.00-
Total for Object			475153 CERTIFIED RESIDENTIAL NEW									300.00-
25310	079	000	53105018.475154.		539625	01/02/24	RC	RB	NRPAB APP REN EFW DEP 240102	7351781		825.00-
25310	079	000	53105018.475154.		539701	01/03/24	RC	RB	NRPAB DEPOSIT 240103	7352382		825.00-
25310	079	000	53105018.475154.		539949	01/03/24	RC	RB	NRPAB APP REN EFW DEP 240103	7353818		825.00-
25310	079	000	53105018.475154.		539850	01/04/24	RC	RB	NRPAB DEPOSIT 210104	7354240		825.00-
25310	079	000	53105018.475154.		540181	01/04/24	RC	RB	NRPAB APP REN EFW DEP 240104	7355537		1,650.00-
25310	079	000	53105018.475154.		540540	01/09/24	RC	RB	NRPAB DEPOSIT 240109	7358847		550.00-
25310	079	000	53105018.475154.		541037	01/10/24	RC	RB	NRPAB APP REN EFW DEP 240110	7360966		550.00-
25310	079	000	53105018.475154.		540890	01/11/24	RC	RB	NRPAB APP REN DEPOSIT 240111	7361194		275.00-
25310	079	000	53105018.475154.		541101	01/11/24	RC	RB	NRPAB DEPOSIT 240112	7362915		275.00-
25310	079	000	53105018.475154.		541332	01/12/24	RC	RB	NRPAB APP REN EFW DEP 240112	7364367		1,650.00-
25310	079	000	53105018.475154.		22761246	01/18/24	JE	G	NRPAB JE CORRECT APPR BALANCE	7369405		275.00
25310	079	000	53105018.475154.		22761247	01/18/24	JE	G	NRPAB OCT-DEC 2023 ACH RETURNS	7369435		1,100.00

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Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
25310	079	000	53105018.475154.		542512	01/24/24	RC	RB	NRPAB APP REN DEPOSIT 240124	7373043		550.00-
25310	079	000	53105018.475154.		543054	01/25/24	RC	RB	NRPAB APP REN DEPOSIT 240125	7374323		275.00-
25310	079	000	53105018.475154.		543098	01/24/24	RC	RB	NRPAB APP REN EFW DEP 240124	7374432		275.00-
25310	079	000	53105018.475154.		543312	01/25/24	RC	RB	NRPAB APP REN EFW DEP 240125	7376528		275.00-
Total for Object			475154 CERTIFIED GENERAL RENEWAL									8,250.00-
25310	079	000	53105018.475155.		539625	01/02/24	RC	RB	NRPAB APP REN EFW DEP 240102	7351781		275.00-
Total for Object			475155 LICENSED RENEWAL									275.00-
25310	079	000	53105018.475156.		539625	01/02/24	RC	RB	NRPAB APP REN EFW DEP 240102	7351781		25.00-
25310	079	000	53105018.475156.		539701	01/03/24	RC	RB	NRPAB DEPOSIT 240103	7352382		15.00-
25310	079	000	53105018.475156.		539949	01/03/24	RC	RB	NRPAB APP REN EFW DEP 240103	7353818		20.00-
25310	079	000	53105018.475156.		539850	01/04/24	RC	RB	NRPAB DEPOSIT 210104	7354240		15.00-
25310	079	000	53105018.475156.		540181	01/04/24	RC	RB	NRPAB APP REN EFW DEP 240104	7355537		30.00-
25310	079	000	53105018.475156.		540540	01/09/24	RC	RB	NRPAB DEPOSIT 240109	7358847		10.00-
25310	079	000	53105018.475156.		541037	01/10/24	RC	RB	NRPAB APP REN EFW DEP 240110	7360966		10.00-
25310	079	000	53105018.475156.		540890	01/11/24	RC	RB	NRPAB APP REN DEPOSIT 240111	7361194		5.00-
25310	079	000	53105018.475156.		541101	01/11/24	RC	RB	NRPAB DEPOSIT 240112	7362915		5.00-
25310	079	000	53105018.475156.		541332	01/12/24	RC	RB	NRPAB APP REN EFW DEP 240112	7364367		30.00-
25310	079	000	53105018.475156.		22761247	01/18/24	JE	G	NRPAB OCT-DEC 2023 ACH RETURNS	7369435		30.00
25310	079	000	53105018.475156.		542512	01/24/24	RC	RB	NRPAB APP REN DEPOSIT 240124	7373043		10.00-
25310	079	000	53105018.475156.		543054	01/25/24	RC	RB	NRPAB APP REN DEPOSIT 240125	7374323		5.00-
25310	079	000	53105018.475156.		543098	01/24/24	RC	RB	NRPAB APP REN EFW DEP 240124	7374432		5.00-
25310	079	000	53105018.475156.		543312	01/25/24	RC	RB	NRPAB APP REN EFW DEP 240125	7376528		5.00-
25310	079	000	53105018.475156.		544239	01/31/24	RC	RB	NRPAB APP RENEW EFW DEP 240131	7381078		10.00-
Total for Object			475156 FINGERPRINT AUDIT PROGRAM FEES									170.00-
25310	079	000	53105018.475157.		539625	01/02/24	RC	RB	NRPAB APP REN EFW DEP 240102	7351781		275.00-
25310	079	000	53105018.475157.		539949	01/03/24	RC	RB	NRPAB APP REN EFW DEP 240103	7353818		275.00-
25310	079	000	53105018.475157.		22761246	01/18/24	JE	G	NRPAB JE CORRECT APPR BALANCE	7369405		275.00-
25310	079	000	53105018.475157.		22761247	01/18/24	JE	G	NRPAB OCT-DEC 2023 ACH RETURNS	7369435		550.00
Total for Object			475157 CERTIFIED RESIDENTIAL RENEWAL									275.00-
25310	079	000	53105018.475161.		539701	01/03/24	RC	RB	NRPAB DEPOSIT 240103	7352382		50.00-
25310	079	000	53105018.475161.		540889	01/11/24	RC	RB	NRPAB DEPOSIT 240111	7361059		50.00-
25310	079	000	53105018.475161.		541387	01/17/24	RC	RB	NRPAB DEPOSIT 240117	7365162		50.00-
25310	079	000	53105018.475161.		541758	01/18/24	RC	RB	NRPAB DEPOSIT 240118	7366769		150.00-
25310	079	000	53105018.475161.		541991	01/18/24	RC	RB	NRPAB DEPOSIT 240119	7368244		100.00-
25310	079	000	53105018.475161.		542342	01/23/24	RC	RB	NRPAB DEPOSIT 240123	7371588		100.00-

Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
25310	079	000	53105018.475161.		542511	01/24/24	RC	RB	NRPAB DEPOSIT 240124	7373237		50.00-
25310	079	000	53105018.475161.		543259	01/26/24	RC	RB	NRPAB DEPOSIT 240126	7376553		50.00-
25310	079	000	53105018.475161.		543984	01/31/24	RC	RB	NRPAB DEPOSIT 240131	7379721		100.00-
Total for Object			475161 TEMPORARY CERTIFIED GENERAL									700.00-
25310	079	000	53105018.475234.		539701	01/03/24	RC	RB	NRPAB DEPOSIT 240103	7352382		100.00-
25310	079	000	53105018.475234.		540889	01/11/24	RC	RB	NRPAB DEPOSIT 240111	7361059		250.00-
25310	079	000	53105018.475234.		541387	01/17/24	RC	RB	NRPAB DEPOSIT 240117	7365162		100.00-
25310	079	000	53105018.475234.		541758	01/18/24	RC	RB	NRPAB DEPOSIT 240118	7366769		300.00-
25310	079	000	53105018.475234.		541991	01/18/24	RC	RB	NRPAB DEPOSIT 240119	7368244		200.00-
25310	079	000	53105018.475234.		542342	01/23/24	RC	RB	NRPAB DEPOSIT 240123	7371588		350.00-
25310	079	000	53105018.475234.		542511	01/24/24	RC	RB	NRPAB DEPOSIT 240124	7373237		100.00-
25310	079	000	53105018.475234.		543259	01/26/24	RC	RB	NRPAB DEPOSIT 240126	7376553		100.00-
25310	079	000	53105018.475234.		543984	01/31/24	RC	RB	NRPAB DEPOSIT 240131	7379721		200.00-
Total for Object			475234 APPLICATION FEES									1,700.00-
25310	079	000	53105018.476101.		539625	01/02/24	RC	RB	NRPAB APP REN EFW DEP 240102	7351781		100.00-
25310	079	000	53105018.476101.		539701	01/03/24	RC	RB	NRPAB DEPOSIT 240103	7352382		50.00-
25310	079	000	53105018.476101.		539949	01/03/24	RC	RB	NRPAB APP REN EFW DEP 240103	7353818		125.00-
25310	079	000	53105018.476101.		539850	01/04/24	RC	RB	NRPAB DEPOSIT 210104	7354240		50.00-
25310	079	000	53105018.476101.		540181	01/04/24	RC	RB	NRPAB APP REN EFW DEP 240104	7355537		200.00-
25310	079	000	53105018.476101.		540540	01/09/24	RC	RB	NRPAB DEPOSIT 240109	7358847		50.00-
25310	079	000	53105018.476101.		541037	01/10/24	RC	RB	NRPAB APP REN EFW DEP 240110	7360966		50.00-
25310	079	000	53105018.476101.		540890	01/11/24	RC	RB	NRPAB APP REN DEPOSIT 240111	7361194		25.00-
25310	079	000	53105018.476101.		541101	01/11/24	RC	RB	NRPAB DEPOSIT 240112	7362915		50.00-
25310	079	000	53105018.476101.		541332	01/12/24	RC	RB	NRPAB APP REN EFW DEP 240112	7364367		200.00-
25310	079	000	53105018.476101.		22761247	01/18/24	JE	G	NRPAB OCT-DEC 2023 ACH RETURNS	7369435		25.00
25310	079	000	53105018.476101.		542512	01/24/24	RC	RB	NRPAB APP REN DEPOSIT 240124	7373043		50.00-
25310	079	000	53105018.476101.		543054	01/25/24	RC	RB	NRPAB APP REN DEPOSIT 240125	7374323		50.00-
25310	079	000	53105018.476101.		543098	01/24/24	RC	RB	NRPAB APP REN EFW DEP 240124	7374432		50.00-
25310	079	000	53105018.476101.		543312	01/25/24	RC	RB	NRPAB APP REN EFW DEP 240125	7376528		50.00-
25310	079	000	53105018.476101.		544239	01/31/24	RC	RB	NRPAB APP RENEW EFW DEP 240131	7381078		50.00-
Total for Object			476101 LATE PROCESSING FEES									1,125.00-
25310	079	000	53105018.481100.		22762517	01/19/24	JE	G	OIP Dec 2023 2.89116%	7370043		1,200.12-
Total for Object			481100 INVESTMENT INCOME									1,200.12-
25310	079	000	53105018.484500.		542512	01/24/24	RC	RB	NRPAB APP REN DEPOSIT 240124	7373043		20.00-
25310	079	000	53105018.484500.		22830359	01/31/24	JE	G	PCARD REBATE Q4 2023	7381834		6.[illegible]1-

Agency 053 REAL PROPERTY APPRAISER BD

All Objects

Division 000 AGENCY DEFINED DIVISION

As of 01/31/24

Grant

Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
Total for Object			484500 REIMB NON-GOVT SOURCES									26.11-
25310	079	000	53105018.511100.		3178415	01/10/24	T2	7	PAYROLL LABOR DISTRIBUTION	7356874		4,086.60
25310	079	000	53105018.511100.		3178679	01/24/24	T2	7	PAYROLL LABOR DISTRIBUTION	7367097		4,875.56
Total for Object			511100 PERMANENT SALARIES-WAGES									8,962.16
25310	079	000	53105018.511600.		22718276	01/11/24	JE	G	NRPAB PAYROLL ADJUSMENT	7363574		260.00
Total for Object			511600 PER DIEM PAYMENTS									260.00
25310	079	000	53105018.512100.		3178415	01/10/24	T2	7	PAYROLL LABOR DISTRIBUTION	7356874		646.36
Total for Object			512100 VACATION LEAVE EXPENSE									646.36
25310	079	000	53105018.512200.		3178679	01/24/24	T2	7	PAYROLL LABOR DISTRIBUTION	7367097		36.46
Total for Object			512200 SICK LEAVE EXPENSE									36.46
25310	079	000	53105018.512300.		3178415	01/10/24	T2	7	PAYROLL LABOR DISTRIBUTION	7356874		805.78
25310	079	000	53105018.512300.		22718276	01/11/24	JE	G	NRPAB PAYROLL ADJUSMENT	7363574		260.00-
25310	079	000	53105018.512300.		3178679	01/24/24	T2	7	PAYROLL LABOR DISTRIBUTION	7367097		545.78
Total for Object			512300 HOLIDAY LEAVE EXPENSE									1,091.56
25310	079	000	53105018.515100.		3178416	01/10/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7356874		395.29
25310	079	000	53105018.515100.		3178680	01/24/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7367097		408.68
Total for Object			515100 RETIREMENT PLANS EXPENSE									803.97
25310	079	000	53105018.515200.		3178416	01/10/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7356874		392.53
25310	079	000	53105018.515200.		3178680	01/24/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7367097		386.38
Total for Object			515200 FICA EXPENSE									778.91
25310	079	000	53105018.515500.		3178416	01/10/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7356874		926.77
25310	079	000	53105018.515500.		3178680	01/24/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7367097		926.77
Total for Object			515500 HEALTH INSURANCE EXPENSE									1,853.54
25310	079	000	53105018.521100.		22608095	01/02/24	JE	G	NRPAB POSTAGE NOVEMBER 2023	7346484		35.21-
25310	079	000	53105018.521100.		22754416	01/18/24	JE	G	POSTAGE DUE DEC 2023	7369204		360.37
Total for Object			521100 POSTAGE EXPENSE									325.16
25310	079	000	53105018.521400.		53708948	01/03/24	PV	V	AS - OCIO - COMMUNICATIONS	7354694		137.31
25310	079	000	53105018.521400.		53767127	01/18/24	PV	V	AS - OCIO - IMSERVICES	7369440		477.36
Total for Object			521400 CIO CHARGES									614.67

J.7

Agency 053 REAL PROPERTY APPRAISER BD All Objects
Division 000 AGENCY DEFINED DIVISION As of 01/31/24
Grant

Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
25310	079	000	53105018.521900.		53752700	01/16/24	PV	V	CORRECTIONAL SERVICES, DEPARTM	7365393		18.20
Total for Object			521900 AWARDS EXPENSE									18.20
25310	079	000	53105018.522100.		22664384	01/03/24	J1	G	PURCHASE CARD TRANSACTION	7353749		390.00
Total for Object			522100 DUES & SUBSCRIPTION EXP									390.00
25310	079	000	53105018.524600.		22634035	01/08/24	JE	G	RENT & LB530 JAN 2024 - OTHER	7348775		1,034.31
25310	079	000	53105018.524600.		53789095	01/23/24	PV	V	SECRETARY OF STATE	7373340		21.81
Total for Object			524600 RENT EXPENSE-BUILDINGS									1,056.12
25310	079	000	53105018.524900.		22634035	01/08/24	JE	G	RENT & LB530 JAN 2024 - OTHER	7348775		348.91
Total for Object			524900 RENT EXP-DEPR SURCHARGE									348.91
25310	079	000	53105018.531100.		22471163	01/02/24	JE	G	OFFICE DEPOT NOV 2023	7325892		65.80
25310	079	000	53105018.531100.		22710195	01/10/24	JE	G	NRPAB ODP BUS SOL 11/2023	7361640		23.03-
Total for Object			531100 OFFICE SUPPLIES EXPENSE									42.77
25310	079	000	53105018.539500.		53708341	01/03/24	PC	V	Purchase Card Offset	7353639		601.00
25310	079	000	53105018.539500.		22664384	01/03/24	J1	G	PURCHASE CARD TRANSACTION	7353749		601.00-
Total for Object			539500 PURCHASING CARD SUSPENSE									
25310	079	000	53105018.541700.		22664384	01/03/24	J1	G	PURCHASE CARD TRANSACTION	7353749		1.00
Total for Object			541700 LEGAL RELATED EXPENSE									1.00
25310	079	000	53105018.542100.		53698407	01/02/24	PV	V	AS - PERSONNEL DIVISION	7353141		588.68
25310	079	000	53105018.542100.		53737161	01/10/24	PV	V	AS - PERSONNEL DIVISION	7361715		221.62
Total for Object			542100 SOS TEMP SERV - PERSONNEL									810.30
25310	079	000	53105018.554900.		22578490	01/02/24	JE	G	NRPAB OFFICE INSTALLATION	7342338		273.44-
25310	079	000	53105018.554900.		53645582	01/02/24	PV	V	NEBRASKA STATE PATROL	7347105		633.50
25310	079	000	53105018.554900.		53718139	01/05/24	PV	V	MCCORMICK, GARY	7357974		875.00
25310	079	000	53105018.554900.		53718481	01/05/24	PV	V	MCCORMICK, GARY	7358019		875.00
25310	079	000	53105018.554900.		53737112	01/10/24	PV	V	NEBRASKA STATE PATROL	7361667		135.75
Total for Object			554900 OTHER CONTRACTUAL SERVICES									2,245.81
25310	079	000	53105018.559100.		53767117	01/18/24	PV	V	TREASURER, STATE	7369423		100.00
Total for Object			559100 OTHER OPERATING EXP									100.00

J.8

Agency 053 REAL PROPERTY APPRAISER BD
All Objects
Division 000 AGENCY DEFINED DIVISION
As of 01/31/24
Grant

Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
25310	079	000	53105018.574500.		53737201	01/10/24	PV	V	WALKENHORST, WADE	7361745		6.81
25310	079	000	53105018.574500.		53743866	01/11/24	PV	V	HERMSEN, KEVIN P	7364145		36.62
Total for Object			574500 PERSONAL VEHICLE MILEAGE									43.43
25310	079	000	53105018.575100.		53737201	01/10/24	PV	V	WALKENHORST, WADE	7361745		1.63
25310	079	000	53105018.575100.		53743866	01/11/24	PV	V	HERMSEN, KEVIN P	7364145		1.95
Total for Object			575100 MISC TRAVEL EXPENSE									3.58
Total for Business Unit		53105018	NE REAL PROPERTY APPRAISER									4,946.18
25320	079	000	53105200.475165.		539989	01/03/24	RC	RB	NRPAB AMC REN EFW DEP 240103	7353917		1,500.00-
25320	079	000	53105200.475165.		539848	01/04/24	RC	RB	NRPAB AMC DEPOSIT 240104	7354161		1,500.00-
25320	079	000	53105200.475165.		540431	01/05/24	RC	RB	NRPAB AMC REN EFW DEP 240105	7357352		1,500.00-
25320	079	000	53105200.475165.		540541	01/09/24	RC	RB	NRPAB AMC DEPOSIT 240109	7358793		1,500.00-
25320	079	000	53105200.475165.		541757	01/18/24	RC	RB	NRPAB AMC DEPOSIT 240118	7366745		1,500.00-
25320	079	000	53105200.475165.		541884	01/17/24	RC	RB	NRPAB AMC REN EFW DEP 240117	7366875		1,500.00-
25320	079	000	53105200.475165.		22761247	01/18/24	JE	G	NRPAB OCT-DEC 2023 ACH RETURNS	7369435		1,500.00
25320	079	000	53105200.475165.		542426	01/22/24	RC	RB	NRPAB AMC REN EFW DEP 240122	7371821		1,500.00-
25320	079	000	53105200.475165.		542613	01/23/24	RC	RB	NRPAB AMC REN EFW DEP 240123	7372974		1,500.00-
25320	079	000	53105200.475165.		543097	01/24/24	RC	RB	NRPAB AMC REN EFW DEP 240124	7374375		3,000.00-
25320	079	000	53105200.475165.		543553	01/26/24	RC	RB	NRPAB AMC REN EFW DEP 240126	7377110		1,500.00-
Total for Object			475165 AMC REGISTERED RENEWAL									15,000.00-
25320	079	000	53105200.475166.		541385	01/17/24	RC	RB	NRPAB AMC DEPOSIT 240117	7365205		350.00-
Total for Object			475166 FED REG AMC RPT FORM PROC FEES									350.00-
25320	079	000	53105200.476101.		22761247	01/18/24	JE	G	NRPAB OCT-DEC 2023 ACH RETURNS	7369435		25.00
25320	079	000	53105200.476101.		543097	01/24/24	RC	RB	NRPAB AMC REN EFW DEP 240124	7374375		25.00-
25320	079	000	53105200.476101.		543553	01/26/24	RC	RB	NRPAB AMC REN EFW DEP 240126	7377110		25.00-
Total for Object			476101 LATE PROCESSING FEES									25.00-
25320	079	000	53105200.481100.		22762517	01/19/24	JE	G	OIP Dec 2023 2.89116%	7370043		838.36-
Total for Object			481100 INVESTMENT INCOME									838.36-
25320	079	000	53105200.511100.		3178415	01/10/24	T2	7	PAYROLL LABOR DISTRIBUTION	7356874		2,200.04
25320	079	000	53105200.511100.		3178679	01/24/24	T2	7	PAYROLL LABOR DISTRIBUTION	7367097		2,625.38
Total for Object			511100 PERMANENT SALARIES-WAGES									4,825.42
25320	079	000	53105200.511600.		22718276	01/11/24	JE	G	NRPAB PAYROLL ADJUSMENT	7363574		140.00

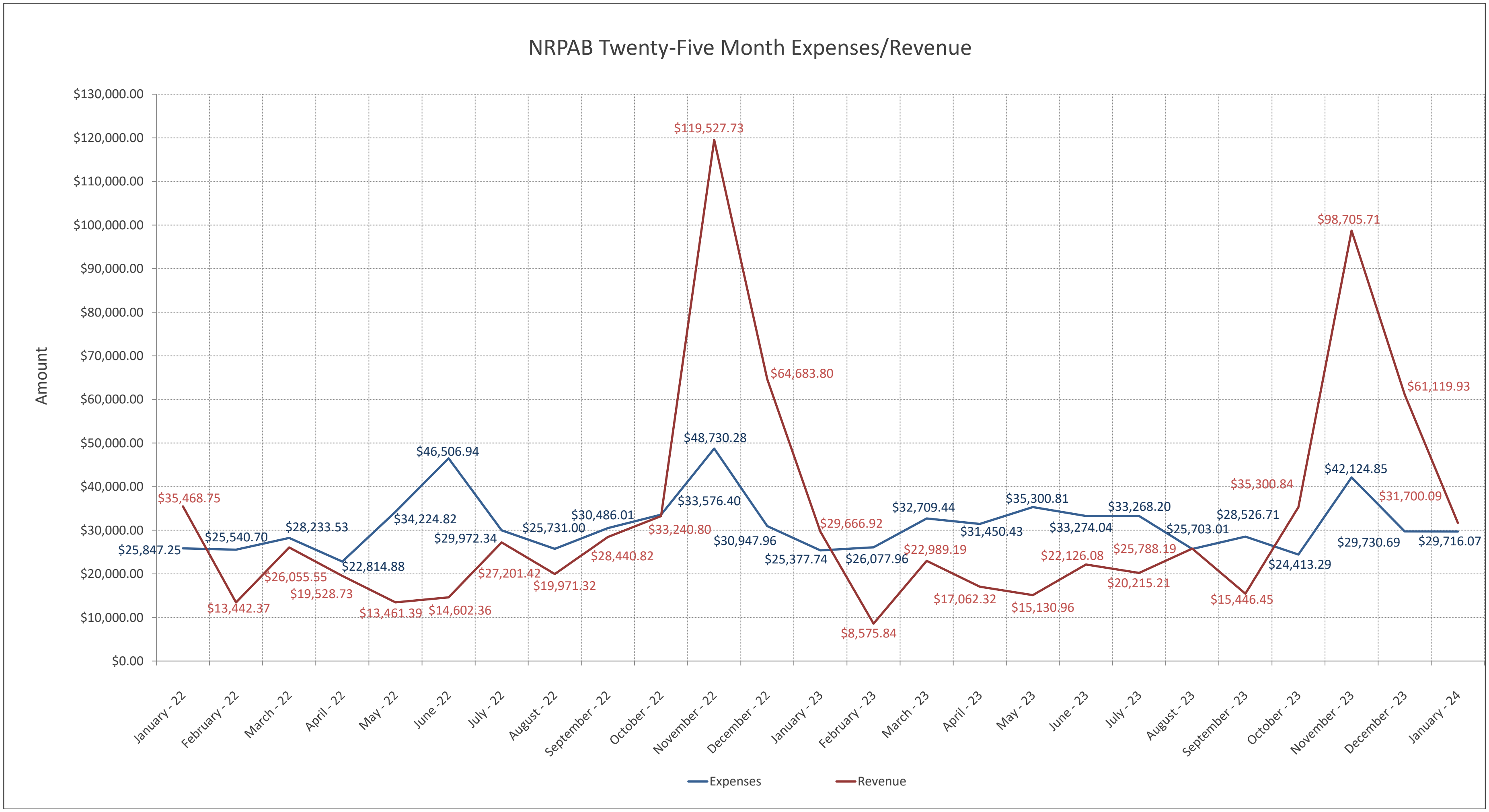
Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
Total for Object			511600 PER DIEM PAYMENTS									140.00
25320	079	000	53105200.512100.		3178415	01/10/24	T2	7	PAYROLL LABOR DISTRIBUTION	7356874		348.49
Total for Object			512100 VACATION LEAVE EXPENSE									348.49
25320	079	000	53105200.512200.		3178679	01/24/24	T2	7	PAYROLL LABOR DISTRIBUTION	7367097		19.56
Total for Object			512200 SICK LEAVE EXPENSE									19.56
25320	079	000	53105200.512300.		3178415	01/10/24	T2	7	PAYROLL LABOR DISTRIBUTION	7356874		433.88
25320	079	000	53105200.512300.		22718276	01/11/24	JE	G	NRPAB PAYROLL ADJUSMENT	7363574		140.00-
25320	079	000	53105200.512300.		3178679	01/24/24	T2	7	PAYROLL LABOR DISTRIBUTION	7367097		293.88
Total for Object			512300 HOLIDAY LEAVE EXPENSE									587.76
25320	079	000	53105200.515100.		3178416	01/10/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7356874		212.83
25320	079	000	53105200.515100.		3178680	01/24/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7367097		220.06
Total for Object			515100 RETIREMENT PLANS EXPENSE									432.89
25320	079	000	53105200.515200.		3178416	01/10/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7356874		211.40
25320	079	000	53105200.515200.		3178680	01/24/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7367097		208.03
Total for Object			515200 FICA EXPENSE									419.43
25320	079	000	53105200.515500.		3178416	01/10/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7356874		499.02
25320	079	000	53105200.515500.		3178680	01/24/24	T3	7	ACTUAL BURDEN JOURNAL ENTRIES	7367097		499.02
Total for Object			515500 HEALTH INSURANCE EXPENSE									998.04
25320	079	000	53105200.521100.		22608095	01/02/24	JE	G	NRPAB POSTAGE NOVEMBER 2023	7346484		35.21
Total for Object			521100 POSTAGE EXPENSE									35.21
25320	079	000	53105200.521400.		53708948	01/03/24	PV	V	AS - OCIO - COMMUNICATIONS	7354694		73.93
25320	079	000	53105200.521400.		53767127	01/18/24	PV	V	AS - OCIO - IMSERVICES	7369440		257.04
Total for Object			521400 CIO CHARGES									330.97
25320	079	000	53105200.521900.		53752700	01/16/24	PV	V	CORRECTIONAL SERVICES, DEPARTM	7365393		9.80
Total for Object			521900 AWARDS EXPENSE									9.80
25320	079	000	53105200.522100.		22664384	01/03/24	J1	G	PURCHASE CARD TRANSACTION	7353749		210.00
Total for Object			522100 DUES & SUBSCRIPTION EXP									210.00
25320	079	000	53105200.524600.		53789095	01/23/24	PV	V	SECRETARY OF STATE	7373340		[illegible]

J.10

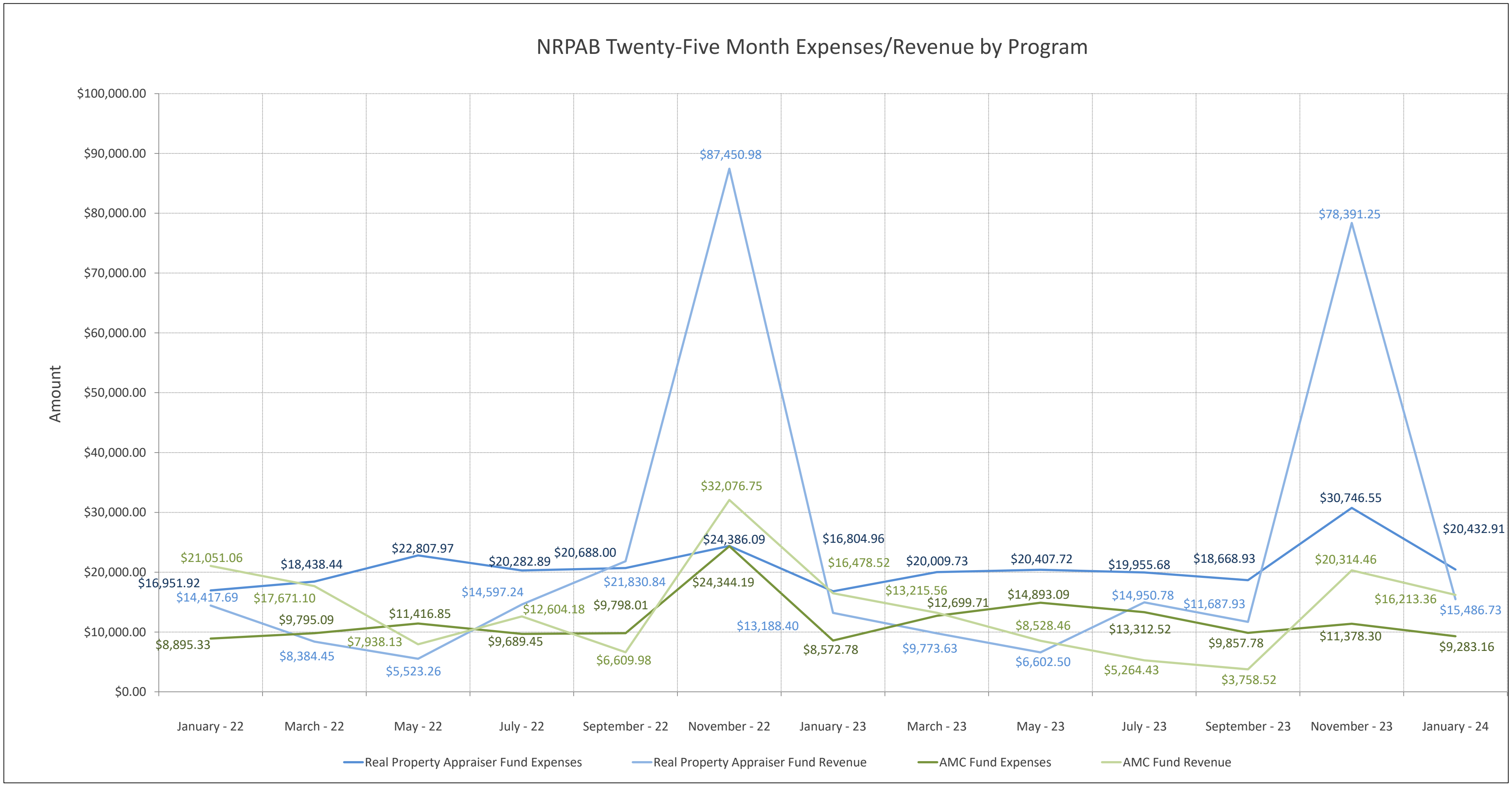
Agency 053 REAL PROPERTY APPRAISER BD All Objects
Division 000 AGENCY DEFINED DIVISION As of 01/31/24
Grant

Fund	Program	Sub-Program	Account Number	Sub-ledger	Doc Number	Tran Date	Tran Type	Batch Type	Payee/Explanation	Batch Number	Posted Code	Month to Date
Total for Object			524600 RENT EXPENSE-BUILDINGS									11.74
25320	079	000	53105200.531100.		22710195	01/10/24	JE	G	NRPAB ODP BUS SOL 11/2023	7361640		23.03
Total for Object			531100 OFFICE SUPPLIES EXPENSE									23.03
25320	079	000	53105200.542100.		53698407	01/02/24	PV	V	AS - PERSONNEL DIVISION	7353141		316.98
25320	079	000	53105200.542100.		53737161	01/10/24	PV	V	AS - PERSONNEL DIVISION	7361715		119.34
Total for Object			542100 SOS TEMP SERV - PERSONNEL									436.32
25320	079	000	53105200.554900.		22578490	01/02/24	JE	G	NRPAB OFFICE INSTALLATION	7342338		273.44
25320	079	000	53105200.554900.		53737112	01/10/24	PV	V	NEBRASKA STATE PATROL	7361667		135.75
Total for Object			554900 OTHER CONTRACTUAL SERVICES									409.19
25320	079	000	53105200.559100.		53767117	01/18/24	PV	V	TREASURER, STATE	7369423		20.00
Total for Object			559100 OTHER OPERATING EXP									20.00
25320	079	000	53105200.574500.		53737201	01/10/24	PV	V	WALKENHORST, WADE	7361745		3.67
25320	079	000	53105200.574500.		53743866	01/11/24	PV	V	HERMSEN, KEVIN P	7364145		19.72
Total for Object			574500 PERSONAL VEHICLE MILEAGE									23.39
25320	079	000	53105200.575100.		53737201	01/10/24	PV	V	WALKENHORST, WADE	7361745		.87
25320	079	000	53105200.575100.		53743866	01/11/24	PV	V	HERMSEN, KEVIN P	7364145		1.05
Total for Object			575100 MISC TRAVEL EXPENSE									1.92
Total for Business Unit		53105200	AMC LICENSING									6,930.20-
Total for Division		000										1,984.02-
Total for Agency		053	REAL PROPERTY APPRAISER BD									1,984.02-

Financial Report and Considerations - Financial Charts

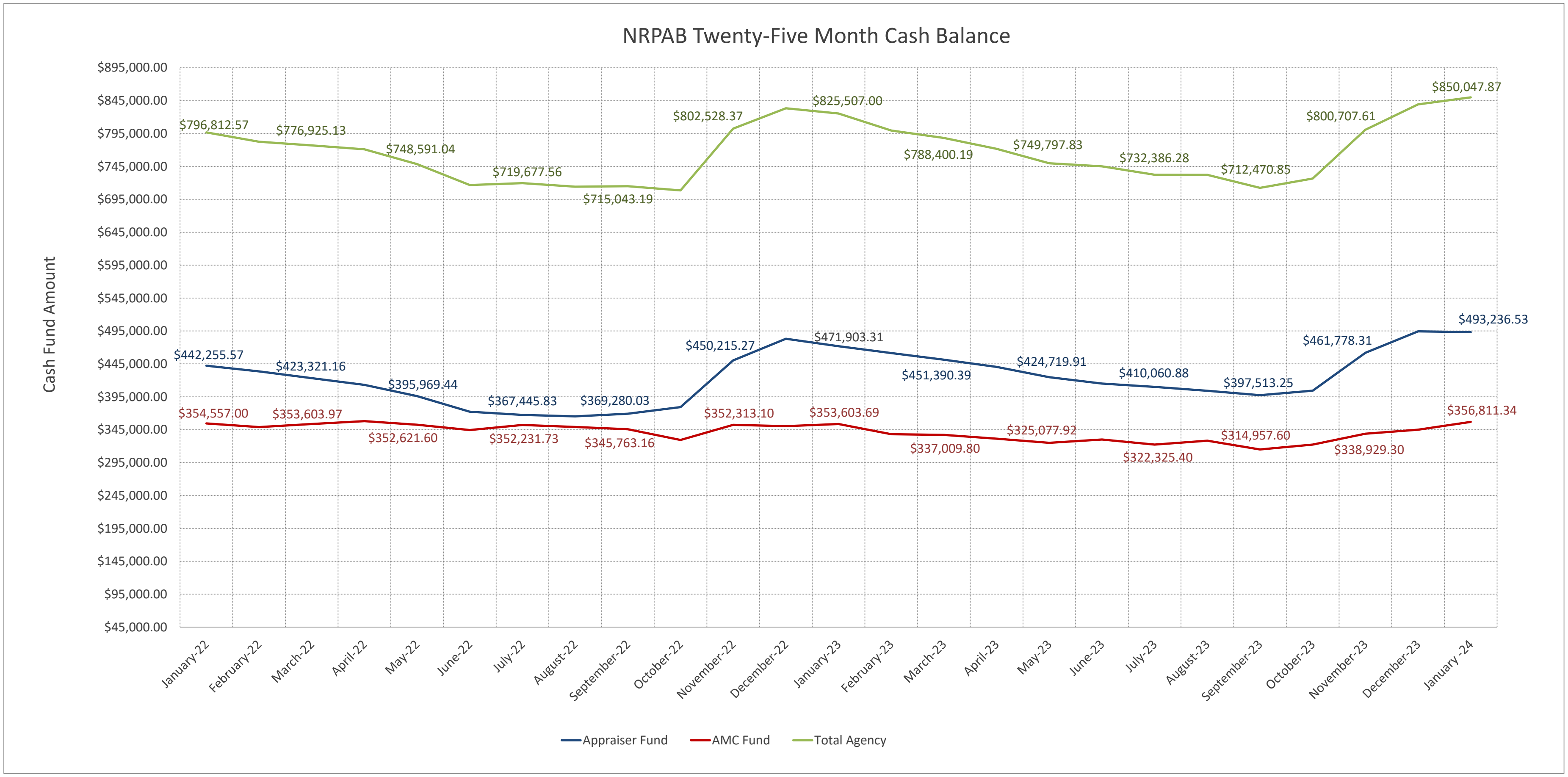


Financial Report and Considerations - Financial Charts

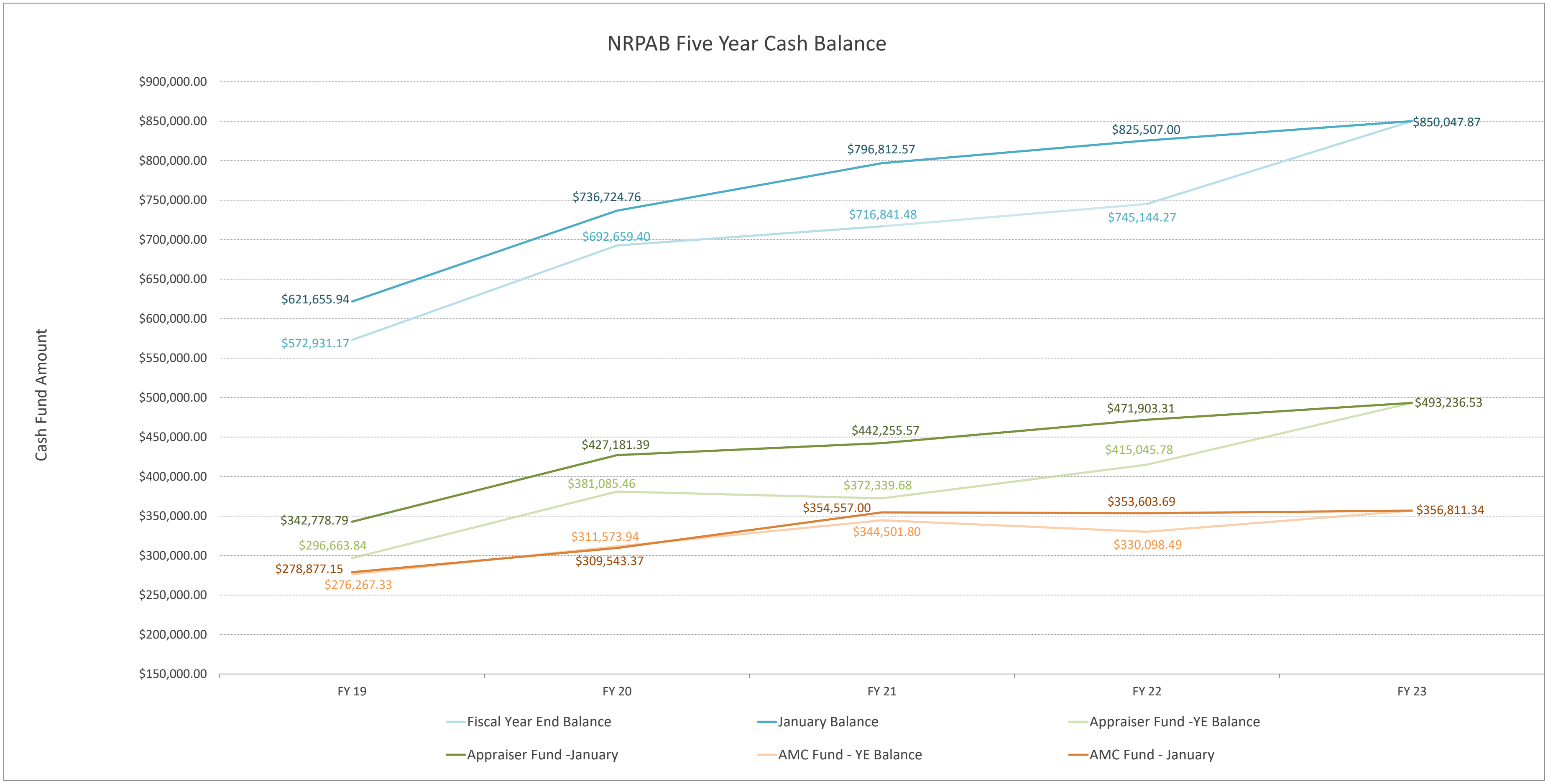


J.13

Financial Report and Considerations - Financial Charts



Financial Report and Considerations - Financial Charts



Nebraska Real Property Appraiser Board

Memo

To: Nebraska Real Property Appraiser Board

From: Kashinda Sims, Education Program Manager

CC:

Date: 2/9/2024

Re: Appraisal Institute “Case Studies in Appraising Green Residential Buildings” (223140P.02)

An application for approval as a continuing education activity, “Case Studies in Appraising Green Residential Buildings” was received at the board office on September 5, 2023. During a review of the application, it was discovered that the student and instructor materials for this activity contain references to materials and sources that date between 2008 and 2010.

In accordance with 298 NAC Chapter 6, §003.02A.2e(3), for an activity not approved by The Appraiser Qualifications Board of The Appraisal Foundation through its Course Approval Program for continuing education, student and instructor materials used for the activity that reflect current theory, methods, and techniques must be submitted.

EXHIBIT

Exhibit 1 “Appraisal Institute (Cse Stud in Appr Grn Res Builds) Stdnt Ins Material_February 8, 2024” located in Database under Education Activity Material Log dated 02/08/2024. (Education Interface dropdown/ Select ‘Search Education’/ Select ‘Activity’ in ‘Search By’ dropdown/ Enter ‘223140P.02’)

Exhibit #1

Appraisal Institute®

Professionals Providing Real Estate Solutions

Case Studies in Appraising Green Residential Buildings

Instructor Handbook

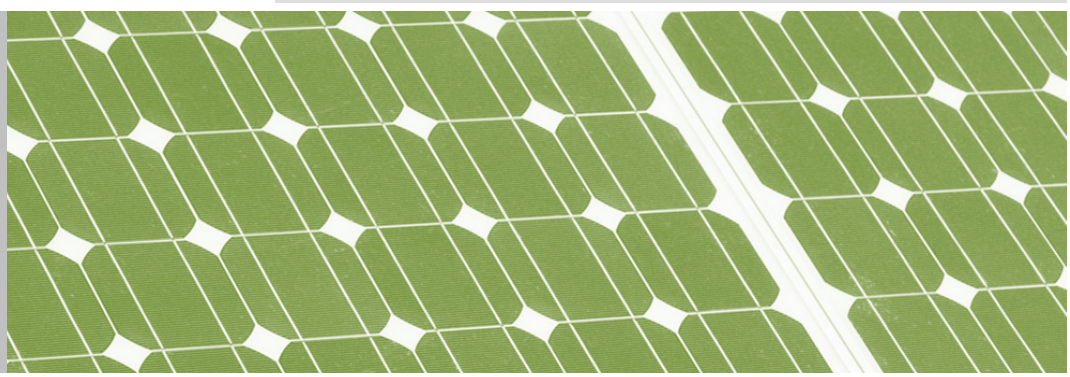


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Exhibit #1

For Educational Purposes Only

The materials presented in this course represent the opinions and views of the developers and/or reviewers. Although these materials may have been reviewed by members of the Appraisal Institute, the views and opinions expressed herein are not endorsed or approved by the Appraisal Institute as policy unless adopted by the Board of Directors pursuant to the Bylaws of the Appraisal Institute. While substantial care has been taken to provide accurate and current data and information, the Appraisal Institute does not warrant the accuracy or timeliness of the data and information contained herein. Further, any principles and conclusions presented in this seminar are subject to court decisions and to local, state, and federal laws and regulations and any revisions of such laws and regulations.

This course is presented for educational and informational purposes only with the understanding that the Appraisal Institute is not engaged in rendering legal, accounting, or other professional advice or services. Nothing in these materials is to be construed as the offering of such advice or services. If expert advice or services are required, readers are responsible for obtaining such advice or services from appropriate professionals.

Nondiscrimination Policy

The Appraisal Institute advocates equal opportunity and nondiscrimination in the appraisal profession and conducts its activities in accordance with applicable federal, state, and local laws.

Before Teaching the Course

General Comments

This one-day, eight-hour course introduces participants to valuation methods for appraising the high-performance house. The instructor notes provide general guidance in presenting the course rather than specific insight into appraisal issues. You will need to review the material thoroughly and do extensive preparation.

The handbook was designed to allow interaction between the instructor and course participants. Instructor enthusiasm toward the material along with a desire to see attendees grasp the concepts will make this course a rewarding experience.

Understanding Your Audience

Case Studies in Appraising Green Residential Buildings was developed for residential real property appraisers, underwriters, lenders, public officials, attorneys, property tax assessors, builders, architects, designers, and appraisal management companies (AMCs).

This course is the second course in the Valuation of Sustainable Buildings Professional Development Program. Designated Members who attend and pass the exam for the required courses in this program will be added to the Registry for Valuation of Sustainable Buildings, which is on the Appraisal Institute Web site.

Prerequisites. (Appraisers)

- *Introduction to Green Buildings: Principles & Concepts* (**OR** *An Introduction to Valuing Commercial Green Buildings* seminar **OR** *Valuation of Green Residential Properties* seminar)
- Certified residential appraiser

Recommended Prerequisites. (Non-appraisers)

- *Introduction to Green Buildings: Principles & Concepts* (**OR** *An Introduction to Valuing Commercial Green Buildings* seminar **OR** *Valuation of Green Residential Properties* seminar)

Course Structure

This class is a mixture of lecture and case studies. The class will work through the case studies in groups and then discuss them as a class. The groups are encouraged to think outside the box as they come up with case study solutions.

Restrict opening comments and discussion about personal appraisal experiences as this course has a lot of material to cover. Survey the class with a show of hands to determine how many participants have appraised green or energy-efficient homes and how much experience class members have. Also, ask how many participants are residential appraisers. If a large percentage of the class has no residential appraisal experience, limit the group work. Work the case studies as a class to stay on schedule.

This may mean walking the class through the solutions, depending upon the experience level of the class.

Ask if you have LEED AP® third-party certifiers, lenders, or solar specialists in the class. If you do, use them as a resource when you discuss topics related to their specialty.

Instructor Handbook

Notes to the instructor regarding content, timing, activities, and solutions to problems are incorporated into the instructor's version of the Course Handbook. Also included are notes with suggestions for covering the content in class and teaching hints where appropriate. While these notes will assist you as you teach, you still will need to annotate your Instructor Handbook with reminders about personal illustrations you want to use in class or any other comments that will assist you in presenting this course.

Timing. The Suggested Schedule in the Instructor Handbook reveals more specific recommended timing than the participants' Course Handbook schedule. Flexibility in pacing the course is built into the design of the Course Handbook. It will take several presentations before you get the timing just right. The instructor notes that are integrated into the handbook before each Part also contain timing. Each morning and afternoon session includes two 10-minute breaks. There is a one-hour break for lunch. The schedule can be adapted to meet specific needs.

50-minute hour. The course structure is based on a 50-minute credit hour that includes an ample margin of safety. However, some states require 54 minutes (e.g., the 90% rule), which will reduce that safety margin significantly. For those states, it is essential for the instructor to watch the schedule more closely and make certain that participants return from breaks on time. Please make appropriate arrangements with the course sponsor to meet the requirements for qualifying education (CE) credit in the state in which you are presenting the course.

Page numbers. Since the notes to the instructor are fully integrated into a special instructor's version of the Course Handbook, you'll find that the instructor notes have their own separate page numbering. The page numbering for actual course content is exactly the same as that in the Course Handbook.

Course Design

Green Resources. Tap a variety of online Green Resources from our Web site at www.appraisalinstitute.org/myappraisalinstitute/education/827/default.aspx. Topics are expanded regularly and include legislation, national and state government sites and programs, databases, design, and solar energy. This free benefit is available only to class participants. Appraisal Institute Designated Members receive indefinite access; all other class participants are granted two-year admittance.

These links are provided to participants of any and all of the courses in the Appraisal Institute's Sustainability Valuation Professional Development Program:

- *Introduction to Green Buildings: Principles & Concepts*
- *Case Studies in Appraising Green Residential Buildings*

- *Case Studies in Appraising Green Commercial Buildings* (coming soon)

Participants' classroom materials will be topped by a "violator" page making them aware of the Green Resources online listing and asking them to review it prior to class.

Please help us make this a true member benefit by submitting informative "green" links to the instructor forum within My Communities on the Appraisal Institute's Web site at

www.appraisalinstitute.org/myappraisalinstitute/my_communities.aspx.

Preview. Each Part includes a Preview page that presents a brief overview, learning objectives, and learning tips for the material that follows.

Review. Each Part also includes a Review page, which repeats the learning objectives and provides recommended readings as well as terms and concepts to remember. Remind participants that they should now understand the learning objectives and be able to define the terms and concepts. To reinforce the information covered in each section, there are practice tests to help participants prepare for the exam.

Learning Objectives. Each exam question stems from the learning objectives that appear in the course. By previewing and reviewing the objectives before and after each Part, you help reinforce what participants will need to know for the exam.

Activities. This course incorporates different types of interactive learning activities. The Instructor Notes for each Part will provide suggestions on how to present the activities. Use your own personal stories, photographs, and visual aids; however, be cautious about timing as there is a lot of information to cover and limited time.

Discussion Questions are presented throughout the course. These questions are simpler at the beginning of the course, asking for information on content. As the course progresses, these questions become more involved and ask participants to synthesize and apply the content.

Fill-in-the-Blanks. There are also instances where we provide open space in the Course Handbook for the class to answer specific questions. Answers for most of these questions are found in the Solutions Booklet, and if not, the answers are provided on a PowerPoint slide. Participants will be copying information from the display screen to the blank spaces provided in their handbook.

The fill-in-the-blanks are used as a teaching tool for better retention and attentiveness. Be sure to leave enough time for participants to write in answers or to copy information that is displayed on the screen. One way to know when they are ready to move on is to simply ask them to look up at you when they've finished writing their notes.

Digging Deeper. Throughout the course you will find content labeled as *Digging Deeper*. Generally, the instructor will not cover this material during the class session. Content labeled as *Digging Deeper* can be covered at the instructor's discretion, or participants can read through the content for additional information and explanations.

Solutions Booklet. Answers to all the practice tests, discussion questions, and problems are found in the Solutions Booklet. Solutions Booklets are shipped directly to Chapters (along with the exams), so it is at your discretion when to distribute them.

You may want to distribute the solutions at the end of the day. This enables participants to study the material learned during the day, but it doesn't provide answers for upcoming class work.

Visual Aids

PowerPoint. The PowerPoint presentation highlights key items in the course material. Instructors may modify the presentation to reflect differing presentation styles.

The presentation for this course is available for downloading on the Approved Instructor page of the Appraisal Institute's Web site (*www.appraisalinstitute.org/COP/advincinst*). The PowerPoint files were designed for the exclusive use of the Appraisal Institute. These slides may not be used in any other education program, in whole or in part, without the written permission of the Appraisal Institute.

Note. We've created slides from course content that we deemed most important. As a result, not all handbook material is covered in the slides. If you'd like to create additional PowerPoint slides from course content, contact Appraisal Institute staff to receive select electronic files.

We've provided the slide presentation in the PowerPoint 2007 version. Some features and animations in the 2007 version don't work properly in the 2003 version, and the same is true in reverse. Please be aware of the compatibility issues between these two versions of PowerPoint.

Note. If you use Microsoft Office 2003, a patch is available that will make your system compatible with the new file suffixes (i.e. docx, xlsx, pptx). The URL is listed below.

Microsoft Office Compatibility Pack

http://office.microsoft.com/downloads/details.aspx?familyid=941B3470-3AE9-4AEE-8F43-C6BB74CD1466&displaylang=en

If you use only PowerPoint rather than the whole Microsoft Office suite, a viewer for PowerPoint 2007 is available at the URL listed below.

PowerPoint Viewer 2007

http://office.microsoft.com/downloads/details.aspx?familyid=048DC840-14E1-467D-8DCA-19D2A8FD7485&displaylang=en

You may, however, wish to upgrade to the more current version. To find out which version you currently have (prior to 2007), open your PowerPoint program and click on the main menu's "Help" item. When the drop-down choices appear, select "About Microsoft PowerPoint" and click to activate a dialog box that will indicate the version you are using. An upgrade version of PowerPoint is available for a modest cost in most office supply and computer stores.

If you're new to PowerPoint, be sure to allow ample practice time before your first scheduled presentation date. These guide notes are not intended to teach the fundamentals of using PowerPoint.

Please consider purchasing a "how to" book on PowerPoint basics if you're new to this software program.

One tool highly recommended for this presentation is a handheld remote to advance the slides. Since the slide and text transitions require "mouse clicks," you'll quickly become frustrated if you have to stand next to your notebook computer and press the Enter key each time you need to advance a slide or text animation. You can use the remote that comes with the LCD projector or an after-market product.

If you have access to a radio-frequency (RF) remote, you will notice that you can click the slide transitions from almost anywhere in the classroom. If you want more information on this type of remote, go to an Internet search engine and type in the words "kensington wireless presentation remote" or "power presenter RF remote." Otherwise, the remote that comes with the projector is adequate.

You may want to make a printed copy (two slides per page) of the PowerPoint presentation and have it coil bound. This will tell you which slide is coming up next in the sequence.

Some instructors also find it helpful to insert the word "click" in the side margin of their handbook to alert them when a text animation or new slide should be displayed. If there are too many mouse clicks to suit your presentation style, you can remove as many as you like assuming that you are proficient in editing PowerPoint slides. Remember to thoroughly test the system you intend to use before your first class.

Computer Hardware and Fonts. The PowerPoint 2007 files you have in your package were designed to run with an Intel Pentium III or IV computer. Your notebook computer should have at least 256 Mb of RAM and we recommend 32Mb video, although you may get by with less video memory. Some notebook computers have dynamic video memory that borrows from the computer's RAM as it is needed, so the best approach is to pretest the slide show with your notebook computer. As you practice the presentation, the slide transitions and text animations should change smoothly without hesitation.

Your computer should have standard fonts installed so that the text in the slides will display properly. In addition to common text fonts, make sure that you have the Bondi 12C Plus font, which is needed for proper display of calculator keystrokes. You can check in either MS Word or PowerPoint.

LCD Projectors. For best results, an LCD projector with native XGA (786 x 1024) resolution is highly recommended. This is the current industry standard.

It is also recommended that the LCD projector have a lamp brightness of 2,000 lumens or greater. Projectors of lesser brightness might still work, depending on how well the screen is protected from ambient light. A dull image can cause attendees to tire more easily due to eyestrain.

Dimming the lights in the room to compensate for an inadequate projector will also cause participants to tire easily. The goal is a bright screen image protected from a well-lit student seating area. This will always be a challenge whenever LCD projectors are used.

Exhibit #1

If you're uncertain about the specs for a particular projector you will be using, go to the Web site for Projector Central and look up the specs on any recent projector as well as most out-of-production models: the URL is www.projectorcentral.com/projectors.cfm.

Financial Calculators

The HP-12C financial calculator is the recommended calculator used in this course. Participants who are proficient in the operation of other financial calculators are welcome to use them in lieu of the HP-12C.

However, participants should be aware that no class time will be used to cover the operation or keystroke sequences of those particular calculators. You do not need to be an expert in the operation of the HP-12C, but you should be comfortable enough to assist participants who experience problems while using this calculator.

If you require a new manual for the HP calculator, it may be ordered through

- HP Parts Direct Ordering at 800-227-8164
- http://partsdirect.hp.com

(part number is HP-12C MANUAL USER'S GUIDE FOR 12C).

Other places to order manuals

- CalcPro at http://www.calcpro.com
- Solutions manual at http://media-server.amazon.com/media/mole/MANUAL000021450.pdf

Textbooks

There are no required textbooks for this course. However, we have references in the review sections within each part of the Course Handbook to the following textbooks:

- *Appraising Residential Properties,* 4th edition. Chicago: Appraisal Institute, 2007.
- *The Appraisal of Real Estate,* 13th edition. Chicago: Appraisal Institute, 2008.
- Rattermann, Mark R., MAI, SRA. *Valuation by Comparison, Residential Analysis and Logic.* Appraisal Institute, 2007.
- Simmons, Alan F., SRPA, LEED AP. *An Introduction to Green Homes*. Appraisal Institute, 2010.
- *Marshall and Swift Green Building Cost Handbook*

Participants would also benefit from having a copy of

- *The Dictionary of Real Estate Appraisal,* 5th edition, Appraisal Institute, 2010.

Exam

The exam has 25 multiple-choice questions and will be given at the end of the day. Participants have one hour to complete it.

Suggested Schedule

SECTION 1. (Morning)

Registration		
7:30–8:00	30 minutes	Registration
Overview and Introduction		
8:00–8:10	10 minutes	Classroom Rules, Overview, and Introduction
Part 1. Review of Green Building Principles and Concepts		
8:10–8:15	5 minutes	Introduction and Self Assessment Test
8:15–8:30	15 minutes	What is a High-Performance House
		Six Elements of Green Building
8:30–9:00	30 minutes	How Do the Characteristics of a High-Performance House Affect the Analysis?
		USPAP
9:00–9:10	10 minutes	Resources, Incentives, Mandates, and Bills
9:10–9:20	10 minutes	MORNING BREAK
Part 2. Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items		
9:20–9:30	10 minutes	Costs Relative to Value
9:30–9:55	25 minutes	Supporting Adjustments from GRM Analysis
		Estimating the Monthly Utility Savings When a HERS Index Rating Is Not Available
		Paired Sales Analysis
9:55–10:20	25 minutes	Market Analysis, (Studies, Verification of Sales, HERS Index Rating)
10:20–10:30	10 minutes	MORNING BREAK
10:30–10:40	10 minutes	Three Approaches and Green Buildings
		Final Inspection of a Green or Energy Star Home
		Interviewing the Buyer, Seller, Agent, or Builder
Part 3. Review of the Sales Comparison Approach Case Study Problems		
10:40–11:10	30 minutes	Case Study 1 – Sales Comparison Approach
11:10–11:30	20 minutes	Case Study 2 – Sales Comparison Approach – HERS Index Rating
11:30–11:50	20 minutes	Case Study 3 – Energy-Efficient Retrofit
11:50–12:00	10 minutes	Practice Test
12:00–1:00	60 minutes	LUNCH

Exhibit #1

SECTION 2. (Afternoon)

Part 4. Green Residential Case Studies: Cost Approach		
1:00–1:20	20 minutes	Market Value Versus Cost
		Case Study 4 and Review
1:20–1:40	20 minutes	Case Study 5—Cost Approach—and Review
Part 5. Green Residential Case Studies: Income Capitalization Approach		
1:40–1:55	15 minutes	Case Study 6—Income Savings Case Study—and Review
1:55–2:20	25 minutes	Case Study 7—Duplex Case Study—and Review
2:20–2:30	10 minutes	AFTERNOON BREAK
2:30–2:50	20 minutes	Case Study 8—Income Capitalization Approach to the Value of Solar Panels—and Review
Part 6. The Reconciliation		
2:50–3:10	20 minutes	The Writing Process
		6.1 Exercise (Summary of Sales Comparison Approach and Reconciliation and Final Reconciliation)
3:10–3:15	5 minutes	Opportunities for Residential Appraisers
3:15–3:20	5 minutes	Practice Test
3:20–3:40	20 minutes	Course Review and Questions
3:40–3:50	10 minutes	AFTERNOON BREAK
3:50–4:00	10 minutes	Course Evaluation and Instructions for Exam

(Afternoon)

Exam		
4:00–5:00	60 minutes	Examination: 25 Questions, Multiple Choice

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Exhibit #1

Acknowledgments

The following contributors deserve recognition for their efforts in developing this material:

Course developer:	Sandra K. Adomatis, SRA
Development team members:	Theddi Wright Chappell, MAI, CRE, LEED® AP
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	Edward Pollock

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Table of Contents

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Part 1. Review of Green Building Principles and Concepts

Part 2. Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items

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SECTION 2

Part 4. Green Residential Case Studies: Cost Approach

Part 5. Green Residential Case Studies: Income Capitalization Approach

Part 6. The Reconciliation

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Appendixes

Appendix 1

Appendix 2

Excerpts from

U.S. Department of Energy Building Technologies Program. Building America Best Practices Series (Vol. 11). Builders Challenge Guide to Whole House Energy Savings in the Marine Climate, September 2010.

- Chapter 6, Building Science and the Systems Approach
- Appendix I, Homebuyer's Checklist
- Appendix IV, Energy and Housing Glossary

All excerpts are reprinted with permission.

Exhibit #1

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Exhibit #1

Overview

Course Description

Case Studies in Appraising Green Residential Buildings was written for appraisers, underwriters, appraisal reviewers, real estate agents/brokers, and quality control personnel. The appraisal of the high-performance (green) house offers a challenge to appraisers because this type of construction is new in most markets. Mandated requirements affecting the construction of residential properties will affect the residential market in important ways. However, current valuation techniques have the capacity to reflect sustainability issues.

The course begins with a review of some of the main points in the *Introduction to Green Buildings: Principles & Concepts* course. It moves beyond that introductory course by using in-depth case studies to encourage a practical application of the techniques available to appraise high-performance homes. Some of the problems, discussion questions, and case studies are based on real-life examples provided by builders, real estate agents, and appraisers. Addresses and identifying information are fictional. The valuation process is examined as it applies in each of the three approaches to value. Participants will increase their knowledge about high-performance homes and tools available for valuation in addition to developing problem-solving skills in this new building technology.

This course is one of a series of courses that are part of the Appraisal Institute's Valuation of Sustainable Buildings Professional Development Program. For more information about the program, see Professional Development Programs on the Appraisal Institute Web site www.appraisalinstitute.org.

Learning Enhancements

The course has been designed with a variety of elements to enhance your learning experience.

- ***Preview.*** To give you a taste of what is to come, you will find a Preview page that begins each Part. Included on the Preview page is a brief overview of the content, learning objectives to consider as you move through the content, and learning tips that will assist you in understanding the information you're about to learn.

- ***Learning Objectives.*** Each learning objective covers essential information you need to know to understand the concepts in the course. Review them before the Part begins so that you have a frame of reference as you move through the material. At the end of each Part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help. Or, review the concepts that you do not understand.

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- ***Examples & Problems.*** Supplementing the discussions, we've included examples and problems to help you visualize and practice what you are learning.

- ***Case Studies.*** The eight case studies in the course contain real-world exercises that provide practice in applying tools and methods to appraise green homes.

- ***Green Resources.*** Tap a variety of online Green Resources from our Web site at: www.appraisalinstitute.org/myappraisalinstitute/education/827/default.aspx. Topics are expanded regularly and include legislation, national and state government sites and programs, databases, design, and solar energy. This free benefit is available only to class participants. Appraisal Institute Designated Members receive indefinite access; all other class participants are granted two-year admittance.

- ***Review.*** Each Part concludes with a review. Included in the review are the learning objectives and key terms and concepts that have been covered. In addition, we've provided recommended readings from textbooks that will reinforce what you have learned in class.

- ***Practice Tests.*** Practice Tests are included at the end of each Section in the "Review." The questions are similar to the types of questions you might find on the exam. Answering the fill-in-the-blank and multiple-choice questions will help you find out whether or not you really know the information that was covered.

Classroom Guidelines

To make the classroom environment a positive experience for everyone attending, we have some guidelines for your consideration:

- 100% attendance is required. No exceptions.

- Limit use of computers and wireless devices to classroom projects.

- Communicate with business associates during break time instead of class time.

- Put away reading materials such as newspapers and books that are not used in class.

- Silence cell phones.

- Please do not record the lectures. Recordings are not permitted.

- Refrain from ongoing conversations with those seated near you and other distracting behavior.

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General Information

- **Calculators.** A financial calculator is required. The accepted model used in the course is the HP-12C.

- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless noted otherwise by the course sponsor. The lunch break is one hour.

- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.

- **Certificates of completion** will be mailed after completion of the course, and attendance during the entire course is required.

Recommended Texts

- *The Appraisal of Real Estate,* 13th ed. Chicago: Appraisal Institute, 2008.

- *The Dictionary of Real Estate Appraisal,* 5th ed. Chicago: Appraisal Institute, 2010.

- *Appraising Residential Properties,* 4th ed. Chicago: Appraisal Institute, 2007.

- Rattermann, Mark R., MAI, SRA. *Valuation by Comparison, Residential Analysis and Logic.* Chicago: Appraisal Institute, 2007.

- Simmons, Alan F. SRPA, LEED® AP. *An Introduction to Green Homes.* Chicago: Appraisal Institute, 2010.

- *Marshall and Swift Green Building Cost Handbook*

Exam

- 25 multiple-choice questions

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Introduction

Case Studies in Appraising Green Residential Buildings is the result of reviewing volumes of appraisals on high-performance houses that did not appropriately describe or analyze the properties. This issue came to the forefront in the summer of 2009 when the National Association of Home Builders (NAHB) marched to Capitol Hill to present 750 appraisals on green or high-performance rated houses. Out of the 750 residential appraisals, only one recognized the energy efficiency or green aspects of the property. It quickly became apparent to legislators on Capitol Hill that there is a disconnect somewhere, and they saw it on the side of the appraiser. As we'll discuss later in this course, when Capitol Hill mandates construction using more sustainable and energy-efficient techniques, the market must change.

Even though green homes are a product of new construction techniques, the same tools appraisers have used for years do apply. Let's review the requirements for an appraisal assignment in two general steps: 1) derive a supportable opinion of value through investigation and analysis of data, and 2) communicate in writing the results of the investigation, analysis, and conclusions in a convincing manner. This course will increase your knowledge of the high-performance house and tools available for valuation and also enhance your ability to communicate the results in a convincing manner because of knowledge about the product.

For participants from the lending and real estate industry—underwriters, appraisal reviewers, real estate agents/brokers, and quality control personnel—the course will provide valuable information on the high-performance house, valuation techniques, and limitations. All parties involved in the transfer of real estate must work together to meet the challenges of a changing market. As the market changes, so must appraisers.

Exhibit #1

Exhibit #1

Schedule

Exhibit #1

Course Schedule

SECTION 1. (Morning)

Registration	
	Registration
Overview and Introduction	
	Classroom Rules, Overview, and Introduction
Part 1. Review of Green Building Principles and Concepts	
	Introduction and Self Assessment Test
	What is a High-Performance House
	Six Elements of Green Building
	How Do the Characteristics of a High-Performance House Affect the Analysis?
	USPAP
	Resources, Incentives, Mandates, and Bills
	MORNING BREAK
Part 2. Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items	
	Costs Relative to Value
	Supporting Adjustments from GRM Analysis
	Estimating the Monthly Utility Savings When a HERS Index Rating Is Not Available
	Paired Sales Analysis
	Market Analysis, (Studies, Verification of Sales, HERS Index Rating)
	MORNING BREAK
	Three Approaches and Green Buildings
	Final Inspection of a Green or Energy Star Home
	Interviewing the Buyer, Seller, Agent, or Builder
Part 3. Review of the Sales Comparison Approach Case Study Problems	
	Case Study 1 – Sales Comparison Approach
	Case Study 2 – Sales Comparison Approach – HERS Index Rating
	Case Study 3 – Energy-Efficient Retrofit
	Practice Test
	LUNCH

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SECTION 2. (Afternoon)

Part 4. Green Residential Case Studies: Cost Approach	
	Market Value Versus Cost
	Case Study 4 and Review
	Case Study 5—Cost Approach—and Review
Part 5. Green Residential Case Studies: Income Capitalization Approach	
	Case Study 6—Income Savings Case Study—and Review
	Case Study 7—Duplex Case Study—and Review
	AFTERNOON BREAK
	Case Study 8—Income Capitalization Approach to the Value of Solar Panels—and Review
Part 6. The Reconciliation	
	The Writing Process
	6.1 Exercise (Summary of Sales Comparison Approach and Reconciliation and Final Reconciliation)
	Opportunities for Residential Appraisers
	Practice Test
	Course Review and Questions
	AFTERNOON BREAK
	Course Evaluation and Instructions for Exam

(Afternoon)

Exam		
4:00–5:00	60 minutes	Examination: 25 Questions, Multiple Choice

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Exhibit #1

Section 1

Exhibit #1

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Part 1. Review of Green Building Principles and Concepts

Part 2. Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items

Part 3. Review of the Sales Comparison Approach Case Study Problems

Exhibit #1

Part 1.
Review of Green Building Principles and Concepts
(60 minutes + one 10-minute break)

Introduction

Go over the learning objectives. Remind participants that the multiple-choice exam questions are based on these objectives.

Content Tips

Self-Assessment. Give the class a few minutes to complete the assessment. It is a review of the assessment in the previous course, so don't spend too much time on it.

The Six Elements of Green Building. Again, this is a review of material in the introductory class, so go over the elements quickly.

USPAP. It is important to emphasize the relationship of USPAP as a guide to appraising the high-performance house. This should be a brief overview.

Emphasis should be placed on the competency and descriptive implications.

Resources, Incentives, and Mandates. Prior to teaching this class, search the web to obtain new information on mandates, incentives, and resources. Resources and building technology are changing quickly, which requires regular updates by the instructor to supplement this section.

1.7 Discussion Question. Tie in this question with how things will go in the future. You may want to discuss the SAVE ACT (Sensible Accounting to Value Energy) and energy residential savings.

Green Resources List. You may want to remind participants that this list provides additional resources and will be updated regularly.

Exhibit #1

Exhibit #1

Part 1 # Preview

Review of Green Building Principles and Concepts

The *Introduction to Green Buildings: Principles and Concepts* course provides a wealth of information on the new building concepts for a green or high-performance home. This new way of building is a growing topic not only among builders but also among our legislative branches. When building codes change to incorporate energy-efficient and green features, appraisers must stay abreast of the changes that will affect the valuation process. This advanced course begins with a review of what the class already knows about green construction and builds on those skills. Let’s get started!

Learning Objectives

To prepare for Part 1, read the following learning objectives and refer back to them as you study this part of the handbook.

- ☐ Recall and identify terms relating to green buildings.
- ☐ Identify the six elements of green building.

Learning Tips

The course structure is a bit different from the introductory course. You have completed courses on most of the theory and procedures involved in developing an appraisal. This course provides the opportunity to use tools from the prior classes to address the new building technology involved in the high-performance house. You will review the tools and apply the concept to mini case studies involving different appraisal problems. You are encouraged to think outside the box in your solutions. Are you ready?

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Part 1.
Review of Green Building Principles and Concepts

What do we already know about green buildings? The prior course, Introduction to Green Buildings, *described what the term* green *means in the building industry. The information in that course is a foundation for understanding the valuation of green buildings. This class will focus on the valuation of green construction.*

I. Introduction

Buildings built to green standards are a growing trend for the future and a trend that is constantly changing with the new development of building technology. How well the building performs can be scientifically measured with infrared cameras, blower door, and duct blaster technology. Your initial idea of a green building has most likely changed with the study of the elements of green. Did the elements of green construction make you begin to wonder how your house would rate in a building performance test? A green or energy-efficient building will perform above a code-built house; therefore, we use the term high-performance house in this course in lieu of green or energy-efficient home. Because of your previous classes, you have a better idea of why a building that truly performs should be more valuable to the consumer.

The following exercise will test your memory on the green terms learned in prior classes. Answer the questions on the next page for a self-assessment of what you remember and what you need to review.

Exhibit #1

Self-Assessment Review Quiz

Check the appropriate box for each question.	TRUE	FALSE
1. Renewable energy resources include oil, gas, and coal.	☐	☒
2. Green building practices enhance indoor air quality by keeping outdoor air from infiltrating the interior of the house.	☐	☒
3. Principal surfaces that contribute to the heat island effect include sidewalks, streets, parking lots, and buildings.	☒	☐
4. A house must be rated by a third-party rater to be valued as green or energy efficient.	☐	☒
5. Linoleum is not a natural product used in green buildings.	☐	☒
6. LEED certification is more common to commercial buildings as opposed to residential buildings.	☒	☐
7. A green home usually exceeds the building code's energy ratings.	☒	☐
8. Fannie Mae does not allow energy efficient adjustments on the 1004 form.	☐	☒
9. Low-E windows block approximately 40% of the sun's UV rays.	☒	☐
10. In a typical house, 20% of the air that moves through the duct system is lost due to leaks, holes, and poor connections.	☒	☐

Did the quiz help you recall some of the concepts you learned in your last green course? As you know, there is much to learn, and the field is constantly changing. New products and technologies are evolving each day, and it will take years to accumulate the data necessary to understand the market's reaction to this new concept. The following review of some material from the introductory course will lead us into the case study section of this course.

II. What Is a High-Performance House?

A. Defining the term

There are many different but quite similar definitions for the term *green building* as it references the process of sustainability. In the introductory course, the term was defined to ensure that the class was using it to mean the same thing. (See the definition below.)

> **Green building.** "The practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building's lifecycle from siting to design, construction, operation, maintenance, renovation, and deconstruction. This practice expands and complements the classical building design concerns of economy, utility, durability, and comfort. Green building is also known as a sustainable or high performance building."[1]

B. This definition is not accepted by everyone in the field.

1. Due to the uncertainty of the meaning of the term *green building,* it is good policy to define it for our purposes in this class.

2. Some professionals refer to these buildings as *high-performance* or *energy-efficient buildings,* and at times, the terms *green* and *high performance* are used interchangeably.

   a. Some use of the term *high-performance buildings* comes from those who are not satisfied with the widespread use and limited understanding of the term *green buildings.*

   b. In general terms though, high-performance buildings are usually resource-efficient, while energy-efficient buildings refer to efficiency in only that single area.

1. U.S. Environmental Protection Agency at www.epa.gov/greenbuilding/pubs/about.htm. Accessed 09/27/10.

III. Six Elements of Green Building

The introductory course, *Introduction to Green Buildings: Principles & Concepts,* covers the six elements of green building. The whole building approach informs how these elements relate to and interact with one another, affecting many aspects of the high-performance home. These elements are foundational to understanding these homes and also the valuation issue. The next few pages review these elements with a series of photographs that illustrate the concepts before moving into the valuation issue.

The six elements of green building are

Element 1. Site

Element 2. Water

Element 3. Energy

Element 4. Indoor Air Quality

Element 5. Materials

Element 6. Operations and Maintenance

Exhibit #1

A. Element 1. Site

The element of site in green building incorporates many ideas, from how the site is planned to how it is developed. These ideas include the following:

1. Site planning occurs before and during the design phase of the construction project.

2. Two overarching ideas behind green site planning and development are to

    a. Protect and/or restore habitat

    b. Maximize open space, providing social and environmental benefits

3. Site planning and development consider location, solar access, shading, landscaping, and wind.

Photograph courtesy of Stitt Energy Systems, Inc., Rogers, Ark.

The photograph above shows trees to the south, PVs and solar water heating collectors on the roof, and a south-facing orientation. This house illustrates a good site design that incorporates the environment and maximizes energy efficiency. Energy costs on this two-story house are well below the average comparable-sized house in this community.

Exhibit #1

B. Element 2. Water

The element of water includes consideration of not only supplied water for consumption, but also management of stormwater and wastewater as well as the reuse of these types of water.

Photograph courtesy of Stitt Energy Systems, Inc., Rogers, Ark.

Rain barrels are an example of low cost items that can conserve water and lower monthly water bills. Some municipalities have rain barrel programs that offer recycling rain barrels at low prices. In areas where water costs are excessive and water restrictions are in place, this makes good sense.

Photograph courtesy of Stitt Energy Systems, Inc., Rogers, Ark.

Water conservation can be as simple as installing a low-flow showerhead like the one in this photograph. Again, this low cost item can result in monthly savings.

C. Element 3. Energy

Energy is a large part of the green building concept and one that is receiving attention from lawmakers.

1. Energy efficiency is necessary for the future.

2. Energy efficiency is measureable; therefore, it is an area where value contribution should be more easily developed using market data.

3. The introductory course discusses ways to incorporate energy efficiency in green construction by closing the envelope as well as incorporating energy-efficient systems into the home.

Note. A green building will be more energy efficient than a building with an ENERGY STAR® rating. A building that is energy efficient is not always green. Green considers all six elements of green building, whereas an energy-efficient building does not address all six elements.

Photograph courtesy of Sandra K. Adomatis, SRA

The house in the photograph above has a 5-kilowatt array of PV Panels on the south side. The palm trees indicate that this house is located in the South with good natural sun most of the year.

D. Element 4. Indoor air quality (IAQ)

Off-gassing, combustion-based appliances, and moisture most often compromise indoor air quality. Green building design is focused on mitigating the negative effects of off gassing.

Photograph courtesy of Stitt Energy Systems, Inc., Rogers, Ark.

The photograph above shows an energy recovery ventilator unit, which can be placed in existing or new construction. This unit controls mold and mildew, a source of health problems for occupants.

Exhibit #1

E. Element 5. Materials

Materials used in the construction of a building can have a large impact on the indoor air quality and the sustainability of the building. When assessing green materials, the following questions should be kept in mind:

1. What is the material made of?

2. How is the material manufactured?

3. Where does the material originate?

Photograph courtesy of Stitt Energy Systems, Inc., Rogers, Ark.

The photograph above depicts a variety of recycled materials used in green construction. The carpet is made of recycled pop bottles, and the concrete is pervious recycled concrete. The other materials contain recycled content and are often found in green construction.

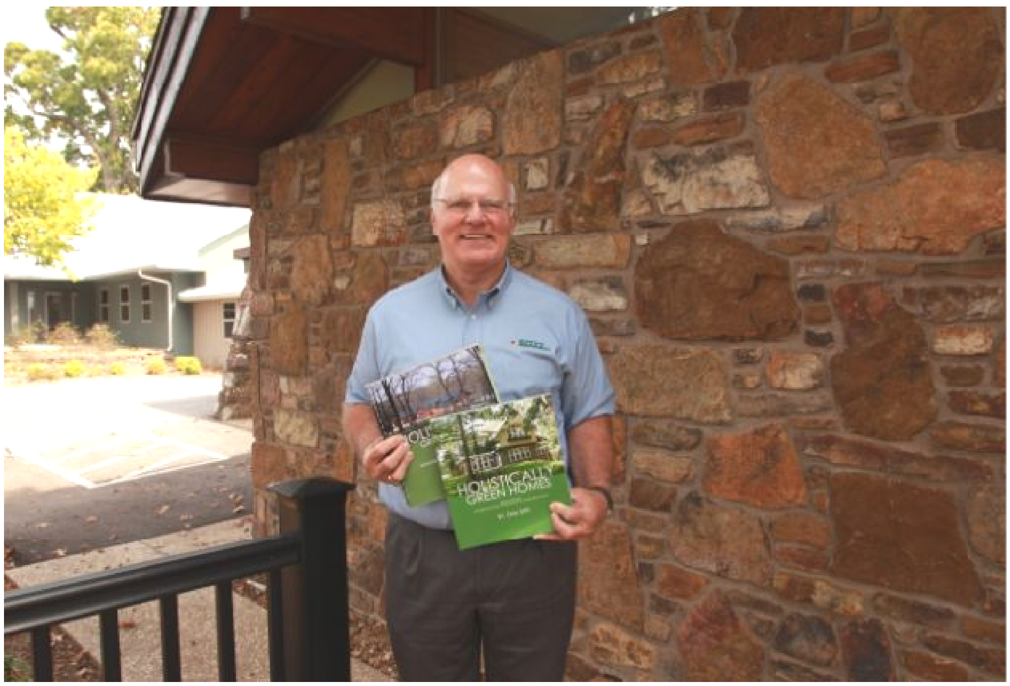
Exhibit #1

F. Element 6. Operations and maintenance

Operation and maintenance of a building in a more responsible and sustainable way can maximize operational efficiency while minimizing environmental impacts.

1. Trimming the maintenance and operating costs is directly related to energy efficiency and use of materials in the construction.

2. A properly operated and maintained building should result in more money in the pocket of the property owner. This aspect may be considered in qualifying a buyer for a mortgage. (See the information about the SAVE Act under Roman numeral VI.)



Photograph courtesy of Stitt Energy Systems, Inc., Rogers, Ark.

The builder in the photograph above provides educational materials to the buyers of his green houses.

Exhibit #1

IV. How Do the Characteristics of a High-Performance House Affect the Analysis?

1.1 Discussion Question

Remember the previous courses that you took. *What are some aspects of the appraisal analysis that a high-performance house may affect?*

1. Economic life estimates
2. Construction cost
3. *Lower maintenance costs*
4. *Energy-efficiency rating*
5. *Physical life*
6. *Market demand—highest and best use analysis*
7. *Increase in rental income*
8. *Depreciation—can create obsolescence*
9. *Financial feasibility of a project*
10. *Quality of construction*

L.44

Exhibit #1

> In September 2009, *Marshall and Swift* made the following statement in a white paper.
>
> "Green building is here to stay. Structures that are environmentally responsible and resource efficient throughout their entire life cycle will be the norm, not the exception. New construction will be designed to take full advantage of the latest energy-efficient technology, and existing buildings will be retrofitted to be more resource-conscious. Occupants of new and existing buildings alike will benefit from operation and maintenance practices that are ecologically sustainable. Federal, state, and local mandates, often in the form of stricter building codes, will make the green movement the standard, not an elective. 'What once was shall no longer be'—an axiom that applies not only to buildings, but also to the way they are valued."

V. Uniform Standards of Professional Appraisal Practice (USPAP)

The Competency Rule of USPAP states that an appraiser must follow three main steps in regard to an assignment.

1. "Be competent to perform the assignment"

2. "Acquire the necessary competency to perform the assignment"

   or

3. "Decline or withdraw from the assignment."

A. "Being competent"

The appraiser must determine, prior to accepting an assignment, that he or she can perform the assignment competently." This implies that an appraiser must be able to "identify the problem" and have the "knowledge and experience to complete the assignment competently." Competency also includes knowing and complying with "laws and regulations that apply" to all aspects of the assignment. (See *Reference List.)*

B. Guidelines for appraising the high-performance house

Appraisers, builders, and lenders report there are no guidelines for the appraisal of high-performance houses. However, the Standards Rules from USPAP do apply.

Exhibit #1

1. Scope of Work Rule

   "Problem Identification"

   "An appraiser must gather and analyze information about those assignment elements that are necessary to property identify the … problem to be solved.

   <u>Comment:</u> The assignment elements necessary for problem identification are addressed in the Standards Rules (i.e., SR 1-2, SR 3-2, SR 4-2, SR 6-2, SR 7-2 and SR 9-2)."

   "This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal."

   "Communication with the client is required to establish most of the information necessary for problem identification. However, the identification of relevant characteristics is a judgment made by the appraiser that requires competency in that type of assignment." (See *Reference List.)*

1.2 Discussion Question

What item in the problem identification addresses potential problems or features of the high-performance house and appraiser competency?

The requirement to address relevant characteristics will be difficult if the appraiser is not competent or knowledgeable about the property type.

Note. The solution to this discussion question emphasizes the requirement of ___*competency*___ to properly identify the ___*relevant*___ ___*characteristics*___ in the type of appraisal assignment. (See SR 1-2(e) for characteristics of property.)

L.46

Exhibit #1

2. Standards Rule 1-1

   Standards Rule 1-1 also provides potential guidance in the appraisal of the high-performance house.

   "An appraiser must be **aware of, understand,** and **correctly employ those recognized methods and techniques** that are necessary to produce a credible appraisal" (bold added for emphasis).

   Because "changes and developments in the real estate field have a substantial impact on the appraisal profession," appraisal theory and practices must also change. The high-performance house is also a "social change" that may have "an effect on appraisal theory and practice."

   Appraisers must stay "abreast of these changes and developments" by "constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances." The implication is that "each appraiser must continually improve his or her skills to remain proficient in real property appraisal." (See *Reference List*.)

   The high-performance house falls into the category of a complex appraisal problem due to the uniqueness of the property type in the current market. The property type requires knowledge of new and evolving building technology that is often superior to and different from the code-built house.

Exhibit #1

1.3 Discussion Questions

Refer back to the USPAP information to answer these questions.

1. *Identify the topics under Standards Rule 1-1 that might be applied to the appraisal of the high-performance house.*

   Principle of change, changes in the manner of constructing, social changes requirement for appraiser to stay abreast of new methods and techniques to meet new circumstances

2. *Who decides the acceptable appraisal methods and techniques?*

   The buyers and sellers in the market provide a reading of how the market reacts to changes. The appraiser must understand how the market measures value by reviewing a sufficient sampling of data to draw reliable conclusions. The work of our peers is also a measure of what are acceptable methods and and techniques. Sometimes the tools for measuring value have not changed; only the way we apply those changes has changed.

   Monthly energy savings x GRM rather than

   Monthly rental for a particular component x GRM

3. *Who decides what level of knowledge is necessary to be competent?*

   Our peers and clients decide what level is necessary. The profession, including the Appraisal Qualifications Board, sets guidelines for the minimum education that is necessary, and the state appraiser boards apply guidelines according to the laws of their state.

L.48

Exhibit #1

3. Standards Rule 1-2 (e)

   This standards rule indicates that appraisers must “identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including … its location and physical, legal, and economic attributes.” (See *Reference List*.)

1.4 Discussion Questions

Refer back to the USPAP information to answer these questions.

1. *In what way does the high-performance house have different physical attributes?*

   New building technology, specific ratings for green or energy efficiency

   New construction products

2. *Does the high-performance house present different economic attributes than the code-built house does? If so, explain.*

   Yes, the green technology results in a better-built house that should have lower maintenance costs; lower utility costs; incentives offered by federal, state, and local agencies; and a longer physical life. It may or may not require higher building costs.

Exhibit #1

VI. Resources, Incentives, Mandates, and Bills

If you think green construction is a fad, you might change your mind after a review of the incentives and mandates.

A. Incentives

Below are a few of the categories with incentives available from the federal, state, or local level.

1. Renewables
    - Loan programs
    - Property tax incentives
    - Sales tax incentives
    - Rebate programs
    - Tax credits
2. Hazard Insurance discounts
3. Permits
    - Lower permitting fees
    - Streamlined permitting processes
4. Federal tax credits
    - To builders for building energy-efficient new homes
    - To homeowners for energy-efficient home improvements and appliances
5. ______________________________
6. ______________________________
7. ______________________________

Exhibit #1

1.5 Example—Incentives

Florida Power and Lights (FPL) announced in June 2010 that it wanted to offer customers a $1,000 residential solar water heater and other incentives. The proposed FPL incentives included the following:

- Residential air conditioning tune-up incentive in which the utility offered $50 to $75 credits to residents for outdoor coil cleaning and refrigerant charges to their air conditioner
- Increasing incentives for ENERGY STAR® appliances up to $1,400
- Refrigerator replacement incentives
- A commercial ventilation and air conditioning program aimed at reducing use during peak hours of energy consumption by replacing old heating, ventilating, and air conditioning systems
- Doubling commercial incentives to $2,000 for commercial property owners who add ceiling insulation and use window treatments and reflective roofing materials
- Proposal to encourage businesses to use fluorescent and more energy-efficient lighting systems
- Solar-heat incentives of $1,000 residential and $1,600 commercial
- A $5,000 investment with nonprofit partnerships to install solar energy heaters in low-income affordable housing

Florida Power and Lights isn't the only utility company offering their customers incentives. Other companies in Florida report offering their customers programs with various incentives, low-interest loans, rebates, or credits for energy efficiencies and solar power.

Many utilities have net metering programs in place. Net metering allows customer-owned renewable generation to offset the resident's electricity use. If a customer's system generates more electricity than is used during a billing cycle, the customer is credited for it.[2]

2. Reilly, Steve. "State to Decide on FP Solar Incentives," *Charlotte Sun,* June 28, 2010.

Exhibit #1

1.5 Discussion Question

Other states offer similar incentives. *Are you aware of any incentives offered in your local area?*

B. Mandates

Mandates from federal agencies to our local building departments are constantly changing to include more energy-efficient and green solutions in construction. Since these mandates are coming from all agency levels, it appears to be a forerunner of what future construction will be.

Some of these mandates are mentioned on the next few pages. Keep in mind that mandates are ever changing, and appraisers need to stay current on the changes that affect the industry. Be sure to mention mandates in your area if they are not mentioned here.

Executive orders

The President of the United States has the authority to issue executive orders that directly affect all federal agencies.

1. **EO 13423** – Strengthening Federal Environmental, Energy, and Transportation Management. The goal of this order is to
   a. Reduce greenhouse gas emissions
   b. Increase renewal energy usage

L.52

Exhibit #1

c. Reduce water consumption

d. Procure sustainable and efficient products

e. Ensure new construction follows the guiding principles

- Employ integrated design principles
- Optimize energy performance
- Protect and conserve water
- Enhance indoor environmental quality
- Reduce environmental impact of materials[3]

2. This executive order addresses federal buildings. However, if this is the standard for federal buildings, it will most likely affect federal leases. And it's possible this mandate could affect the general commercial or industrial market. If this mandate becomes the standard for commercial and industrial buildings, isn't it reasonable to consider it will eventually affect the residential market?

C. **H.R. 2454**: American Clean Energy and Security Act of 2009

1. Passed in the House of Representatives on June 26, 2009

Goal of this bill is to

a. Create clean energy jobs

b. Achieve energy independence

c. Reduce global warming pollution

d. Transition to a clean-energy economy

2. This bill is expected to encourage (or mandate) the construction of energy-efficient residential buildings.[4]

3. www.energycodes.gov/federal/pdfs/federal_webcast_overview_lcc.pdf
4. As of February 2011, this bill had not passed the Senate. After debate, it may pass with a different name and amendments.

L.53

Exhibit #1

D. **The SAVE Act:** Sensible Accounting to Value Energy[5]

1. A proposal supported by energy-efficiency advocates, leading homebuilders, and a senator from Colorado.

2. First phase would require federal loan agencies to assess the expected energy costs for mortgage loan applicants. This would affect the debt ratios for qualifying a buyer for a loan.

   a. Would consider PITIE (principal, interest, taxes, insurance, and energy costs) per month.

   b. Could be accomplished through modest adjustments in underwriting guidelines and appraisal practices

   c. Could be implemented over a manageable time period without disruption

3. Second phase of the proposal would add water cost to the debt ratios.

4. Third phase would consider the walk score or location of the property in relation to public transportation and services.

5. Advantages of the act

   a. Enable federal mortgage programs to improve the quality of mortgage underwriting and provide an accurate picture of repayment risk and the expected costs of homeownership

   b. Accelerate the supply of and demand for energy-efficient new homes

   c. Quickly return any incremental cost for homebuyers due to home-efficiency improvements

   d. Encourage the purchase of energy-efficient homes that reduce utility bills for American homeowners and reduce the vast amount of energy consumed in homes

   e. Consistently and accurately account for energy efficiency in appraisals, enabling builders and homeowners to invest in energy-saving features

   f. Create jobs in the construction and manufacturing sectors that involve renovating and building energy-efficient homes and products

5. This information was taken from www.imt.org/save-ac. Accessed 2/9/11.

Exhibit #1

1.7 Discussion Questions

Refer back to the information about H.R. 2454 and the SAVE Act to answer these questions.

1. *How does the H.R. 2454 mandate affect the appraisal process?*

   If the federal government mandates the construction of energy-efficient houses, the consumer has no choice for new construction.

2. *How might the H.R. 2454 mandate affect the market and trends?*

   Consumers may be forced to pay a premium for energy efficiency in new construction, and this mandate could penalize existing homes that do not meet the code. On the other hand, the bill could force buyers to consider existing housing in lieu of new construction if the additional cost is unaffordable in the eyes of the buyer.

3. *If the SAVE Act becomes law, the market will no doubt show a preference for energy-efficient homes. What signs might you begin to see in the market indicating a change is occurring?*

   MLS descriptions would begin to describe energy-efficient items and average monthly energy cost. Owners of existing homes would seek refinancing to update homes to be more energy efficient. Homes that are not energy efficient may be on the market much longer and be lower priced than energy-efficient homes.

Exhibit #1

E. Local building code changes

According to the National Association of Home Builders (NAHB), homes built today are 100% more energy efficient than houses built in 1970.[6]

Why do you think this happened? Local building code mandates are a major reason, and those codes are ever changing with increased attention to energy-efficient and sustainable product uses.

1.8 Discussion Question

How has your local building code changed to implement energy-efficiency and/or sustainable products?

Increased R-values, expedited building permits for green construction, water conservation methods required.

6. www.nahb.org/page.aspx/category/sectionID=206

L.56

Exhibit #1

Exhibit #1

Review **Part 1**

Learning Objectives

Now that you've completed Part 1, you should be able to

- ☑ Recall and identify terms relating to green buildings.
- ☑ Identify the six elements of green building.

Terms and Concepts to Remember

Competency

High-performance house
(Green construction and energy efficiency)

Sustainability

Six elements of green building

Exhibit #1

Part 2.
Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items
(70 minutes + one 10-minute break)

Introduction

These concepts are a review of methods taught in previous appraisal classes. This is an advanced class, and participants should be knowledgeable about these methods prior to participating in this class; therefore, this should be an overview only.

Content Tips

Ways to Assess Potential Contributory Value. The market may be either unwilling to pay more for sustainable features, or buyers may not have sufficient knowledge of the benefits. Not all markets reflect an increase in prices paid for sustainable features over code-built houses. Green initiatives may not always cost more than conventional or code-built houses. However, appraisers must have knowledge of the features, describe them properly, and have the skills to support their conclusions.

Studies. Prior to teaching this section, search the web for additional studies that may have been published since this course was published. Explain to students how important it is to constantly search for new sources. Supplemental data may be provided under additional cover as it becomes available.

Verification of Sales. The lack of database fields and improper use of the term *green* makes the verification process crucial and worth a discussion.

HERS Index Rating. Emphasize that the FannieMae Energy Report is not currently used by FannieMae or Freddie Mac. It does offer one way the lending market assessed value for energy features at one time. Encourage a short discussion of participants' view of contributory value using their calculations. Many of them will not agree with the 15-year period since homeowners typically own their homes 5 – 7 years. However, homeowners often spend money on improvements that have longer payback periods.

Supporting Documents. Encourage participants to contribute additional items that may be available in their market area. The majority of the items reference new construction since the high-performance house is a new product. The statement "once green not always green" deserves some discussion. We will undoubtedly find additions or changes made to a house that will nullify the green score. Appraisers need knowledge of the product and scoring system to be ready to recognize a potential change.

Final Inspection. Appraisers are often reluctant to do final inspections on the high-performance house since they have limited knowledge of its performance. Emphasize that the client should provide the final third-party ratings to send along with the physical inspection sheet.

Exhibit #1

L.61

Exhibit #1

Part 2 Preview

Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items

Part 1 focused on terminology and USPAP implications regarding the high-performance house. Part 2 will be an overview of the methods available for valuing the high-performance features. You might say we are taking a quick tour of the appraiser's toolbox. Let's lift the top on the toolbox and begin our tour.

Learning Objectives

To prepare for Part 2, read the following learning objectives and refer back to them as you study this part of the handbook.

- ☐ Identify the difference between cost and contributory value.
- ☐ Apply methods for valuing quality and energy-efficiency items.
- ☐ Identify secondary support for the elements of comparison.
- ☐ Apply verification skills to assist in comparing and contrasting market data.

Learning Tips

The methods taught in this part are proven tools used in prior Appraisal Institute textbooks and courses. Each method will provide a source where you can spend some time digging deeper if the concept is a little rusty. The discussion questions will enhance the methods by allowing you to think outside the box.

Exhibit #1

Exhibit #1

Part 2.
Review of Methods to Develop Potential Contributory Value of Green or Energy-Efficient Items

You already know some of the material covered in Part 2 such as ways to assess potential contributory value and how to verify sales. These concepts are a review of methods taught in previous appraisal courses. The lack of database fields and the improper use of the term green *make the verification process crucial.*

I. Costs Relative to Value—Depreciated Cost Analysis

A. Logic behind using the cost approach to support adjustments

1. Item's contributory value will usually be equal to

   Cost – Depreciation from all causes

2. In other words, items or features are worth their cost less any depreciation that the market indicates is applicable.

B. Strengths of depreciated cost analysis

1. Usually the easiest and least time-consuming procedure for residential appraisers to use.

2. Data is easy to find for most appraisers who analyze cost numbers often.

3. Represents buyer thinking on some items, especially if the item can be added to the property after construction is completed; for example, a deck or a porch.

4. Logical in most cases.

Exhibit #1

C. Procedure for depreciated cost analysis

To quantify adjustments using depreciated cost analysis, the following procedure is suggested.

Step	
1	Estimate the cost of the item in question. ▪ Can be done using contractors' bids, cost services, or sometimes newspaper advertisements
2	Estimate the amount that represents the depreciation applicable to that feature in that property. ▪ Very property specific since a $40,000 in-ground pool may be worth less for a home in a low price range but worth $40,000 for a home in a higher price range. The depreciation estimate must reflect the market's recognition of that item.
3	Deduct the depreciation from the cost of construction.[7]

7. Rattermann, Mark. *Valuation by Comparison: Residential Analysis and Logic*, Chicago: Appraisal Institute, 2007, p. 66.

L.65

Exhibit #1

2.1 Discussion Question

Apply the current construction cost less depreciation analysis to a solar panel for *PV* array.

What are the potential questions you will need to answer prior to applying this method?

1. *How much does the solar panel cost?*
2. *Where can I obtain local costs?*
3. *What is the life of the solar panel?*
4. *Where do I find useful life information on a solar panel?*
5. *What is the depreciation applicable to this feature?*
6. *How can I defend the depreciation applied?*
7. *Are there maintenance costs?*
8.
9.
10.
11.
12.
13.

Exhibit #1

D. Implications of incentives

We discussed incentives in Part 1. Now consider the implications of incentives in the analysis.

2.2 Discussion Questions

Think outside the box as you answer the following questions.

1. *Should an energy-efficient tax incentive be considered in the adjustment process for a single-unit house? Explain your reasoning.*

   Only if the tax incentive is a year-after-year incentive that transfers to the buyer. If the incentive were for new construction and a one-time amount, it would have no bearing on the resale value.

2. *A $3,000 incentive to install a solar panel is offered for new or existing housing. Would this $3,000 incentive be a sales comparison and/or cost consideration? Explain.*

   If using the cost less depreciation analysis, the incentive could be deducted from the current construction cost. The incentive would not be a sales comparison adjustment.

3. *Is the incentive a concession?*

   No, it offsets the current construction cost; it is not a concession that would affect the sale price paid for the property.

Exhibit #1

II. Supporting Adjustments from *GRM* Analysis

A. The income capitalization approach can be used to extract adjustments in one-to-four unit property appraisals. A common tool used to accomplish this is gross rent multiplier *(GRM)* analysis.

1. This analysis assumes that the difference in market rent attributable to a property characteristic can be isolated and that the amount can be capitalized (for example, converted into a lump sum).

2. An extracted rental difference can be converted into a contributory value using a *GRM.*

B. Strengths of the income capitalization approach

1. Closely reflects market thinking in many rental markets

2. Logical in some cases

C. Weaknesses of the income capitalization approach

1. Data usually difficult to find and verify

2. Probably not relevant for most owner-occupied markets

D. Procedure

To quantify adjustments using *GRM* analysis, the appraiser follows the steps shown on the next page.

Exhibit #1

Step	
1	Find comparable sales with similar locations, improvements, and features that are or will be rented in the near future. ▪ Should have similar upside potential and expense ratios, since the *GRM* reflects these characteristics within the total rates but not separately within the rate. ▪ If the subject is located in an area with much upside potential and the comparables sales are not, it will skew the ratio. ▪ If the subject has a high-expense ratio, but the comparable sales do not, this will also skew the ratio since properties with higher expenses will sell* for less than those with lower expenses, assuming the rental rate is the same and the *GRM* is calculated before expenses are deducted.
2	Adjust the comparable sale prices for the following: ▪ Property rights conveyed ▪ Any sale or financing concessions ▪ Conditions of sale ▪ Expenditures made immediately after purchase These adjustments are needed because they usually affect the sale price but not the rental rate, which can skew the *GRM*. In other words, a *GRM* extracted from sales with concessions would be a *GRM* that would yield an indication of value with concessions, not a cash-equivalent value.
3	Develop an opinion of the gross monthly rental income for the comparable sale in this market to ensure an "apples to apples" comparison. This is needed because the subject's rental rates used in this analysis are at market levels, so the comparable sales should be also.
4	Divide the adjusted sale price of the comparable by the monthly market rental rate of the comparable to yield a market gross rent multiplier.
5	Estimate the contributory rental value for a single item included in the subject property that is to be adjusted for. For example, if the garage is the item to be adjusted for, ask what the item would add to rental value.
6	Multiply the rental value of the feature by the *GRM* rate extracted from the comparable sales.[8]

*Consider this statement in relation to the high-performance house that has lower utility and maintenance costs.

8. Ibid., pp. 64-65.

L.69

Exhibit #1

2.3 Discussion Questions

GRM Analysis

1. *Can the monthly utility savings be capitalized using the GRM analysis? Explain.*

   Yes, since the monthly savings are income the owner keeps as opposed to no utility savings for owners with other properties, it can be capitalized using the GRM. The Energy Efficient Mortgage (EEM) uses the monthly utility savings as income in calculating the loan-to-value ratios.

2. *How do you obtain the monthly utility savings?*

   The HERS Rating will provide the anticipated monthly savings. Average the last year's utility bill, and compare it to the monthly utility bill for the typical house that is not energy efficient. The utility company can be helpful in providing the average utility bill for a given area.

3. *If you do not have sales of high-performance homes, how can you obtain a GRM?*

   Use the proxy method by using sales from the sales comparison approach, and estimate market rent based on comparable rentals. If the sales are okay to use in the sales comparison approach, why can't they be used in the GRM analysis?[9]

9. *Appraising Residential Properties,* 4th ed., Chicago: Appraisal Institute, 2007, p. 359.

L.70

Exhibit #1

2.3 Discussion Questions, cont.

4. *What potential problems do you see with this method for supporting an energy-efficient adjustment?*

   Some logic must be applied, and if the result is not consistent with the energy-efficient item's cost or the market extraction indication, it should be eliminated as support.

5. *In what circumstance does this method most apply?*

   In a market where there are few sales of ENERGY STAR® or green homes. This support along with current construction cost would be better than no support.

III. Estimating the Monthly Utility Savings When a HERS Index Rating Is Not Available

There are ways to estimate the monthly utility savings when a HERS Index Rating Is not available.

A. Rough estimate when you need a quick answer

   Add up the last 12 months of utility bills and divide by 12 to get an average. Then, call the utility company to obtain the typical costs of a similar size house in the area.

B. Informal energy audit—May provide a more useful analysis than the rough estimate when coupled with the property conditions analysis that an appraiser normally performs.

Use the free online tool from Lawrence Berkeley National Laboratory (LBL), Home Energy Saver (HES) Pro. (See "Tools" on Green Resources Web Sites list.)

1. HES Pro is an analysis tool that plugs in to the local utility company to get utility rates, taking away a lot of the legwork.

   Two options

   a. Simple Quick Input option assumes standard construction for the home's age and does not account for many efficient upgrades or adjustments to the effective age.

   b. Detailed Input option allows the user to enter some fairly specific data.

      - Some of the information in the detailed input view may easily come from the property appraisal information that an appraiser is already collecting.

      - There may be a few data points requiring a bit more work such as identifying the size of the furnace and air conditioner, the location and rough square footage of the windows, and the building's air leakage rate.

      - Default values can be used for anything unknown and any inputs that are not considered real property such as the small appliances portion (computers, clocks, etc).

2.4 Example—Hes Pro

A residential green building consultant tried both Hes Pro methods and described the results below.

Quick Input Method. "After spending less than 10 minutes with HES Pro, the Quick Input method overestimated my annual energy costs for my 1912 single-unit bungalow, as it did not take into account many of the energy-efficient improvements that had been made. This actually provided a good snapshot of the home before improvements were made."

Detailed Input Method. "After spending about 30 minutes to go through the Detailed Input method, the resulting analysis was very accurate to my home's actual utility data."

2. The real power of HES Pro is that once the analysis is done, the appraiser can compare the subject property to the zip code average and other homes in the area.

    a. Suggested "Upgrades" to make the home more efficient can also be shown.

    b. The HES Pro Web site also links to learning resources that discuss energy economics.

3. In lieu of an appraiser learning to be an energy auditor, this is a fantastic free resource for existing conditions analysis.

C. Green energy compass

The compass tool developed by Performance Systems Development, Inc., can be viewed at the company's Web site. (See "Tools" on Green Resources Web Sites List.)

This tool uses the actual weather data for the billing period to disaggregate the energy used for heating, cooling, and base load. It will also provide a comparison of the subject property's energy bill to the other homes in the area.

IV. Paired Sales Analysis

Paired sales analysis is the most preferred method for supporting adjustments. In the ideal world, paired data analysis provides good evidence of the market's reaction to a particular element of comparison. However, the high-performance house is breaking new ground in many markets. Limited sales exist to develop a paired sales analysis.

Exhibit #1

2.5 Discussion Questions

Paired Sales Analysis

1. *Would it be logical to use a paired sales analysis from a different area? Explain.*

   Yes, if the area has similar characteristics to the subject's market.

2. *If the paired sales analysis uses a high-performance house compared to a code-built house, what element of comparison is being measured?*

   In this case, you would be measuring the quality and energy savings elements. If the high-performance house is built to higher standards than the code-built house, a quality issue may exist.

3. *Considering Question 2, where would the adjustment be made on the sale grid?*

   It could be made on the energy-efficient or quality line with an explanation of the adjustment.

4. *Are you required to include the paired analysis in the report?*

   No, however, you might want to include it to provide credibility to the number. This is particularly true in a market where this type of house is new, and the lender and underwriter might not be familiar with the product.

L.74

Exhibit #1

V. Market Analysis

> **Market analysis.** The identification and study of the market for a particular economic good or service.[10]

Market analysis may include studies, articles written by professionals, and regression analysis from areas with large amounts of market data. These studies can be used as secondary data for other techniques discussed in this course. Studies from areas with similar climates are most meaningful for a comparison basis.

A. Studies

1. SmartMarket Report from McGraw-Hill Construction is available for a fee. (See "Articles and Reports" on Green Resources Web Sites List.)

   The Green Home Consumer Market Summary reported some interesting facts.

   a. In 2008, a down economy, 70% of homebuyers said they were more inclined to buy a green home than a non-green home.

   b. Approximately 87% of homebuyers are at least moderately knowledgeable about green home building. This is a large percentage, which is expected to grow.

   c. Homeowners are remodeling with green products, and 44% report using green products in their renovation jobs last year.

      - Consumers are willing to pay more for green products. On average, homebuyers are paying a premium of $19,300 more for a green home. This is nearly 6.5% on the average home price of $300,000.[11]

   d. Groups willing to pay the highest premium for green are

      - 35 – 54 years old
      - Holder of a college degree
      - Male
      - Earning between $75,000 and $100,000 per year.

10. Ibid., p. 78.
11. "Design & Construction Intelligence," *SmartMarket Report,* McGraw-Hill Construction, 2008.

L.75

Exhibit #1

This information is crucial for choosing comparable sales. One of the criteria appraisers must consider is identification of the buyer (whom the buyer is). Our comparable sales should compete for the same buyer. This makes the search for comparable sales more difficult in a market with few high-performance houses.

2. Appraiser News Online reports

   In the first year since it began tracking environmentally certified homes, 19.8% of new homes in Seattle that sold on the Northwest Multiple Listing Service were environmentally certified.

   a. These homes averaged 1,477 square feet, just slightly smaller than the 1,492 square-foot average for all new homes sold.

   b. On a square-foot basis, this means green homes sold for a 5.9% premium.

   c. Green homes certified by a third party sold for a 10.5% premium on a square-foot basis.[12]

3. Local builder or buyer's surveys can be helpful in supporting adjustments or useful as secondary data.

4. Other studies

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12. *Appraiser News Online*, Chicago: Appraisal Institute, Volume 9, No. 8, April 30, 2008, www.appraisalinstitute.org/ano/archive.aspx?volume=9&numbr=7/8#4891.

Exhibit #1

2.6 Discussion Question

Can these studies provide secondary support for adjustments?

Yes, particularly if a study is from an area with similar climate and market characteristics. Quoting a study is some form of support and better than a subjective opinion without basis.

B. Verification of sales

Verification of comparable sales is extremely important in all appraisals. The high-performance house offers an even stronger case for verification with a party involved in the transaction for the following reasons:

1. MLS data sheets are often misleading.

   a. Many MLS databases do not provide a searchable field for green or ENERGY STAR® homes; therefore, the only way of identifying the home as green or energy-efficient is through the comments made by the agents.

   b. Agents define *green* and *energy efficiency* in many different ways, which requires appraisers to verify the data firsthand to have a complete understanding of the comparable characteristics.

2. A green rating can come from a variety of programs and may vary significantly. Verification of the rating program is essential.

3. If the property is reported as an ENERGY STAR® home, verify that it actually has a HERS Rating to document the claim. Some agents report homes as ENERGY STAR® homes simply because they have ENERGY STAR® appliances.

Exhibit #1

4. The high-performance house is built above code and requires careful consideration of the comparable sale's construction quality to add to the list on elements of comparison.

5. Building codes have changed in the last five years.

   a. The typical green or high-performance home has features that exceed most standard building codes.

   b. This makes it extremely important to use newer construction as comparable sales when appraising new green and high-performance homes. The use of ten-year-old homes compared to a new green-rated home without consideration of quality or energy efficiency or both is inappropriate.

6. Great care must be taken in using new construction as an arm's-length sale.

   a. Some builders offer package deals, spec house, and lot. The properties are marketed by the builder's sales staff or through the MLS. This type of sale would be similar to a typical arm's-length transfer.

   b. In cases where the property owner hired a builder to build a green home on a lot, it would not result in an arm's-length transfer. The appraiser must use good judgment in qualifying the comparable sales.

7. Do the comparables compete for the same buyer?

8. Other issues requiring verification

C. Home Energy Rating System (HERS) Index Rating and FannieMae Energy Report for Fannie Mae Desktop Underwriter®

1. A third-party rating provides monthly utility savings that can be converted into a contributory value. This figure is printed on a form called the Fannie Mae Energy Report and signed by the third-party rater.

   a. This report is not currently used by Fannie Mae or Freddie Mac; however, it does provide a measurement of value that was once used for EEM loans.

   b. A copy of the form is available. (See "Articles and Reports" on Green Resources Web Sites List.)

2. Calculating the contributory value estimate

   a. The contributory value estimate from the third-party rater found on the Fannie Mae Energy Report form can be calculated by the Calcs Plus Software using the present value of the annual energy savings, a prevailing mortgage interest rate, and anticipated life of the measure or savings.

   b. Using an HP 12C to calculate the contributory value of a monthly energy savings of $59.58, or annually $714.96 ($59.58 x 12 = $714.96), with an annual interest rate of 6.0% for a 15-year period results in the following keystrokes:

   On the HP-12C, the keystrokes are

Step	HP-12C	Display
1	f REG	0.00
2	15 n	15.0000
3	6 i	6.0000
4	714.96 PMT	714.9600
5	PV	–6,943.87
6	CHS	6,943.87

3. The appraiser must answer the following questions regarding this value indication:

   a. How reliable are the estimate of monthly savings and the estimated life of the savings?

   b. Is this estimated contributory value reasonable and worthy of belief?

   c. Does this contributory value represent a number that mirrors market reaction?

   Each appraiser must answer these questions in relation to the particular market and the product he or she is appraising. This approach to valuing the energy savings is only one way to approach value added and should be supported with secondary support. Having some basis for value or lack of contributory value is the main point addressed by the Uniform Standards of Professional Appraisal Practice and by Fannie Mae guidelines.

4. Measurements of comparability

   Comparing the HERS Index ratings of the comparable sales is a measurement of comparability.

   a. It would be ideal to have the HERS Index on all comparable sales; however, that is typically not available in the real world unless the subject property is in a development of green construction with ample sale data.

   b. Most code-built homes have a HERS Index of 100 or greater, depending on the local code. Therefore, comparing code-built homes to green or ENERGY STAR® homes requires consideration of the quality and energy-efficiency items.

5. If appraisers begin to recognize a trend of energy upgrades in a particular neighborhood, it must be recognized in the analysis.

   a. With the large number of incentives and tax credits offered for energy upgrades, this is something worth monitoring in your market.

   b. The MLS sheets will reveal the trends in the descriptions.

Exhibit #1

VI. Three Approaches and Green Buildings

A. The relevance of the three approaches to value is based on the appraisal problem and scope of work.

B. The green or ENERGY STAR® home has some unique building characteristics that may have certifying documents to support the descriptions and performance of the home. Not all green or energy-efficient homes are certified, but that doesn't make them any less green or energy efficient. If the home is not certified, the appraiser should still be skilled enough to acknowledge the physical attributes and know what questions to ask about the physical attributes that are not visible. More information about the latest version of ENERGY STAR® guidelines can be found on the ENERGY STAR® Web site. (See "National and State Government Sites and Programs" on the Green Resources Web Sites List.)

Supporting documents

1. Green score from certified program—Including the score sheet, a paper trail can usually be found even on existing houses. However, keep in mind that once green does not mean always green. Review the green score sheet to determine if changes or additions have been made to the property that may change or remove the green points and score.

2. HERS Index—The smaller the number, the more energy efficient the house should be.

3. If a HERS Index is not available, and the owner indicates the home is an energy-efficient home, ask for the last year's utility bills (heating and cooling to provide an average monthly cost).

4. If the home is new construction, ask for blueprints and specifications with the details of the green and energy-efficient features described. Even if the home is not new construction, these items may be available.

5. If the home is an ENERGY STAR® home, the ENERGY STAR® label with the third-party rater's name, date of rating, and rater's number should be found on the electrical box. However, raters have not been diligent about placing the label on site, but a paper trail should still be found.

LEARN MORE AT energystar.gov

6. If the home is new construction, ask the builder to provide a comparison of the green-built home to the standard code-built home. (Ratings of wind load, insulation, window type, etc.) This can become invaluable in comparing the property to code-built homes and judging the quality rating.

7. Incentives, including rebates from power companies, IRS, insurance discounts, lenders, or other money saving incentives.

8. Energy audit if available. (Some states may already require an energy audit prior to sale.)

9. Other documentation

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VII. Final Inspection of a Green or ENERGY STAR® Home

A. Final inspections can present some challenges if proper documentation does not exist. If the home was rated green or ENERGY STAR® from blueprints, the ratings are preliminary.

B. Upon completion of the construction, the raters must make a final inspection and provide a final rating based on the performance and completed product.

C. It is imperative that the client provide the appraiser with this final rating.

1. The appraisal should be "subject to completion" and a final rating at a minimum of the preliminary rating.

2. If the client does not send the final ratings, it is up to the appraiser to request the final ratings. This falls back to the competency issue of knowing the property type well enough to know what to request.

3. When a third party is placing the appraisal orders, the paperwork often gets lost in the transfer. However, the burden is on the appraiser to be diligent to obtain the documents needed to complete the final inspection.

4. Once the appraiser has the final ratings, the final inspection can take place on the green home as on a code-built home.

Exhibit #1

2.7 Discussion Question

What other potential problems might occur when inspecting the high-performance house?

The biggest problem is obtaining the final ratings for the green or ENERGY STAR® certification. The appraiser should be provided with the final green inspection sheet as well as the actual score. The inspection sheet provides good support for the appraiser's workfile.

VIII. Interviewing the Buyer, Seller, Agent, or Builder

Interviewing the people involved in the transaction can provide a better understanding of their motivation for buying or building a high-performance house. It is the appraiser's challenge to understand the market. These questions might be helpful in obtaining needed data from the parties involved:

1. Why did you buy a high-performance house?
2. What are your typical utility bills?
3. What kind of comments did potential buyers make when they viewed the home?
4. Did the house sell in less time than other comparable homes that are not high-performance homes?
5. How much more did it cost to build this home compared to a code-built home?
6. Did the house meet your market expectations?
7. How much of a premium would you pay for a high-performance home?
8. How much is the energy savings worth to you?
9. ______________________________
10. ______________________________

L.83

Exhibit #1

Review **Part 2**

Learning Objectives

Now that you've completed Part 2, you should be able to

- ☑ Identify the difference between cost and contributory value
- ☑ Apply methods for valuing quality and energy-efficiency items
- ☑ Identify secondary support for the elements of comparison
- ☑ Apply verification skills to assist in comparing and contrasting market data

Recommended Reading

The Appraisal of Real Estate, 13th ed., pp. 243, 265, 413

Valuation by Comparison: Residential Analysis and Logic, pp. 57 – 71

An Introduction to Green Homes, pp. 97 – 101, 104 – 119

Terms and Concepts to Remember

Market analysis

L.84

Exhibit #1

Part 3.
Review of the Sales Comparison Approach Case Study Problem
(80 minutes)

Introduction

Survey the class to determine the experience level of the participants. If a large percentage of the class has no residential experience, work through Case Studies 1 and 2 as a class. If most of the class participants are residential appraisers, break the class into groups to work on the case studies. You may want to do the grouping so that the least experienced participants are teamed with participants with more experience. Monitor the time carefully, since there is a lot of material to cover.

The case studies are designed to stimulate discussion. Encourage participants to think outside the box. There is no right answer to some areas of the appraisal, and many markets will view things differently. Discussion can be a great learning tool.

The suggested solutions should be handed out at the end of the day. You should work through the case studies prior to class, so you can encourage participants with other solutions that have a valid rationale and methodology.

Content Tips

Case Study 1: Sales Comparison Approach. This case study emphasizes the HERS Index Rating compared to the code-built house that is typically rated at 100 or more. The illustrations will provide suggested areas to describe the high-performance house features.

Case Study 2: Sales Comparison Approach, HERS Index. This case study uses the same comparable sales with actual HERS Index Ratings and applies adjustments. Be sure to review the suggested solution, which shows adjustments for the HERS Index Ratings when the ratings are available for all comparable sales. Discuss different ways the participants applied adjustments along with their reasoning.

Keep in mind some participants who have experience with these types of properties will fly through the case studies, while others will struggle to make decisions or offer opinions. Be prepared to encourage discussion by asking thought-provoking questions about the case study. For instance, how is the adjustment affected if these ratings were 125 – 150?

Case Study 3: Energy-Efficient Retrofit. Participants may have experience with retrofit projects. Ask how they handled the appraisal problem. Emphasize the necessity to use logic with mathematical formulas to assure the market finds them worthy of belief. Does the market data support such an adjustment? How are buyers making their decisions to buy high-performance houses? Should appraisers be using the same criteria to appraise them?

INSTRUCTOR NOTES

Early in the case studies, appraisers may have made up their minds that the market does not support energy or green adjustments. After working through the case studies, some will begin to change their minds. The formulas used to support energy adjustments are ones used by builders, retailers of energy and green products, and utility companies in promoting the products; therefore, consumers are using these formulas to some degree in their decision making.

Exhibit #1

Suggested Solution to Case Study 1

	Subject	Sale 1	Adjmt	Sale 2	Adjmt	Sale 3	Adjmt	Sale 4	Adjmt
Sale price	$308,000	$290,000		$275,000		$285,000		$308,000	
Price/sq. ft. GLA	$146.67	$131.82		$130.95		$124.73		$140.00	
Financing	Conventional	Conventional		Cash		Conventional		Conventional	
Date of sale	Current	Current		3 months		2 months		Current	
Site size/sq. ft.	14,275	14,000		14,250		15,500		15,500	
Design	Ranch	Ranch		Ranch		Ranch		Ranch	
Quality of construction	SIP/Metal Roof/Green Score 325	Frame/Vinyl/ Metal Roof		Frame/Alum/ As Shingle Roof		Frame/Wood lap siding/ Metal roof		Frame/ Brick veneer/ Metal roof	
Actual age	Proposed	2 years	$10,000	5 years	$25,000	3 Years	$15,000	New	
Condition	New	Average		Average		Average		New	
Room count Total/Bdrms/Baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths		7 total/ 4 bedrooms/ 2.5 baths		7 total/ 4 bedrooms/ 2.5 baths		7 total/ 4 bedrooms/ 2.5 baths	
GLA	2100	2,200		2,150		2,285		2,200	
Energy-efficient items	HERS 56 – Good	Average – Code	$8,120	Average-Code	$7,700	Average-Code	$7,980	Average-Code	$8,624
Heating/Cooling	Hi eff. central	Central		Central		Central		Central	
Garage	3-car detached	3-car attached		3-car attached		3-car attached		3-car attached	
Landscaping	Zero impact landscape	Average		Average		Average		Professional- $16,000	
Other				Rent/$2200 Month					
Data source	Builder	MLS		MLS		MLS		MLS	
Indicated value			$308,120		$307,700		$307,980		$316,624

Exhibit #1

Suggested Solution to Case Study 2

	Subject	Sale 1	Adjmt	Sale 2	Adjmt	Sale 3	Adjmt	Sale 4	Adjmt
Sale price	$308,000		$290,000		$275,000		$285,000		$308,000
Price/sq. ft. GLA	$146.67	$131.82		$130.95		$124.73		$140.00	
Financing	Conventional	Conventional		Cash		Conventional		Conventional	
Date of sale	Current	Current		3 months		2 months		Current	
Site size/sq. ft.	14,275	14,000		14,250		15,500		15,500	
Design	Ranch	Ranch		Ranch		Ranch		Ranch	
Quality of construction	SIP/Metal Roof/Green score 325	Frame/Vinyl/ Metal roof		Frame/Alum/ As shingle roof		Frame/ Wood lap siding/ Metal roof		Frame/ Brick veneer/ Metal roof	
Actual age	Proposed	2 years	$10,000	5 years	$25,000	3 years	$15,000	New	
Condition	New	Average		Average		Average		New	
Room count Total/Bedrooms/Baths	7 total/ 4 Bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths		7 total/ 4 bedrooms/ 2.5 baths		7 total/ 4 bedrooms/ 2.5 baths		7 total/ 4 bedrooms/ 2.5 baths	
GLA	2100	2,200		2,150		2,285		2,200	
Energy-efficient items	HERS 56	HERS 100	$7,700	HERS 105	$8,100	HERS 100	$7,600	HERS 70	$6,500
Heating/Cooling	Hi eff. central	Central		Central		Central		Central	
Garage	3-car detached	3-car attached		3-car attached		3-car attached		3-car attached	
Landscaping	Zero landscape	Average		Average		Average		Professional- $16,000	
Other				Rent/$2200 month					
Data source	Builder	MLS		MLS		MLS		MLS	
Indicated value			$307,700		$308,100		$307,600		$314,500

Part 3 Preview

Review of the Sales Comparison Approach Case Study Problems

The *Introduction to Green Buildings* course, other previous appraisal courses, and USPAP are the basis for analyzing and communicating an appraisal of the high-performance house. These courses presented some basic knowledge of the new building technology employed in the high-performance house. Part 3 introduces ways to employ the new building technology with appraisal procedures to arrive at credible appraisal results.

Learning Objectives

To prepare for Part 3, read the following learning objectives and refer back to them as you study this part of the handbook.

- ☐ Identify elements of comparison requiring adjustment in the sales comparison approach for a high-performance house.
- ☐ Recognize the difficulties of a limited market.
- ☐ Apply proper logic and analysis.

Learning Tips

Consider tools from your prior appraisal classes to address case study problems. Not everyone will approach the problem in the same manner and that's okay. Discussing the different opinions on approaching a solution often leads to new ideas or improved ideas that can be used in your work product. Are you ready?

Exhibit #1

L.91

Exhibit #1

Part 3.
Review of the Sales Comparison Approach Case Study Problems

Case Study 1

The case studies encourage discussions on the methodology applied. Appraisers are in a new era, and thinking outside the box is encouraged. The only rule is that you must be able to defend your answers.

Valuation Assignment

- Appraise a proposed construction on a site zoned for residential use with 14,275 square feet. The plans indicate the property is a high-performance, ranch-style house.
- Analyze the data to form some adjustments and opinions.
- Answer the questions following the grid.

Terms of Mortgage

The buyer will be obtaining a loan through a local EEM lender. The lender ordered the appraisal for mortgage underwriting purposes. The loan-to-value ratio is expected to be 80% on this 15-year mortgage at a 5.5% fixed rate. The mortgage does not require points. The EEM lender offers a discount of $1,000 toward the closing costs for this energy-efficient loan.

L.92

Exhibit #1

Case Study 1: Overview

Property Description

The builder provided the following details about the home.

3.1 Table

Item	Amount
Construction cost.	$255,000
Site cost	35,000
Site improvements	18,000
Gross living area	2,100 sq. ft.
Room count	7 total rooms, 4 BDs, 2.5 BA
Garage	3-car attached by a breezeway (porch)
HERS Index	56 with est. monthly energy savings of $69
Green score	325 based on the FL Green Bldg. Coalition, 3rd party rater (min. rating is 200 and max. is 400)
Construction	Structural insulated panel (SIP), which usually refers to panels made from a thick layer of foam (polystyrene or polyurethane) sandwiched between two layers of oriented strand board (OSB), plywood, or fiber cement.[13]
Energy efficient costs	Builder included a premium of $9,500 for energy-efficient items that are above his code-built model. This premium included foam insulation, solar water heater, energy-efficient light fixtures, and reclaimed water system.
Roof	Metal
Appliances	ENERGY STAR®
Energy efficient features	Soybean-based foam insulation, solar water heater, low-E windows, 19-Seer air conditioning unit, and high-efficient warm air handler, reclaimed water, rain barrels
Landscaping	Zeriscaping or zero impact landscaping

13. www.toolbase.org/Technology-Inventory/Whole-House-Systems/structural-insulated-panels

Exhibit #1

Case Study 1: Overview, cont.

Sale Grid

A sales search of the local MLS resulted in the four most comparable sales of recent date; no high-performance sales are available. The sales are all in the same neighborhood and compete for the same buyer. The sales are all arm's-length transfers and sold in fee simple interest. (See grid on next page.)

The market is stable with concessions not required to obtain a sale price. The typical code-built home in this neighborhood has a HERS Rating of 100 – 115. The typical site is sold on a buildable site basis and has a range in price between $30,000 and $35,000, depending on view. All comparable sales have the same view as the subject property

Exhibit #1

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Sale price	$308,000	$290,000	$275,000	$285,000	$308,000
Price/sq. ft. GLA	$146.67	$131.82	$130.95	$124.73	$140.00
Financing	Conventional	Conventional	Cash	Conventional	Conventional
Date of sale	Current	Current	3 months	2 months	Current
Site size/sq. ft.	14,275	14,000	14,250	15,500	15,500
Design	Ranch	Ranch	Ranch	Ranch	Ranch
Quality of construction	SIP/ Metal roof/ Green score 325	Frame/Vinyl/ Metal roof	Frame/Alum/ As shingle roof	Frame/ Wood lap siding/Metal	Frame/Brick veneer/Metal
Actual age	Proposed	2 Years	5 Years	3 Years	New
Condition	New	Average	Average	Average	New
Room count Total/bedrooms/ baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths
GLA	2100	2,200	2,150	2,285	2,200
Energy-efficient items	HERS 56 – Good	Average – Code	Average – Code	Average – Code	Average – Code
Heating/cooling	Hi eff. central	Central	Central	Central	Central
Garage	3-car detached	3-car attached	3-car attached	3-car attached	3-car attached
Landscaping	Zero impact landscape	Average	Average	Average	Professional- $16,000
Other			Rent/ $2200 month		
Data source	Builder	MLS	MLS	MLS	MLS

L.95

Exhibit #1

Case Study 1: Problems

Use the information in the Overview to solve the following problems.

1. *Can an appraiser develop a credible opinion of value for the subject property, a high-performance house, based on these comparables?*

   Yes, however, adjustments will be required for differences.

2. *What adjustments are necessary based on the data presented?*

   Possible quality and/or energy-efficient adjustment, age, and GLA over 100 square feet.

3. *List adjustments quantifiable and the support.*

   Energy-efficient adjustment based on GRM

   125 (GRM) x $69 monthly utility savings = $8,625, rounded to $8,600

   This is a 2.8% line-item adjustment.

   ($8,600 / estimated value of $308,000)

   Compared to the current construction cost of $9,500, this adjustment is reasonable. Sale 1 versus Sale 3 supports a $5,000 adjustment for a one-year difference in age. Comparing Sale 1 versus Sale 2 suggests no adjustment of roof difference. The site value for all comparable sales is assumed equal to the subject property since the unit of value is per buildable site.

Exhibit #1

Case Study 1: Problems, cont.

4. *Apply adjustments and provide an indicated value range.*

   $307,700 to $316,624 with Sales 1, 2, and 3 strongly supporting $308,000.

5. *How would you rank the comparable sales compared to the subject property?*

   Sale 4, Sale 1, Sale 3, and then Sale 2 with the first one listed as the most comparable and the last one listed as the least comparable of this data set

6. *Write an explanation of why an adjustment is not necessary for the differences found in these comparable sales compared to the subject property.*

   An adjustment is not applied for the quality of construction, although the subject property's framework is superior in strength and durability to the comparable sales. The comparable sales have some features that would be offsetting quality or green features. The adjustment made for the energy-efficient items is based on the GRM x the monthly energy savings. This monthly savings is also attributed to the framing construction; therefore, the adjustment under energy efficiency does account for the framing and superior energy-efficient items, including the 19 Seer air conditioning unit. The water reclaiming equipment is new to this market, and no adjustment can be quantified. Until more buyers turn to water reclaiming equipment, a quantifiable adjustment cannot be identified.

Exhibit #1

Case Study 1: Problems, cont.

7. *Write an explanation of the HERS Index versus the code-built house to allow the intended user to understand the importance of this rating.*

The subject property's HERS Index is 56 based on the plans. A monthly savings of $69 is attributed to the energy-efficient features of this house. The typical code-built house, such as the comparable sales, in this market has a HERS Rating of 100 and would not experience the same energy savings as the subject property. The lower the HERS Index, the more energy efficient the house should be. Therefore, the subject property is built above the current code-built house (the comparable sales in this report) and deserves an adjustment for the savings attributed to this feature.

8. *How much more per square foot of living area is the cost for the subject structure than the cost for Sale 4's structure?*

Sale 4 = $308,000 – $35,000 site value – $16,000 site improvements =

$257,000 / 2200 square feet = $116.82

Subject property = $255,000 / 2100 sq. ft. = $121.42

$121.42 – $116.82 = $4.61 or 3.9%

L.98

Case Study 1: Problems, cont.

9. *What questions do you expect an underwriter to pose based on your analysis of these sales?*

   Possibly question the energy adjustment unless support is placed in the report along with documentation throughout the report. Why weren't sales of other high-performance houses used? Is Sale 4 an arm's-length sale?

10. *Considering your answers to Question 9, how do you avoid a call from the underwriter for this additional information?*

    Address the potential questions in the report.

11. *What must the appraiser do to meet FannieMae Guidelines when making an energy adjustment?*

    Have a basis for the support using acceptable methods.

Exhibit #1

Case Study 2: Overview

Using the market information from Case Study 1, revisit the sales that now have the HERS Index applied. Each 1-point decrease in the HERS Index corresponds to a 1% reduction in energy consumption compared to the HERS reference home. Thus a home with a HERS Index of 85 is 15% more energy efficient than the HERS reference home, and a home with a HERS Index of 80 is 20% more energy efficient.[14]

	Subject	**Sale 1**	**Sale 2**	**Sale 3**	**Sale 4**
Sale price	$308,000	$290,000	$275,000	$285,000	$308,000
Price/sq. ft. GLA	$146.67	$131.82	$130.95	$124.73	$140.00
Financing	Conventional	Conventional	Cash	Conventional	Conventional
Date of sale	Current	Current	3 months	2 months	Current
Site size/sq. ft.	14,275	14,000	14,250	15,500	15,500
Design	Ranch	Ranch	Ranch	Ranch	Ranch
Quality of construction	SIP/ Metal roof/ Green score 325	Frame/Vinyl/ Metal roof	Frame/Alum/ As shingle roof	Frame/ Wood lap siding/ Metal roof	Frame/ Brick veneer/ Metal roof
Actual age	Proposed	2 years	5 years	3 years	New
Condition	New	Average	Average	Average	New
Room count Total/Bedrooms/Baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths	7 total/ 4 bedrooms/ 2.5 baths
GLA	2100	2,200	2,150	2,285	2,200
Energy-efficient items	HERS 56	HERS 100	HERS 105	HERS 100	HERS 80
Heating/Cooling	Hi eff. central	Central	Central	Central	Central
Garage	3-car detached	3-car attached	3-car attached	3-car attached	3-car attached
Landscaping	Zero impact landscape	Average	Average	Average	Professional- $16,000
Other			Rent/ $2200 Month		
Data source	Builder	MLS	MLS	MLS	MLS

14. www.energystar.gov/index.cfm?c=bldrs_lenders_raters.nh_HERS

L.100

Exhibit #1

Case Study 2: Problem

How would the energy efficient or quality adjustment differ from the prior analysis where we did not know the HERS Index on the sales?

Sale 2's GRM is the basis for the prior energy-efficient adjustment.

Sale 2 is 49% less efficient than the subject property is.

(105 – 56 = 49%)   2.8% x $275,000 = $7,700

Sale 1 is 44% less efficient than the subject property is. (100 – 56=44%)

Adjustment is {(2.8% x 0.95 (49% – 44%)} = 2.67% x $290,000 = $7,743;

Sale 3 is 44% less efficient than the subject property is.

Adjustment is {(2.8% x 0.95 (49% – 44%)} = 2.67% x $285,000 = $7,609

Sale 4 is 24% less efficient than the subject property is.

Adjustment is {(2.8% x 0.75 (49% – 24%)} = 2.1% X $308,000 = $6,468.

The indicated values with these adjustments are as follows:

Sale 1-$307,700; Sale 2-$308,100, Sale 3-$307,600; Sale 4-$314,500.

This tightens the range; however, the first three sales do not differ greatly in the HERS Index compared to the prior case study. Consider how the adjustment would be affected if these ratings were 125 - 150. Houses more than 15 years old could have a HERS Index of 150 and above. Or, Pair Sale 1 versus Sale 2 = No adjustment necessary for HERS Index of 100 versus 105; Pair Sale 3 versus Sale 4 = $8,000 adjustment between Hers Index of 100 versus 80.

L.101

Exhibit #1

Case Study 3: Overview

Energy-Efficient Retrofit

- Analyze the information below, and answer the questions on the next page.

After an energy inspection of a 4,500 square-foot house, the Illinois homeowner decided to make the following energy-efficiency upgrades:

- Sealed house and reduced leakage 40%
- Replaced ducts and buried new ductwork in R-49 insulation
- Raised insulation value in attic from R-30 to R-49
- Replaced and downsized cooling system by 30%
- Replaced and downsized heating system by 40%
- Installed window film on west-facing windows
- Installed high-performance fresh-air system

Total job costs after tax rebates and incentives: $17,000

The Results

The energy costs prior to the retrofit were $5,600 in 2008/2009 and are on pace to be reduced by 48% in 2009/2010.

Exhibit #1

Case Study 3: Problems

1. *What is the annual savings amount?*

   $5,600 x 0.48 = $2,688 per year

2. *What is the annual return on the original total investment to retrofit this house?*

   $2,688 savings / $17,000 total investment = 15.8% return on the original investment

3. *At that rate, how long will it take to recover the home improvement?*

   $17,000 total investment / $2,688 = 6.3 years

4. *What is the typical ownership period?*

   Typically 5-7 years, may vary with neighborhood and price range

5. *What other benefit might be realized for the next owner?*

   The savings will keep paying forward; the new owner will receive the benefit also.

L.103

Exhibit #1

Case Study 3: Problems, cont.

6. *Assume this house is the first in the neighborhood to attempt the energy-efficient retrofit. How might you attempt the energy-efficient adjustment on this retrofit?*

The GRM concept could be applied to the monthly savings of

$2,688 / 12 = $224

If a GRM is not available or produces a result that is well above cost, the savings over a typical ownership might be considered, or depreciated cost of improvements might be considered. This is the first house in the neighborhood to make this retrofit; therefore, the paired sales analysis may not be available in this neighborhood. A paired sales analysis from another neighborhood might be a choice. Also, if it is the first in the area, an adjustment may not be indicated.

7. *How might the mandating of energy audits prior to a closing affect this element of comparison?*

If sellers are forced to provide an energy audit, buyers will become more concerned with energy costs. This will most likely monetarily affect sale prices paid and, therefore, values.

L.104

Exhibit #1

Exhibit #1

Review Part 3

Learning Objectives

Now that you've completed Part 3, you should be able to

- ☑ Identify elements of comparison requiring adjustment in the sales comparison approach for a high-performance house.
- ☑ Recognize the difficulties of a limited market.
- ☑ Apply proper logic and analysis.

Recommended Reading

Valuation by Comparison: Residential Analysis and Logic, pp. 96 – 114

Terms and Concepts to Remember

Green score

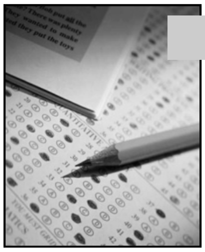
HERS Index Rating

Structural insulated panel (SIP)

L.106

Exhibit #1

Exhibit #1



Practice Test — Section 1

This multiple-choice test provides a review of concepts and definitions covered in Section 1. This is a "closed book" test. Choose the <u>most</u> correct answer.

1. A high-performance house takes into consideration

   A. a HERS Index of 100 or higher.

   * B. energy-efficient, sustainable, and environmentally friendly products.

   C. products made in the U.S.

   D. the most desirable features that buyers seek.

2. Which aspects of the appraisal analysis might be affected by the high-performance house?

   A. certification

   B. neighborhood description

   * C. physical life, cost, and/or depreciation

   D. type of form used

3. In which areas does USPAP address the high-performance house?

   A. Competency only

   * B. Competency, Standards Rule 1-1, and Standards Rule 1-2

   C. Standards Rule 1 only

   D. Standards Rule 2 only

L.108

4. John received an assignment to appraise the first high-performance house in his market. He took an introductory course on green construction and energy efficiency to fulfill the Competency Rule. Since the market has no comparable sales, he should

* A. consider other methods to support adjustments including GRM analysis, cost, and studies from other areas.

B. decline the assignment.

C. proceed with the appraisal using code-built houses and ignore the green and energy features since the market has no support.

D. use Marshall & Swift costs for adjustments.

5. The HERS Rating has been provided for proposed construction. The HERS Rating is 62, meaning the completed construction should be

A. equal to a code-built house.

B. less energy efficient than a code-built house.

* C. more energy efficient than a code-built house.

D. none of the above.

6. Susan inspected a home with energy-efficient and green features; however, the owner did not have an official certification. The neighborhood has a variety of green and ENERGY STAR® Homes. Susan should

A. give value only if all the other sales in the neighborhood are not certified.

B. not give value to the green or energy features since it is not certified.

C. require the owner to have the house certified or rated prior to completion of the appraisal.

* D. review the market data, and if the market trends support value for these features, it should be applied.

7. The principles of sustainability provide a good basis for understanding the green movement. The resource efficiency principle includes the following resources that directly affect residential properties.

A. floor plan and window treatments

B. floor plan, solar window treatments, and cisterns

C. solar panels, suburban location, and material selection

* D. water conservation, energy efficiency, building design, and material selection

Exhibit #1

Section 2

Exhibit #1

2

Part 4. Green Residential Case Studies: Cost Approach

Part 5. Green Residential Case Studies: Income Capitalization Approach

Part 6. The Reconciliation

Exhibit #1

Part 4.
Green Residential Case Studies: Cost Approach
(40 minutes)

Content Tips

Market Value Versus Cost. Many participants may have seen high-performance houses with superadequacy, and this is their perception of all high-performance houses. The property in Case Study 4 does have superadequacy; however, emphasize this is not the case with all high-performance houses.

Case Study 4. Allow the groups to work through the case study and develop opinions. Then as a class, discuss the different ways each group handled the appraisal problem.

Case Study 5. The groups will use the information from Case Study 4 to complete the cost approach section of the URAR form. Sometimes appraisers do not connect the dots between the cost approach and the sales comparison approach. Discuss the theory that cost less all forms of depreciation should represent something close to contributory value or the adjustment in the sales comparison approach.

Discuss the greenhouse and cistern contributory value once the groups have completed the cost approach. Where did they handle these two items? Some will have included the greenhouse with the structure using the same rate of depreciation as the house, yet in the sales comparison approach case study reports, no contributory value was found. How can it have value in the cost approach but not the sales comparison approach? Review the suggested solution before presenting it to the class.

Suggested Solution to the Cost Approach. The site improvements current construction cost excluding the cistern and greenhouse is $24,350 less 30% depreciation based on a physical age/useful life method. (Depreciation rate might vary since no guide is given here. Encourage the groups to use their local market depreciation factor.)

The depreciation rate for site improvements may vary, and that's okay. Some will argue site improvements never depreciate. Ask, "Does that mean the well pump never goes out, the septic never needs replacement, the driveway never needs resurfacing, landscaping never dies, and fences never need repair?"

The cistern and greenhouse should be totally depreciated if the students decide they have no value in the market. Or else, how can you give contributory value in the cost approach if they give no value in the sales comparison approach. If they give value in the cost and not in the sales comparison approach, is that a problem? Why or why not?

Refer to the suggested solution in the Instructor Handbook. Some students may have difficulty understanding the extraction of depreciation. Refer them to *Appraising Residential Properties,* 4th ed. (See Review page for Part 4.)

INSTRUCTOR NOTES

The exam will not require participants to extract depreciation. Remind the class that depreciation should be extracted from actual sales in the sales comparison approach. Due to time constraints, the same technique is used on the subject property.

Case Study B in Appendix. If you have extra time, work on Case Study B as a class. Or if groups finish early, direct them to begin working on this case study.

The data is based on a builder's presentation to clients. Some participants may want to deduct the incentive from the sale price as a sale concession. Be prepared to discuss why this would not be appropriate. Also, remind them that incentives on new construction do not pass on to the next buyer; however, incentives do offset current construction cost.

Suggested Solution to Case Study 5 Problem

COST APPROACH TO VALUE (not required by Fannie Mae)						
Provide adequate information for the lender/client to replicate the below cost figures and calculations.						
Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) Land value is supported by similar size land sales in the neighborhood. The sales are in the appraiser's workfile.						
ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE				= $	85,000
Source of cost data Survey of builders & National Green Cost Service	Dwelling	2,300 Sq. Ft. @ $ 150.00			= $	345,000
Quality rating from cost service Good Effective date of cost data Current	Det Garage 900	Sq. Ft. @ $ 26.00			= $	23,400
Comments on Cost Approach (gross living area calculations, depreciation, etc.)	Porches					21,750
The house has energy efficient features with a 66 HERS Rating &	Garage/Carport 777	Sq. Ft. @ $ 28.00			= $	21,756
green components. A builder survey is the basis for the cost new	Total Estimate of Cost-New				= $	411,906
along with the National Res. Green Cost Service. Depreciation is	Less 0	Physical	Functional	External		
based on market extraction. The depreciated value of the site	Depreciation	$16,476		$20,595	= $(	37,071)
improvements includes the drive, landscaping, well, septic, well	Depreciated Cost of Improvements				= $	374,835
pump, irrigation system, fence & bat houses depreciated at 30%	"As-is" Value of Site Improvements				= $	17,045
based on market extraction.	Cistern and greenhouse (plants) given no value					
Estimated Remaining Economic Life (HUD and VA only) N/A Years	INDICATED VALUE BY COST APPROACH				= $	476,900

Suggested solution for depreciation:

Comparable 1 sale price	*$500,000 (supported with market sales)*
Less site value	*32,000*
Less site improvements	*11,000*
Deprec. value of house	*457,000*
Current construction cost	*$500,000*
Less deprec. value of improv.	*457,000*
Depreciation	*$43,000 from all forms of loss*
Percent deprec.	*8.6% $43,000 / $500,000 = 8.6%*

The most similar sale from the sales comparison approach indicates as of the effective date of value, the economic life is 8.6% / 3 years (age of Comparable 1 at time of sale), which is 2.87% per year or 35 years total economic life (100 / 2.87% = 34.84 or 35 years).

The case study provides support for the 5.0% charged to external obsolescence based on a survey of builders and a local newspaper article. Therefore, the 8.6% depreciation considers 3.6% for physical depreciation and 5.0% for external obsolescence.

Exhibit #1

INSTRUCTOR NOTES

Exhibit #1

Part 4 Preview

Green Residential Case Studies: Cost Approach

Part 3 focused on the sales comparison approach. Part 4 focuses on the cost approach as it relates to the high-performance house. The tools or methods for applying the cost approach for green homes are no different than those used for the code-built house.

Learning Objectives

To prepare for Part 4, read the following learning objectives and refer back to them as you study this part of the handbook.

- ☐ Identify the depreciation differences that might be found between the high-performance house and the code-built house.
- ☐ Identify site improvement's costs and contributory value.
- ☐ Identify the relevance of this approach in the appraisal problem.

Learning Tips

Residential appraisers providing mortgage-lending services do not often use the cost approach; therefore, there are often weaknesses in applying the approach. The case studies are designed to refresh your skills with the cost approach. Not everyone will solve the case study in the same manner.

L.117

Exhibit #1

L.118

Exhibit #1

Part 4.
Green Residential Case Studies: Cost Approach

Part 4 consists of two case studies. Case Study 4 introduces you to a green home in a rural location with some unique features. In Case Study 5, you will complete the cost approach section of the URAR form for this home.

I. Market Value Versus Cost

A. The cost approach is an important approach in developing value of a unique property. The high-performance house falls into the category of *unique* at this time because of the limited number of these homes in many markets.

B. Appraising these houses may also be a complex appraisal problem because of the difficulty of finding data.

   1. This statement will most likely change in five years as government mandates continue to legislate the construction of green and energy-efficient houses.

   2. High-performance houses may become the norm, and the code-built house we know today will be the unique house.

C. Basis for a quality adjustment

   1. Estimating the current construction cost of each comparable compared less depreciation

   2. Comparing this estimate to the subject property's current construction cost less depreciation.[15]

D. Care must be used when applying the cost approach to the property that falls in the unique category.

   1. When valuing a proposed construction, depreciation will become a crucial step in developing a reliable value conclusion.

   2. Proposed construction could have functional or external obsolescence.

15. Rattermann, Mark. *Valuation by Comparison: Residential Analysis and Logic*, Chicago: Appraisal Institute, 2007, p. 94.

L.119

Exhibit #1

Case Study 4: Valuation Assignment

The following case study involves an appraisal on a home that is a high-performance house located in a depressed market. The case study's market is representative of many markets in 2009 – 2010.

- Read through the descriptive information about the property.

- Answer the case study questions. The questions are designed to encourage differing opinions. There are no right or wrong answers as long as the method and defense are solid.

L.120

Exhibit #1

Case Study 4: Overview

The subject property is a green house located in a rural community. It is surrounded by houses of a similar size on 1- to 10-acre sites.

This photograph depicts the area of the cistern. The roof water drainage flows into this cistern. The cistern cost is $10,500.

Exhibit #1

Case Study 4: Overview, cont.

Physical Description of the House and Site	
Dwelling sq. ft.	2,300 sq. ft.
Bedrooms/Baths	Three bedrooms/Two baths in dwelling (half bath in garage)
Kitchen	Wood cabinetry/Corian counter tops
Roof type	Metal
Construction	All wall system/Hardy plank siding/Soybean-based spray foam insulation/Commercial grade gutters draining into the 10,000 gallon cistern for rain harvesting/Solar water heater/19-Seer energy-efficient water cooled central air/Very low VOC paint/9 ft. ceiling height
Window type	Low E/High impact
Age	3 years actual age/3 years effective age
Foundation	Slab
Green score	No rating available
Average monthly savings	Monthly savings of $135 a month or an energy performance of 66 on a HERS Index
Additional features	Whole house generator/Fireplace/Two tubular light fixtures/
Floor coverings	Carpet made from recycled soda bottles/Marmoleum
Garage – attached to breezeway	2-car attached, insulated garage with a half bath and detached garage (30 x 30)
Porches	Screened breezeway and lanai/Covered entry
Lot size	9 acres m/l surrounded by a creek except along the road frontage
Site improvements	Cistern/pump for watering from creek/Fence/Greenhouse for plants/Auto watering for herb garden/2 bat houses for natural mosquito control
Utilities to site	Private well and septic required/Public electric/Phone/Cable available
Street	Paved two-lane publicly maintained by county
Original cost (2003)	$800,000 (included $160,000 for the land)
Date listed/Price	2007/$895,000
Final list price/Sold	$549,000/ Sold at $480,000, no concessions

Exhibit #1

Case Study 4: Overview, cont.

Market Data

- The real estate market is just beginning a period of stabilization after three years of a declining market, houses and vacant land in oversupply, and marketing time exceeding one year.

- Comparable Sale 1 sold two years prior to the current transaction for $1,250,000 and sold 3 months ago for $500,000, and this sale is representative of market conditions for houses over $400,000.

- New construction is at an all time low, and a survey of builders published in the local newspaper indicates the cost to build is at least 5% over the current selling price of spec houses.

- No market support exists for a contributory value of the cistern and greenhouse (referring to the plant greenhouse).

- Comparable sales of green or energy-efficient homes were not available, which requires the use of code-built houses with adjustment.

L.123

Exhibit #1

Case Study 4: Problems

The description of the green home built in a rural location has several features that deserve discussion.

- Review the data and answer the questions.

1. *A green rating is not available on this house. Can you give green or energy-efficient value to a house that is not certified by LEED®, NAHB, ENERGY STAR®, or another certifying organization? Explain your reasoning.*

   Yes, an appraiser can consider green or energy-efficient value even without a certification. It is the appraiser's responsibility to know enough about green construction to recognize the features or know the questions to ask about the features. The certification itself may or may not add value. It is the green construction attributes that add the value not the certification, so why can't an appraiser apply value without the certification? If the market data indicates the market is only willing to pay a premium to certified green homes as opposed to non-certified green homes, no adjustment would apply for the non-certified green home. However, would the market recognize value of a non-certified green home compared to a code-built home? This case study does not provide the information to make that assumption.

L.124

Exhibit #1

Case Study 4: Problems, cont.

2. *Is the difference between the original cost to build of $800,000 and the recent contract of $480,000 supported by the sales comparison approach representative of loss due to physical depreciation and obsolescence? If so, what type of obsolescence?*

   The original cost to build may not have been representative of market value. The case study does not provide sufficient details to make that determination. The loss is attributed to physical depreciation and obsolescence. This case most likely has external obsolescence due to the declining market conditions that existed as evidenced by the comparables' history and cost to build exceeding selling prices. It may also suffer from functional obsolescence from a superadequacy. There are insufficient details to make an accurate determination about the functional issue.

3. *What is the highest and best use of this property as improved?*

   The highest and best use as improved is as built. The current improvements suffer from external obsolescence due to a depressed real estate market. The site improvements are an overimprovement for the market and result in a superadequacy. The cistern and plant greenhouse are items that are costly with no market support of a contributory value on a resale. The creek that surrounds the property is used for yard watering, and there is a well on site, which suggests the cistern is a superadequacy.

Exhibit #1

Case Study 4: Problems, cont.

4. *All comparable sales are code-built houses and have energy features inferior to the subject property. Can the subject property's monthly savings of $135 compared to the lack of energy savings with code-built homes be the basis for an adjustment?*

   Yes, this savings amount is large and deserves analysis using the GRM x $135 monthly savings. This amount should be carefully considered along with market support. If a quantifiable adjustment is not made, a qualitative adjustment is an option.

5. *Who is the buyer for this property?*

   Someone knowledgeable about green homes, making over $100,000 per year, between 35 and 60, health conscious, (see study done by McGraw_Hill).

6. *Will this appraisal report meet secondary mortgage market guidelines?*

   No, as dated comparables within one mile and of the same construction are not available, requiring the use of distant, dated, and heavily adjusted sales.

7. *Is the cost approach relevant in this appraisal problem?*

   Yes, since the house is newer and market sales are limited, the use of the the cost approach is necessary to provide credible results.

L.126

Exhibit #1

Case Study 5: Valuation Assignment/Overview

Cost Approach

- Using the information from Case Study 4 and the cost data provided below, complete the cost approach section of the 1004 form on the next page.

The effective age is three years, and the total economic life of a code-built house in this neighborhood is 35 – 45 years.

Cost is provided by a national cost service and a survey of local builders who have built high-performance houses.

Current construction cost of dwelling	$ 345,000
2-car garage attached (777 sq. ft.) to breezeway	$ 21,756
Detached garage (30 x 30)	$ 23,400
Porches	$ 21,750
Drive	$ 1,500
Landscaping	$ 5,500
Cistern	$ 10,500
Well	$ 4,200
Septic	$ 3,200
Well pump for yard water	$ 300
Irrigation system	$ 4,200
Plant greenhouse	$ 4,500
Fence	$ 4,950
2 bat houses	$ 500

Land value is $85,000 based on recent sales in the market area.

L.127

Exhibit #1

Case Study 5: Problem

Cost Approach Section of the 1004 residential form report

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate the below cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value)

COST APPROACH				
ESTIMATED ☐ REPRODUCTION OR ☐ REPLACEMENT COST NEW	OPINION OF SITE VALUE			= $
Source of cost data	Dwelling	Sq. Ft. @ $		= $
Quality rating from cost service Effective date of cost data		Sq. Ft. @ $		= $
Comments on Cost Approach (gross living area calculations, depreciation, etc.)				= $
	Garage/Carport	Sq. Ft. @ $		= $
	Total Estimate of Cost-New			= $
	Less Physical	Functional	External	
	Depreciation			= $ ( )
	Depreciated Cost of Improvements			= $
	"As-is" Value of Site Improvements			= $
				= $
Estimating Remaining Economic Life (HUD and VA only) Years	Indicated Value by Cost Approach			= $

After everyone has completed the cost approach section, the class will discuss the completion. This provides a view of what your peers would do.

L.128

Exhibit #1

Review Part 4

Learning Objectives

Now that you've completed Part 4, you should be able to

- ☑ Identify the depreciation differences that might be found between the high-performance house and the code-built house
- ☑ Identify site improvement's costs and contributory value
- ☑ Identify the relevance of this approach in the appraisal problem

Recommended Reading

Appraising Residential Properties, 4th ed., pp. 267 – 268

The Appraisal of Real Estate, 13th ed., pp. 377 – 380

Terms and Concepts to Remember

Economic age/life method

Obsolescence

Superadequacy

L.129

Exhibit #1

Part 5.
Green Residential Case Studies: Income Capitalization Approach
(60 minutes + one 10-minute break)

Content Tips

Case Study 6. Income Savings Case Study. This case study came from a builder's sales team. The team uses it to promote upgrading older houses with low-hanging fruit, a basic energy and duct system upgrade. As a class, work through the analysis and its relevance to the market.

Question 5. Answers to this question will vary depending on the area. Encourage a short discussion.

If states pass a requirement to have an energy audit prior to the close of a sale transaction, this may become a major market concern.

Case Study 7. Duplex Case Study. This is another group exercise. Working in groups keeps participants involved in the learning process. Be sure to walk around the groups, and make sure they stay on track.

The high-performance building works well for multi-unit buildings. This case study helps participants to consider carefully what may be affecting the rents. It's easy to make quick decisions without good support. The best place to start the rental estimate is with the history of the subject units.

The URAR form does not address the high-performance features well. The appraisal form does not limit the property description. Also, the case study does not discuss the sale price being above the appraised value. Would the intended user want to understand why the appraised value is less than the sale price? Bring the discussion back to the intended user's potential questions.

Reviewing the consequences of an appraisal that is not well presented will emphasize the importance of documenting the report. The emphasis is not on writing long reports. The emphasis is on documenting the report in a concise and precise manner, which allows the intended user to understand the rationale behind the number.

Even if value is not assigned for the high-performance features, the documentation should be present to assure the client it was considered. This discussion brings us back to USPAP issues.

It may have been a long time since some participants read through the certification statements, so spend a few minutes discussing them.

Case Study 8. Income Capitalization Approach to the Value of Solar Panels. How to value solar panels is a question in many markets. Appraisers will consider the solar panel but not give a second thought to other energy features. Why? The solar panel is visible, and most other energy features are not so evident.

The formula came from a Nevada source. Research indicates this formula is used in other states as well; however, point out that the Appraisal Institute is not endorsing any vendor formulas.

Carefully review the Question 2 solution, and stress the importance of market support.

Tell the class that the formula is presented so participants can see what vendors are using to sell their product. In order to defend their analysis, appraisers should be aware of the formulas that vendors use and be able to discern possible flaws in them.

Some participants will struggle with the HP-12C calculations; remind them that they will receive the case study solutions at the end of the day. The material cannot be sufficiently covered if time is spent on the calculator keystrokes.

The case study moves into the short-lived depreciation section of the breakdown method. This gives participants another way of considering a potential adjustment. How does the amount compare to the formula provided by Solar Forces?

The Fannie Mae guideline regarding energy-efficient adjustments is included in Appendix 1 of the material.

Case Study C (Appendix 1). Insulation Payback. This short case study is intended for class discussion if time permits. It gives some food for thought and a potential consulting assignment. Research indicates most builders are promoting the payback period of the energy items. Appraisers often bring up the payback period as a basis for adjustment. For a more lively class discussion, allow them to talk through their rationale if time allows.

Case Study D (Appendix 1). Builder Advertisement for SIP Construction. If time allows, use this short case study, which brings up a 1999 *Appraisal Journal* article. Builders quickly adopted the study as a basis for an adjustment. Discuss its relevance in the residential market. How would they answer a builder that presented this argument for value?

Exhibit #1

Part 5 | # Preview

Green Residential Case Studies: Income Capitalization Approach

Part 4 focused on the cost approach. Part 5 will focus on the income capitalization approach as it relates to the high-performance property.

Learning Objectives

To prepare for Part 5, read the following learning objectives and refer back to them as you study this part of the handbook.

- ☐ Identify the effects on rents and expenses in the high-performance property.
- ☐ Identify ways to support adjustments for solar panels.

Learning Tips

Residential appraisers providing mortgage-lending services for single-unit properties only use the income capitalization approach when the property is investor owned or purchased. Appraisers most often use this approach on the two-to-four-unit property. An increased number of multiunit properties will be built or retrofitted using high-performance technologies; therefore, appraisers must address the different issues found in the multiunit appraisal problem.

L.133

Exhibit #1

Exhibit #1

Part 5.
Green Residential Case Studies: Income Capitalization Approach

The case studies in Part 5 are designed to encourage brainstorming in the use of the income capitalization approach for Case Studies 6 and 7.

Case Study 6: Valuation Assignment

Income Savings Case Study

- Read through the information about the property.
- Answer the case study questions.

L.135

Exhibit #1

Case Study 6: Overview

The house is an 1800-square-foot house that is 25 years old and has a basic energy package and duct system upgrade.

Total cost of improvements	$7,065	(based on sample cost)
Monthly payment*	$ 28	(based on 30-year fixed loan at 5.0%)
Monthly utility savings	20.0%	(typical for this package, actual savings may vary)

*Payment is after tax deductions with an assumed rate of 5.0%. Interest is based on a seven-year average.

The typical buyer is considering the payback period (period it takes to repay the cost of the improvements) on energy-efficient improvements. Money saved on necessary expenses results in income to the owner by a reduction in the utility bill.

As appraisers begin to recognize a trend of energy upgrades in a particular neighborhood, it must be recognized in the analysis. With the large number of incentives and tax credits offered for energy upgrades, this is something worth monitoring in the market.

L.136

Exhibit #1

Case Study 6: Problems

1. *What amount does the homeowners' energy bill have to exceed in order for them to break even on their investment?*

   $28 / 0.20 = $140.

   If their bills exceed $140 per month, they will save money.

2. *What is the time required to recoup the cost of improvements? Is it beneficial to the homeowner?*

   $7065 / ($28 x 12 = $336 annually) = 21 years

   Typical ownership is less than 5-7 years; therefore, unless the typical homeowner can reap a return on this investment through added value or a selling point, it would not be a major consideration for most homeowners.

3. *In addition to the monthly savings on utility bills, what else might the consumers gain from this addition to their home?*

   Comfort and clean air, insurance against a future rise in energy costs.

4. *Is this energy package valuable to the market? Explain.*

   *If the market can see savings on a monthly basis, it **may** become a discernible adjustment.*

L.137

Exhibit #1

Case Study 6: Problems, cont.

5. *Comparing this home to a home without these features, is an adjustment necessary?*

   If the neighborhood or market area shows a trend for the upgrades, it might become a discernible adjustment. This sample does not provide sufficient information to make a defensible judgment.

6. *What would your peers do to support making or not making an adjustment?*

   Some would ignore adjustment; some would use paired sales to support an adjustment; some would survey brokers to understand if the buyers are considering these features in their purchasing decisions; some would make an adjustment based on current construction cost; some would make an adjustment based on depreciated current construction cost. Some might make qualitative adjustments or use the GRM method.

7. *How could you verify the potential energy savings if the owner has not received a utility bill since the retrofit project?*

   A HERS Rating by a third party rater, review of the last year's utility bill compared to the typical utility bill in the area for a similar size property. Alternatively, use the free online tool by LBL, Home Energy Saver: (See "Tools" on Green Resources Web Sites List.)

Exhibit #1

Case Study 6: Problems, cont.

8. *Could this type of tool for measuring costs of upgrades, savings, and payback period be used in a consulting assignment?*

   Yes, it could be used to assist in a variety of property types (commercial, industrial, residential, multi-unit, and office). It might be useful in an appraisal assignment to assist homeowners in listing a property by showing them improvements that could be made to enhance the selling potential.

9. *In what section of the appraisal report would this analysis be useful in supporting conclusions?*

   The highest and best use financially feasible test. A house that is not energy efficient may not be the highest and best use as improved. This example would provide support for making the improvements.

L.139

Exhibit #1

Case Study 7: Valuation Assignment/Overview

Income Capitalization Approach on a Duplex

- Read through the information about the property, and review the appraisal report on the duplex.
- Answer the case study questions that follow the appraisal report.

Property Information

Susan Henry just made an offer to purchase a green duplex in Sage, XX, for $225,000 through a local real estate agent. The property was listed at $245,000, and the seller accepted the offer of $225,000. Susan has been reading about green construction and wanted to be on the cutting edge of this concept. Her research indicated she could expect higher rents and lower maintenance costs, meaning more net income to her. The green score is 280 with 200 being the minimal score and 400 the maximum score. The HERS Index Rating is 60 with an anticipated energy savings of $45 per month per unit. These items are listed on the MLS listing sheet's Comment Section.

Mortgage Information

Susan's research indicated an energy-efficient mortgage lender would be more knowledgeable about the property and might even offer discounts. Therefore, she applied for a mortgage with a local lender who is an energy-efficient mortgage lender.

The appraisal management company ordered the appraisal for the local lender, and a portion of the appraisal report is provided on the following pages for your review. Susan was quite disturbed when she read the appraisal report. She was shocked that the appraised value was less than her offer. Of further concern to Susan was that the appraisal report did not address the energy efficiency or green aspects of the property much less give them value.

Case Study 7: Overview, cont.

Small Residential Income Property Appraisal Report

File #

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

SUBJECT

Property Address 704 Bay Street | City Sage | State XX | Zip Code
Borrower Susan Henry | Owner of Public Record Jim Rental | County Purple
Legal Description Lot 12 in Block 44 of Duplexville Section 1 per county property appraiser records
Assessor's Parcel # 4040769 | Tax Year 20XX | R.E. Taxes $ 1,200.00
Neighborhood Name Duplexville | Map Reference 4A 7N | Census Tract 303.01
Occupant ☐ Owner ☒ Tenant ☐ Vacant | Special Assessments $ | ☐ PUD | HOA $ | ☐ per year ☐ per month
Property Rights Appraised ☐ Fee Simple ☐ Leasehold ☐ Other (describe)
Assignment Type ☒ Purchase Transaction ☐ Refinance Transaction ☐ Other (describe)
Lender/Client Energy Efficient Mortgage Lender | Address Sage, XX
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? ☒ Yes ☐ No
Report data source(s) used, offering price(s), and date(s). MLS reports a listing at $245,000 for the past 90 days with a current pending contract.

CONTRACT

I ☒ did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.

Contract Price $ 225,000 | Date of Contract 4/20XX | Is the property seller the owner of public record? ☒ Yes ☐ No | Data Source(s) Public Record
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? ☐ Yes ☒ No
If Yes, report the total dollar amount and describe the items to be paid. None provided on the contract. The signed contract was provided by the lender and consisted of 5 pages and no addendums.

IMPROVEMENTS

General Description	Foundation	Exterior Description materials/condition	Interior materials/condition
Units ☒ Two ☐ Three ☐ Four	☒ Concrete Slab ☐ Crawl Space	Foundation Walls Concrete block/Average	Floors Tile/Good
☐ Accessory Unit (describe below)	☐ Full Basement ☐ Partial Basement	Exterior Walls SIP/ Average	Walls Painted Drywall/Good
# of Stories 1.0 # of bldgs. 1	Basement Area sq. ft.	Roof Surface Metal/Average	Trim/Finish Wood/Good
Type ☒ Det. ☐ Att. ☐ S-Det./End Unit	Basement Finished %	Gutters & Downspouts Yes/Average	Bath Floor Tile/Good
☒ Existing ☐ Proposed ☐ Under Const.	☐ Outside Entry/Exit ☐ Sump Pump	Window Type Metal Double Hung/Average	Bath Wainscot Tile/Good
Design (Style) Duplex	Evidence of ☐ Infestation	Storm Sash/Insulated not applicable	**Car Storage**
Year Built 20xx	☐ Dampness ☐ Settlement	Screens Yes/Average	☐ None
Effective Age (Yrs) 2	**Heating/Cooling**	**Amenities**	☐ Driveway # of Cars
Attic ☐ None	☒ FWA ☐ HWBB ☐ Radiant	☐ Fireplace(s) # ☐ WoodStove(s) #	Driveway Surface
☒ Drop Stair ☐ Stairs	☐ Other Fuel	☒ Patio/Deck concrete ☐ Fence	☒ Garage # of Cars 2
☐ Floor ☐ Scuttle	☒ Central Air Conditioning	☐ Pool ☒ Porch Cov'd entry	☐ Carport # of Cars
☐ Finished ☐ Heated	☐ Individual ☐ Other	☐ Other	☐ Att. ☒ Det. ☐ Built-in

# of Appliances | Refrigerator 2-P | Range/Oven 2-P | Dishwasher 2 | Disposal | Microwave 2 | Washer/Dryer 2-P | Other (describe) P= Personal Property

Unit	Rooms	Bedroom(s)	Bath(s)	Square Feet of Gross Living Area
Unit # 1 contains:	5 Rooms	2 Bedroom(s)	2.00 Bath(s)	850 Square Feet of Gross Living Area
Unit # 2 contains:	5 Rooms	2 Bedroom(s)	2.00 Bath(s)	850 Square Feet of Gross Living Area
Unit # 3 contains:	Rooms	Bedroom(s)	Bath(s)	Square Feet of Gross Living Area
Unit # 4 contains:	Rooms	Bedroom(s)	Bath(s)	Square Feet of Gross Living Area

Additional features (special energy efficient items, etc.). Spray foam insulation

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.). The interior of each unit is in good condition with no items of deferred maintenance noted.

Freddie Mac Form 72 (March 2005) | Form reproduced by United Systems Software Company (800) 969-8727 www.unitedsystems.com - Page 1 of 7 | Fannie Mae Form 1025 (March 2005)

Exhibit #1

Case Study 7: Overview, cont.

Small Residential Income Property Appraisal Report

File #

IMPROVEMENTS

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? [ ] Yes [X] No If Yes, describe.

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? [X] Yes [ ] No If No, describe.

Is the property subject to rent control? [ ] Yes [X] No If Yes, describe.

COMPARABLE RENTAL DATA

The following properties represent the most current, similar, and proximate comparable rental properties to the subject property. This analysis is intended to support the opinion of the market rent for the subject property.

FEATURE	SUBJECT	COMPARABLE RENTAL # 1	COMPARABLE RENTAL # 2	COMPARABLE RENTAL # 3
Address	704 Bay Street Sage, XX	840 Bale Avenue Sage,XX	865 Bay Street Sage, XX	904 Neil Circle Sage, XX
Proximity to Subject		6 blocks south	Same Street (1 block)	2 blocks north
Current Monthly Rent	$ 1300	$ 1,250	$ 1,250	$ 1,200
Rent/Gross Bldg. Area	$ 0.76 sq. ft.	$ 0.81 sq. ft.	$ 0.78 sq. ft.	$ 0.80 sq. ft.
Rent Control	[ ] Yes [X] No	[ ] Yes [X] No	[ ] Yes [X] No	[ ] Yes [X] No
Data Source(s)	Seller/Tenant/Contract	MLS and Management	MLS and Management	MLS and Management
Date of Lease(s)	6 and 4 months ago	6 and 3 months ago	7 and 2 months ago	3 and 2 months ago
Location	Duplexville	Duplexville	Duplexville	Duplexville
Actual Age	2-years old	3-years old	8-years old	10-years old
Condition	Good	Good	Good	Good
Gross Building Area	1700 sq. ft.	1550 sq. ft.	1600 sq. ft.	1500 sq. ft.

Unit Breakdown	Subject Rm Count Tot	Br	Ba	Size Sq. Ft.	Comp # 1 Rm Count Tot	Br	Ba	Size Sq. Ft.	Monthly Rent	Comp # 2 Rm Count Tot	Br	Ba	Size Sq. Ft.	Monthly Rent	Comp # 3 Rm Count Tot	Br	Ba	Size Sq. Ft.	Monthly Rent
Unit # 1	5	2	2.00	850	5	2	2.00	775	$ 625	5	2	2.00	800	$ 625	4	2	1.50	750	$ 600
Unit # 2	5	2	2.00	850	5	2	2.00	775	$ 625	5	2	2.00	800	$ 625	4	2	1.50	750	$ 600
Unit # 3									$					$					$
Unit # 4									$					$					$

FEATURE	SUBJECT	COMPARABLE RENTAL # 1	COMPARABLE RENTAL # 2	COMPARABLE RENTAL # 3
Utilities Included	Water/Sewer/Trash	Water/Sewer/Trash	Water/Sewer/Trash	Water/Sewer/Trash
Porches/Patio	Cov Entry/Patio	Cov Entry/Deck	Cov Entry/Patio	Cov Entry/Patio
Garage	1-car per unit	1-car per unit	1-car per unit	1-car per unit

Analysis of rental data and support for estimated market rents for the individual subject units reported below (including the adequacy of the comparables, rental concessions, etc.). A search of the defined neighborhood resulted in three rentals of similar sized duplex units that compete for the same tenant. Data indicates no discernible difference for age of the structure. Comparable Rental # 3 has only four total rooms per unit; however, this unit has only 1.5 baths resulting in $25 per month less rent per unit. Comparable Rentals # 1 and #2 provide greatest support of the subject's rent at $625. Market rent not actual rent is the basis for the income approach. The data strongly supports the monthly market rent at $625 per month or $1,250 total income. The actual rents are over market and have a maximum of eight months remaining on the lease; therefore, market rent is the basis for value.

SUBJECT RENT SCHEDULE

Rent Schedule: The appraiser must reconcile the applicable indicated monthly market rents to provide an opinion of the market rent for each unit in the subject property.

Leases			Actual Rent			Opinion of Market Rent		
Unit #	Lease Date Begin Date	End Date	Per Unit Unfurnished	Furnished	Total Rent	Per Unit Unfurnished	Furnished	Total Rent
1	6 months ago	6 months from today	$	$ 650	$ 650	$	$ 625	$ 625
2	4 months ago	8 months from today		650	650		625	625
3								
4								

Comment on lease data			
Total Actual Monthly Rent	$ 1300	Total Gross Monthly Rent	$ 1,250
Other Monthly Income (itemize)	$	Other Monthly Income (itemize)	$
Total Actual Monthly Income	$ 1300	Total Estimated Monthly Income	$ 1,250

Utilities included in estimated rents [ ] Electric [X] Water [X] Sewer [ ] Gas [ ] Oil [ ] Cable [X] Trash collection [ ] Other (describe)

Comments on actual or estimated rents and other monthly income (including personal property). The subject units have rents exceeding market rent. There is no known reason for rents exceeding market; therefore, market rent is more appropriate for analysis.

PRIOR SALE HISTORY

I [X] did [ ] did not research the sale or transfer history of the subject property and comparable sales. If not, explain. The subject property was built two years ago at an unknown cost. The current listing at $245,000 was over market. The comparable sales did not transfer in the past year.

My research [ ] did [X] did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data Source(s) MLS and Public Record

My research [ ] did [X] did not reveal any prior sales or transfers of the comparables sales for the year prior to the date of sale of the comparable sale.

Data Source(s) MLS and Public Record

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 4).

ITEM	SUBJECT	COMPARABLE SALE # 1	COMPARABLE SALE # 2	COMPARABLE SALE # 3
Date of Prior Sale/Transfer	None found	None found	None found	None found
Price of Prior Sale/Transfer	N/A	N/A	N/A	N/A
Data Source(s)	MLS and Public Record	MLS and Public Record	MLS and Public Record	MLS and Public Record
Effective Date of Data Source(s)	4/20XX	4/20XX	4/20XX	4/20XX

Analysis of prior sale or transfer history of the subject property and comparable sales.

Exhibit #1

Case Study 7: Overview, cont.

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae)				
Provide adequate information for the lender/client to replicate the below cost figures and calculations.				
Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) The sales search resulted in two recent site sales of similar zoning and highest and best use. The sale on Dell Street sold 1/10/20XX for $35,000, but is 1,500 square feet larger and Bale Avenue sold 2/25/20XX for $28,000 and it is the same size as the subject.				
ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE			= $ 30,000
Source of cost data Marshall and Swift Residential Handbook	Dwelling 1,700 Sq. Ft. @ $ 85.00			= $ 144,500
Quality rating from cost service Avg Effective date of cost data Current	Sq. Ft. @ $			= $
Comments on Cost Approach (gross building area calculations, depreciation, etc.)	Covered porch, built-in appliances			= $ 6,500
The current cost is supported by Marshall and Swift and cross checked with	Garage/Carport 576 Sq. Ft. @ $ 24.00			= $ 13,824
local builders. The site value is based on similar site sales in the area.	Total Estimate of Cost-New			= $ 164,824
Depreciation is based on the economic age-life method. Site improvements	Less Physical 3.3%	Functional	External	
include the landscaping, fill, utilities, patio and drive.	Depreciation 5,439			= $ (5,439)
	Depreciated Cost of Improvements			= $ 159,385
	"As-is" Value of Site Improvements			= $ 18,000
				= $
Estimating Remaining Economic Life (HUD and VA only) N/A Years	Indicated Value by Cost Approach			= $ 207,400

L.143

Exhibit #1

Case Study 7: Overview, cont.

Small Residential Income Property Appraisal Report

File #

There are 3 comparable properties currently offered for sale in the subject neighborhood ranging in price from $ 185,000 to $ 245,000 .

There are 4 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from $ 195,000 to $ 215,000 .

SALES COMPARISON APPROACH

FEATURE	SUBJECT	COMPARABLE SALE # 1		COMPARABLE SALE # 2		COMPARABLE SALE # 3	
Address	704 Bay Street Sage, XX	840 Dell Street Sage, XX		780 Bell Avenue Sage, XX		635 Blame Street Sage, XX	
Proximity to Subject		3.00 blocks south		4.00 blocks east		6.00 blocks east	
Sale Price	$ 225,000		$ 195,000		$ 200,000		$ 215,000
Sale Price/Gross Bldg. Area	$ 132.35 sq. ft.	$ 111.43 sq. ft.		$ 123.08 sq. ft.		$ 111.69 sq. ft.	
Gross Monthly Rent	$ 1,300	$ 1,250		$ 1,200		$ 1,300	
Gross Rent Multiplier	173.08	156.00		166.67		165.38	
Price Per Unit	$ 112,500	$ 97,500		$ 100,000		$ 107,500	
Price Per Room	$ 22,500	$ 19,500		$ 25,000		$ 21,500	
Price Per Bedroom	$ 56,250	$ 48,750		$ 50,000		$ 53,750	
Rent Control	☐ Yes ☒ No	☐ Yes ☒ No		☐ Yes ☒ No		☐ Yes ☒ No	
Data Source(s)		MLS and Public Record		MLS and Public Record		MLS and Public Record	
Verification Source(s)		Agent		Agent		Agent	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sale or Financing Concessions		Conventional None		Conventional None		Conventional None	
Date of Sale/Time		3 months ago		4 month ago		7 months ago	
Location	Duplexville	Duplexville		Duplexville		Duplexville	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	15,625 SqFt	16,000 SqFt		15,625 SqFt		16,500 SqFt	
View	Multiunit housing	Multiunit housing		Multiunit housing		Multiunit housing	
Design (style)	Duplex	Duplex		Duplex		Duplex	
Quality of Construction	Average	Average		Average		Average	
Actual Age	2-years old	9-years old		10-years old		5-years old	
Condition	Good	Good		Good		Good	
Gross Building Area	1,700 sq. ft.	1,750 sq. ft.		1,625 sq. ft.		1,925 sq. ft.	-15,000
Unit Breakdown	Total / Bdrms / Baths	Total / Bdrms / Baths		Total / Bdrms / Baths		Total / Bdrms / Baths	
Unit # 1	5 / 2 / 2.00	5 / 2 / 2.00		4 / 2 / 2.00		5 / 2 / 2.00	
Unit # 2	5 / 2 / 2.00	5 / 2 / 2.00		4 / 2 / 2.00		5 / 2 / 2.00	
Unit # 3							
Unit # 4							
Basement Description	None	None		None		None	
Basement Finished Rooms	None	None		None		None	
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	FWA/Central	FWA/Central		FWA/Central		FWA/Central	
Energy Efficient Items	Average	Average		Average		Average	
Parking On/Off Site	2-Garage-Det	2-Garage-Det		2-Garage-Det		2-Garage-Det	
Porch/Patio/Deck	Cov Entry/Patio	Cov Entry		Cov Entry/Patio		Cov Entry/Scr porch	equal
Net Adjustment (Total)		☒ + ☐ −	$ 0	☒ + ☐ −	$ 0	☐ + ☒ −	$ -15,000
Adjusted Sale Price of Comparables		Net Adj. % Gross Adj. %	$ 195,000	Net Adj. % Gross Adj. %	$ 200,000	Net Adj. % Gross Adj. %	$ 200,000
Adj. Price Per Unit (Adj. SP Comp / # of Comp Units)		$ 97,500		$ 100,000		$ 100,000	
Adj. Price Per Room (Adj. SP Comp / # of Comp Rooms)		$ 19,500		$ 25,000		$ 20,000	
Adj. Price Per Bedrm (Adj. SP Comp / # of Comp Bedrooms)		$ 48,750		$ 50,000		$ 50,000	

Value Per Unit $ 100,000 X 2 Units = $ 200,000 Value Per GBA $ 118 X 1700 GBA = $ 200,600

Value Per Rm. $ 21,000 X 10 Rooms = $ 210,000 Value Per Bdrms. $ 50,000 X 4 Bdrms. = $ 200,000

Summary of Sales Comparison Approach including reconciliation of the above indicators of value. The data set strongly supports value at $200,000 based on the price per unit and the price per bedroom, the most reliable units of value. These sales were the most recent sales requiring the least number and amount of adjustment. These sales compete for the same tenant and buyer. There is no discernible difference for the screen porch on comparable sale # 3. Comparable sale #3 requires a heavy square footage adjustment based on comparison to comparable sale #1 and #2.

Indicated Value by Sales Comparison Approach $ 200,000

INCOME

Total gross monthly rent $ 1,250 X gross rent multiplier (GRM) 166.00 = $ 207,500 Indicated Value by the Income Approach

Comments on income approach including reconciliation of the GRM. The GRM is based on comparable sales #2 and #3 supporting this indication. The rent is well supported by market comparable rents in the same neighborhood.

RECONCILIATION

Indicated Value by: Sales Comparison Approach $ 200,000 **Income Approach $** 207,500 **Cost Approach (if developed) $** 207,400

The cost approach has good support for cost new and site value. The income approach has good support for market rents and GRMs and provides a similar value indication to the cost approach. The sales comparison approach has recent data requiring minor adjustments and provides a lower indication than the cost and income approaches. All three approaches are given equal weight as they each have similar degree of strengths and weaknesses and support a value of $205,000.

This appraisal is made ☒ "as is", ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is $ 205,000 **, as of** 4/22/20XX **, which is the date of inspection and the effective date of this appraisal.**

Exhibit #1

Case Study 7: Problems

Exercise 1

1. *Is the appraisal report logical?*

   If we did not know the structure was green and energy efficient, it would be logical.

2. *Does the description of the property address the characteristics of the property adequately?*

   No, the energy and green features are not described. The MLS provided this information, and it was readily available to the appraiser.

3. *Is the rental analysis properly analyzed and well supported?*

   The rental analysis does not address the effect energy savings have on the rents paid. At least, there should be a discussion to support making or not making an adjustment.

4. *Does the sales comparison approach present any red flags that might concern an underwriter? What would you do differently? Why?*

   The comparables look perfect and have few adjustments as presented; however, upon knowing the facts about the subject property, the analysis becomes questionable. I would properly describe the physical characteristics of the subject property. If an adjustment were not warranted for green or energy efficiency, I would still discuss why not. This lets the reader know it was considered in the analysis.

L.145

Exhibit #1

Case Study 7: Problems, cont.

5. *Is the subject property description in the sales comparison grid adequate?*

   No, it should provide the green and energy ratings appropriately.

6. *What areas do you think an underwriter might question?*

   Why weren't adjustments made for the 9- and 10-year old sales? All rentals are smaller than the subject units are. Is an adjustment necessary? Two of the three rentals are older. Is an adjustment required?

7. *Does the cost approach address the subject quality and features adequately?*

   The green score and HERS Index is not mentioned. It should be mentioned and included in cost.

8. *Does Susan have a valid reason to question the appraisal? Why or why not?*

   Yes. Even if this market shows no discernible adjustment, it should be properly addressed and discussed. This report leaves the impression that the green and energy-efficient features were not acknowledged or considered.

L.146

Exhibit #1

Case Study 7: Problems, cont.

9. *Is the appraisal credible?*

   It looks acceptable until the full details of the physical characteristics are presented.

Although we do not have the full workfile on this assignment, you can begin to see why proper documentation and description of the property is the first step in understanding the analysis. You can also understand why a buyer knowledgeable about green construction would question the appraisal. Even the MLS described the property as a green and energy-efficient house. It appears the buyer knew more about the construction than the appraiser did.

L.147

Exhibit #1

Case Study 7: Problems, cont.

Exercise 2

- Let's review the consequences of this appraisal report. Fill in the blanks below.

From the buyer's prospective

1. The *competency* of the appraiser is in question. The buyer feels the energy-efficient mortgage lender treated her *unfairly* by not hiring a qualified appraiser.

From the lender's perspective

2. The lender just lost *credibility* with the borrowers and will possibly not make this loan.

From the seller's perspective

3. The seller lost a deal because the *appraiser* and *EEM lender* don't understand green construction.

Issues concerning the appraiser

4. *Has the appraiser violated USPAP? If so, what rule was violated?*

   Yes, possibly the Competency Rule.

   Did not properly describe the physical attributes or address the economic characteristics of the subject property. Even the listing agent properly described the green and energy-efficient features. Items listed on the MLS listing sheets are a good indication of the features buyers and/or sellers find important. These are often the items deserving adjustment or comment.

L.148

Exhibit #1

Case Study 7: Problems, cont.

Exercise 3

- Read Items 1 – 10 of the Appraiser's Certification on the next page and answer the questions below. This certification is taken from the 1004 form used for mortgage lending.

1. *Has the appraiser violated items in the signed certification? If so, which one (s)?*

   Yes, No. 2. The condition of the improvements are reported in factual, specific terms.

   Possibly No. 3. This appraisal was performed in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice.

   Possibly No. 4. Adequate comparable market data was used to develop a reliable sales comparison approach.

   Possibly No. 7. Comparable sales were selected and used that are locationally, physically, and functionally the most similar to the subject property.

2. *Consider the certification and high-performance homes. Which items specifically apply to the property in Case Study 7?*

   No. 3. Possible USPAP violation—Competency Rule, Standards Rules 1-1 and 1-2

   No. 4. Is there sufficient data in the market to provide a reliable estimate?

   No. 9. Potentially did not report the market's reaction to the energy effect on market rent.

L.149

Exhibit #1

Appraiser's Certification (First 10 items)

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.

2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.

4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.

6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.

7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.

8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.

9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.

10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.

Exhibit #1

Case Study 7: Problems, cont.

- Read Items 11 – 20 of the Appraiser's Certification on the next page and answer the questions below.

3. *List the additional items in the certification that may have been violated by the appraiser?*

   No. 11. Appraiser may not have had experience with this type of property based on the way the report was completed.

It seems the appraiser signed the report and attested to things that weren't intended.

L.151

Appraiser's Certification (Items 11 through 20)

11. I have knowledge and experience in appraising this type of property in this market area.

12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.

13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.

14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.

15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.

16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.

17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.

18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).

19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.

20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.

Exhibit #1

Case Study 8: Valuation Assignment/Overview

Income Capitalization Approach to the Value of Solar Panels

- Read the information about solar panels on the next few pages.
- Answer the case study questions, which involve developing the value of a solar panel.

Information about Solar Panels and Appraising

Solar panels provide a special appraisal problem for the residential appraiser for a variety of reasons.

- There are a limited number of residential houses using solar panels, which results in a limited number of sales to provide market support for an adjustment.
- Solar panels should be installed by a properly trained and licensed professional.
  - If they are not installed properly, they may not be producing at capacity. The appraiser is not qualified to verify the production performance of the panels. A list of certified installers can be found at the NAHB Web site. (See "Associations" on Green Resources Web Sites List.)
- Legal permitting and the inspection of solar electric systems is usually required and performed by the local municipality.
  - It is important to verify that a permit has been obtained and that a final inspection has been passed before attempting to assign a value.
- The primary reason that most solar electric systems are installed is for the value of the future solar energy kWh production.
  - The appraiser must be able to verify the production. The homeowner should provide a review of the latest system performance test and installation documentation, including a digital shading analysis.
  - If one has not been provided within the last 12 months, one should be required by a certified and licensed installer to arrive at a credible value opinion.

L.153

Exhibit #1

Case Study 8: Overview, cont.

- Solar electric systems require periodic maintenance that ranges from washing the dirt off the modules during periods of minimal rain to replacing the inverter after the warranty has expired.
  - Most modern crystalline silicon modules have a standard 25-year power warranty, but the utility interactive inverters usually have only a 10-year warranty, and the inverter replacement at the end of the warranty term must be accounted for in the operating and maintenance expenses.
  - The typical life of the inverter is 10 years; therefore, during the 25-year warranty period of the solar panel it might require two inverters. They vary in price from $2,500 and up depending upon the panels.[16]
- The initial cost of the solar panel is often offset by federal, state, or local incentives. These incentives should be considered in the valuation process.
  - Some panels are financed through a Property Assessed Clean Energy (PACE) program. (See National and State Government Sites and Programs on the Green Resources Web Sites List.)
  - Under most programs, such loans acquire a priority lien over existing mortgages; however, not all states have chosen to adopt such priority positions for the PACE Loan. Fannie Mae, Freddie Mac and the Federal Home Loan Banks may not find this type of loan in their best interest since it would trump the mortgage upon a forced sale.
  - The Federal Housing Finance Agency released a statement on this program dated July 6, 2010.

16. Johnson, Jamie L. *Solar Electric System (PV) Valuation Model for Real Estate Appraisers*.

L.154

Exhibit #1

Case Study 8: Overview, cont.

- Solar electric systems can operate at lethal voltages approaching 600 volts or more and should only be accessed by qualified personnel such as a properly trained, certified, and licensed electrical contractor.

- Solar panels are expensive and do require maintenance. The panels currently provide an expensive method to save energy costs.

    – The typical payback period (time it takes to recoup the investment) is typically longer than the life of the loan or homeownership.

    – The more cost-efficient way of lowering energy costs is through increasing insulation and reducing air infiltration.

Exhibit #1

Case Study 8: Problems

Exercise 1

Is it the appraiser's responsibility to report the PACE Loan that is usually found on the tax bill?

Exercise 2

The formula on the next page addresses six solar panels that cost $30,000 new. The panels have a warranty of 20 years and will require the inverter to be replaced in Year 10. The estimated cost of the inverter is $3,500 in Year 10.

- Review the formula for areas that might not be reflective of all aspects of the analysis.

L.156

Exhibit #1

Case Study 8: Problems

Annual Value of Electricity Generated (x) the Life of the System up to 20 Years[17]

Step	
1	Determine value of the electricity for a newly installed system. NV energy bills by the kilowatt hour. The present NV energy residential rate is $0.12 per kilowatt.
2	Determine the number of peak sun hours annually in the region. There are about 2,500 peak sun hours annually in this region.
3	How many solar panels are involved? ▪ 6 solar panels = 1 kilowatt "array" ▪ 2500 hours x each 1kW array = 2500 kilowatt hours (kWh) ▪ 2500 kWh x $0.12 = $300
4	An average-sized residential system is 5 kilowatts and would produce (5 kilowatts x $300) or $1,500 worth of electricity $1500 x 20 years (estimated useful life) = $30,000 Each year the present value determined by actual output and the current utility rate of electricity would be multiplied times one less year. For example, in Year 5, the actual value of the electricity is $0.14 cents kWh (a 15% increase) x 12,500 (5kW system) x 15 useful years remaining on the system, or $26,250 There are other factors to determining the potential output of each array when determining the value of the electricity for a newly installed system. Those factors all have to do with where and how the array is installed and pointed. After the first year, the value of the electricity will be known and can be multiplied times the number of remaining useful years of the system.

Note. This formula is provided for discussion and is not a recommended analysis without market support.

17. The formula was taken from www.solarforces.org, which is a solar vendor site. The information about cost and warranty was added by the course developer. This formula demonstrates the type of formulas used in consumer sales and is not shown as an appraisal tool.

Exhibit #1

Case Study 8: Problems

- Using the formula on the preceding page, answer the case study questions, which involve developing the value of a solar panel.

1. *Based on the formula, what is the value of the solar panel in Year 5? You may want to use the HP-12C.*

   $0.14 x 12,500 (SKW system) = $1,750 year

   $1,750 PMT x 15 years remaining life = $26,250 (PV)

2. *Is this approach acceptable? If not, why?*

   This formula is one approach to value and is used in selling solar panels to the public. Before appraisers rely on this formula, market support must be available to provide credibility for this method.

3. *Would this formula be better than paired sales?*

   No, this formula should be compared to the paired sales analysis. One paired sale doesn't make a market. A combination of the formula plus paired analysis should be reconciled.

4. *Based on the formula and value indication and considering the original cost of $30,000, what is the rate of depreciation for a solar panel?*

   $30,000 cost - $26,250 current value at 5 years old = $3,750

   $3,750 / $30,000 current const. cost = 12.5% total depreciation or 2.5% per year

L.158

Exhibit #1

Case Study 8: Problems, cont.

5. *How does this annual rate of depreciation compare to the typical house rate in your area?*

6. *If the depreciation is higher than the structure rate, how do you handle that in the cost approach?*

   The solar panel could be depreciated and added after the structure is depreciated. Place on the line under site improvements in the cost approach with a proper label, and explain how it was depreciated.

7. *What other ways would be acceptable in estimating the value of a solar panel?*

   A survey of buyers and brokers might provide some secondary information. A study provided by other sources may provide secondary data to support an adjustment.

8. *Is the solar panel a short-lived or long-lived item?*

   Short-lived item as its useful life is much less than the shell of the house and requires replacement. The typical life of a roof and some furnaces is 25 years. The typical life of the shell can exceed 100 years. The inverter needs replacement every 10 years, so the solar panel is short-lived.

Exhibit #1

Case Study 8: Problems, cont.

9. *The basic warranty for PV panels ends at 25 years, but these are expected to only lose their efficiency at 0.05% per year. Does this change your answer to Question 6?*

   There are differing opinions.

10. *If energy costs escalate, might PV arrays become more valuable over time?*

    If energy costs escalate and PV arrays decline in cost or stay the same, PV arrays should become more valuable.

11. *Based on Question 6, let's review the short-lived depreciation rate for a solar panel based on this case study.*

Short-Lived Items (Generally Used in the Breakdown Method)					
Item	Current Construction Cost	Actual Age	Useful Life	Percent Depreciated	Depreciated Value
Solar panels	$30,000	5 yrs	20 yrs	25.0% (5 / 20)	$22,500 ($30,000 X 0.75)

a. *What is the percentage and dollar amount of depreciation for the solar panels?*

   5 yrs / 20 yrs = 25.0%

   The dollar amount is $30,000 x 0.25 = $7,500

L.160

Exhibit #1

Case Study 8: Problems, cont.

b. *Are these two methods of supporting an adjustment acceptable in the secondary mortgage market? Explain.*

These two methods are recognized techniques for supporting adjustments and should be compared with market data if available. The secondary mortgage market should accept the adjustment and methods if they are properly documented.

The secondary mortgage market guidelines, FannieMae and Freddie Mac, require consideration of energy-efficient items if support exists. (See Appendix 1 for a copy of the energy-efficient guideline from FannieMae.)

L.161

Exhibit #1

5.1 Example—Income Potential and Payback Period Considerations

Solar Power Electric of Port Charlotte, Fla., provided information on a 5 KWh array with a 22.6 array slope, 180 array azimuth. The panel's current construction cost of $35,000 is expected to produce 7872 kWh per year. In this area, the cost of a kWh is $0.1158. With this information, we can quickly calculate the potential savings this solar panel will produce annually.

7872 kWh x $0.1158 (kWh cost) = $911.57 per year
(This does not consider the degradation of 0.5 per year.)

Without rebates or incentives to offset the $35,000 price tag, the period it will take to recoup the initial cost is

$35,000 / $911.57 = 38.39 years.

This is longer than the life of the panel. This scenario does not consider the replacement of two inverters during the 25-year life guaranteed by warranty. The warranty does not cover replacement of the inverters.

It is also important to recognize that many solar panels are made in China, not in the USA. The green movement promotes the use of materials made within 500 miles of the structure. This doesn't quite qualify. For further information on the manufacturing and payback period of solar panels, visit the EnergyBible Web site. (See "Solar Energy" on the Green Resources Web Sites List.)

It is clear that the current costs of solar panels in relation to their production is not cost efficient without governmental incentives to offset the current construction cost. Eventually, governmental incentives will result in higher taxes to pay for the incentives.

Solar panels can be a cost-efficient improvement if the utility rates rise so high that the payback period is much shorter or if the cost and/or production improve.

Commercial users are allowed to depreciate the cost of solar panels over a five-year period according to Solar Power Electric. If a business is making a profit, the five-year depreciation rate offsets income taxes and can make solar panels more financially feasible for commercial users than residential users.

Appraisers must be cautious in the valuation of these panels. Consider the data presented within this course and ask the final question, "Is it logical and worthy of belief?"

Exhibit #1

Review **Part 5**

Learning Objectives

Now that you've completed Part 5, you should be able to

- ☑ Identify the effects on rents and expenses in the high-performance property.
- ☑ Identify ways to support adjustments for solar panels.

Recommended Reading

Appraising Residential Properties, 4th ed., pp. 357 – 359, 363 – 367

The Appraisal of Real Estate, 13th ed., pp. 142 – 143, 445 – 467

Terms and Concepts to Remember

Capitalization of income

Exhibit #1

L.164

Part 6.
The Reconciliation
(60 minutes + one 10-minute break)

Introduction

Part 6 is a review of basic reconciliation techniques. Residential appraisers often form habits of using canned comments that are not relevant to the specific appraisal problem. The high-performance house appraisal deserves some property specific comments to bring the reader to an understanding of the analysis. If an appraiser is the best analyst in the world but can't communicate the findings, what value is the analysis? The emphasis is not on writing longer reports; it is on writing concise and precise reports with professional writing techniques. You may want to brush up on writing techniques if you feel rusty.

Part 6 should be presented as a class project. Give participants a few minutes to read the exercises and form an opinion. If you are running behind schedule, you can make up the time here, or you can extend this part by adding additional discussion questions. Appendixes 1 and 2 offer additional case studies and materials that can be reviewed if time allows.

Content Tips

Sample Reconciliations. A sample summary of the sales comparison approach and reconciliation is presented. Emphasize that the writer should not repeat what is already on the sale grid. Discuss other features not found on the grid, including the basis for the adjustments or lack of adjustments and discussion of how each individual sale compares to the subject property.

The final reconciliation samples are typical reconciliations found on reviews in mortgage lending work. Discuss the reason for a strong final reconciliation and the suggested outline for writing it in an organized manner. Appraisers are reluctant to mention the word *weakness* in their reports. Remind the class that our clients are capable of seeing the weakness. Discuss how the weakness affects the credibility of the approach.

Opportunities for Residential Appraisers. You may want to ask if anyone in the class is a third-party rater. If so, ask him to explain if being a rater increases business.

Exhibit #1

L.166

Exhibit #1

Part 6 Preview

The Reconciliation

Part 5 focused on the income capitalization approach. Part 6 focuses on the reconciliation as it relates to the high-performance property. The appraisal report has many areas of reconciliation. Each approach requires reconciliation of the data presented. The final reconciliation should be a well-written narrative that defends the value opinion and reconciles the range of values presented by the approaches. Appraisers are not an advocate for their client, but they should be advocates for their conclusions and opinions and have the skills to articulate the analysis in written communication.

Learning Objectives

To prepare for Part 6, read the following learning objectives and refer back to them as you study this part of the handbook.

- ☐ Identify writing concepts to enhance the communication of the analysis.
- ☐ Identify green consulting opportunities for appraisers.

Learning Tips

The Uniform Residential Appraisal Report (1004) leaves only a few lines for the reconciliation process. However, the form used should not limit the appraiser’s reporting process. Communicating thoughts in a written report is a skill that you can learn. Just keep in mind certain writing concepts each time you write, and with practice, you can become an effective communicator.

Exhibit #1

Part 6.
The Reconciliation

Part 6 addresses the additional opportunities the high-performance house offers the appraisal profession. Some appraisers in the class may have been considering these options.

I. The Writing Process

Many residential appraisers have spent years using phrases instead of sentences on the 1004 form. The written report is often the first impression our client has of us. Most clients do not have physical contact with appraisers; therefore, our e-mails and appraisal reports become our trademark. We will briefly address some writing concepts that can be applied to not only the reconciliation but also the entire report.

A. **Brainstorming** is the first step in writing the reconciliation. Jot down your ideas, and keep in mind the intended user's questions. *What does your client need to know?*

B. Organize the reconciliation process by starting out with an **outline.** The brief outline below works well for the final reconciliation process.

1. **Value indications by all approaches** (The 1004 form presents a line for the indicated value by each approach at the beginning of the reconciliation section.)

2. **Discuss all three approaches.** If one or more is omitted, explain why it was omitted.

    a. Choose a method for the order they are introduced.

    b. Some seek to address the omitted one first and then the next weakest approach, ending the section with a discussion of the strongest approach.

3. **Bring the reader to a value conclusion.** Draft the reconciliation keeping in mind that as a draft it will need editing and proofreading.

    a. The purpose of this section is to reconcile the range into a value opinion. The discussion of the approaches should address the strengths and weaknesses of each approach.

        - Some appraisers write canned comments and use them on 99.9% of all the residential reports.

- The reconciliation should be property specific.

- Don't be afraid to address the weakness of the approach, but also address how it affects the reliability of the value indication. Your client can spot the weaknesses, and in the complex appraisal problem of a high-performance property, there will be weaknesses due to a lack of data in many markets.

- The final reconciliation should not address the process of each approach or the comparable sales, as those items are addressed in the reconciliation of each approach.

b. Once you've gotten your thoughts on paper, begin to edit, keeping in mind the client's needs.

- Then proofread focusing on the details, math, spelling, and punctuation.

- Avoid wordiness, as more is not always better.

- The client will appreciate a well-written reconciliation that is property specific, clear, and concise.

- The market's increased use of a broker's opinion is because they offer not only low fees but also brief and easy-to-read reports. Today's client has limited time for reading and appreciates well-written reports that present the facts clearly and concisely.

C. **Summary** of the sales comparison approach and reconciliation

1. An important narrative that is often neglected, leaving the underwriter with many questions

2. Reasons why underwriters do not accept adjustments

   a. No basis for the adjustments.

   b. Report is not properly documented.

3. Often the summary of the sales results in a rehash of what is shown on the sales comparison grid.

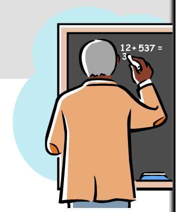
4. Summary should address the

   a. Items that are not obvious and that deserve additional comment

   b. Support for the adjustment

   Too often, appraisers tell the reader the amount of the adjustment in the summary but not the basis for the adjustment.

6.1 Problem



Evaluation of Writing Samples

Evaluate the following summary and reconciliation of the sales comparison approach. Then answer the corresponding questions that follow.

Description of Property

The property is a proposed construction, ranch-style house in an urban setting. The house will have a green score and ENERGY STAR® rating. This is the first house built in this community using these new building technologies. The borrower bought the lot six months ago and contracted to build a high-performance house at a cost of $256,000. The intended use of the appraisal is to estimate the market value in the fee simple interest for mortgage-underwriting purposes. The intended user is a local community bank.

Summary and Reconciliation of the Sales Comparison Approach

The sales search included the entire neighborhood, MLS Zones 106 and 107. Ten sales of similar size and location sold in the past year. However, only the five most similar sales are used in this analysis. The limited number of sales is typical of this marketing period. Two listings in the neighborhood are similar in size, age, and quality to the subject property, but they do not have energy ratings. Both listings are priced at $295,000.

The green rating and energy efficiency of the subject property is a new product that has not had sufficient time on the market to prove contributory value of the green rating and energy efficiency with evidence other than the energy savings.

Only three builders in this market are offering a similar product. The houses built of similar quality have not sold in the past year, or they are currently under construction. The market limitations require the use of code-built houses for analysis. Four sales require adjustment for energy features.

Exhibit #1

6.1 Problem, cont.

Comparable Sale 1 is a custom home built by Custom Homes, Inc. This builder offers a similar product to the subject property with similar green ratings. This sale is a green home that features 10-foot ceilings, solid surface counter tops, good quality finish, and upgraded flooring. The asphalt roof adjustment compared to the subject property's metal roof requires an adjustment based on a paired sales analysis. This sale is a strong indicator of value as it is a substitute property and required minimal adjustment.

Comparable Sales 2 and 3 are similar in size and built by the same builder, but they have inferior quality features compared to the subject property. A view of the photographs further indicates the inferior quality. Heavy adjustments for quality differences are based on a cost analysis of each sale compared to the subject property's cost and quality. These two recent sales are inferior to the subject property in quality but similar in size and location; therefore, they are given some weight in the analysis.

Comparable Sale 4 is a quality house with many upgrades, including upgraded cabinetry, flooring, and planter shelves. This house was built by Family Homes, another quality builder in this area. The sale is a dated sale requiring a 2.0% adjustment for market conditions based on a pairing of sales in the last six months. This sale deserves secondary weight to Comparable Sale 1, as its upgrades offset some green features the subject property offers.

Comparable Sale 5 is a quality house built two years ago. The quality features do not match the subject property's features. This construction is not green or energy efficient and thus requires adjustment. This sale is similar to Comparable Sales 2 and 3 in rating to the subject property.

L.172

Exhibit #1

6.1 Problem, cont.

Comparable Sale 5 is a quality house built two years ago. The quality features do not match the subject property's features. This construction is not green or energy efficient and thus requires adjustment. This sale is similar to Comparable Sales 2 and 3 in rating to the subject property.

The subject property has a higher energy and hurricane wind load rating than four of the comparables sales, as the subject property was built with ICF walls compared to the comparable sales' concrete block walls. The ICF product is new to this market, and no market support is found to indicate an adjustment.

The energy adjustment on four comparables is based on a GRM from this neighborhood.

105 x the subject property's monthly utility savings of $56 or $5,936

This indication is converted to a percentage for comparison ($5,936 / $286,000 cost plus site and site improvement costs = 2.0%) with two studies that were completed in other market areas with a similar climate to the subject property, supporting an energy adjustment of 1.0% to 5.0%. The subject property's adjustment of 2.0% is within the range of studies from other markets.

The net and gross adjustments are within secondary mortgage market guidelines with Comparable Sales 1 and 5 offering the lowest adjustments. These two sales are given the most weight and have good secondary support from the remaining three sales. Additional sales with similar green and energy-efficient features are not available within the entire market area. This new building technology presents a complex appraisal problem. The methods used to support the adjustments for quality and energy efficiency are proven methods providing a credible basis for adjustment.

Exhibit #1

6.1 Problem, cont.

The data set presents a value range of $284,000 to $300,000. The two strongest indicators, Comparable Sales 1 and 5, strongly support value at $290,000.

1. *Was this a well-written summary of the sales and reconciliation? Discuss its strengths and weaknesses.*

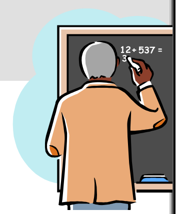
   Yes, it provided the additional facts not included on the sale grid and the basis for the adjustments.

2. *How would you improve this narrative?*

L.174

Exhibit #1

6.2 Problem



Evaluation of Writing Samples 2

Evaluate the following three final reconciliations and answer the question that follows.

The values by the approaches are as follows:

Sales comparison approach	$278,000
Cost approach	$276,000
Income capitalization approach	Not applicable

Final Reconciliation A

The income capitalization approach does not apply in this owner-occupied neighborhood. The cost approach is not required by the lender; therefore, it is not applied. The sales comparison approach represents the actions of typical buyers and sellers in the market and best supports value.

Indicated value is $276,000.

Final Reconciliation B

The income capitalization approach is not applied since rental data is not readily available. The cost approach is applied but given little weight, as it is not market oriented. The sales comparison approach has six sales and required minor adjustments, providing good support for the value conclusion.

Indicated value is $276,000.

L.175

Exhibit #1

6.2 Problem, cont.

Final Reconciliation C

The income capitalization approach is not relevant or applied in this appraisal problem. The neighborhood has few rentals or sales that were rented at the time of sale. The typical buyer of a high-performance house is not seeking the rental potential of the property.

The sales comparison approach is relevant; however, it is weakened due to the lack of high-performance sale data. The subject property will be the first high-performance house in this market area. This lack of data creates a weakness since the comparable sales are code-built houses, requiring adjustments for energy and quality features. The use of recognized appraisal methods to support these adjustments provides a level of credibility. The typical buyer compares the cost and savings of the high-performance house to the code-built house, thereby suggesting this approach does have relevance. The strength of this approach lies in the number of comparable sales similar in size and location supporting an active real estate market for this size house. The value by this approach is close to the cost approach and the builder's cost estimate.

The cost approach is the strongest approach. Current construction cost data is readily available using a national cost service and local estimates. The site value is well supported with site sales of similarity. Physical depreciation is not a factor, and no items of obsolescence exist. Since the property is proposed construction and a high-performance house, cost is an important deciding factor for the potential buyer. Current construction cost and site value have good market support and indicate this approach deserves greatest weight for a value opinion at $276,000.

L.176

Exhibit #1

6.2 Problem, cont.

Which final reconciliation—A, B, or C—is more convincing? Why?

Final Reconciliation C is more convincing than Final Reconciliations A and B. It addresses the strengths and weaknesses of each approach in a property specific way. The final paragraph of Final Reconciliation C presents convincing arguments explaining why the cost approach is the best approach, and this explanation appears just prior to presenting the final value. Final Reconciliations A and B are generic and not property specific and give weight to the sales comparison approach yet use the cost approach indication.

II. Opportunities for Residential Appraisers

This new building technology brings opportunities for appraisers to grow their business. Becoming a third-party rater, energy auditor, or LEED® AP, or adding one of these persons to your staff can lead to additional business. This type of expansion will complement the appraisal business by providing an avenue of networking and increased services.

Residential Energy Systems Net (Resnet) offers information on becoming a HERS rater. The Building Performance Institute (BPI) is the organization that certifies home energy auditors. (See Green Resources Web sites list for both organizations.)

There is a distinction between an auditor and a rater.

A. Energy auditor

An energy auditor identifies technically viable and cost-efficient ways of reducing energy use and operating costs in a building.

1. The auditor is usually interested in selling services to the occupants of the home, and he will usually use the utility bills in his evaluation to give the homeowners an estimate of what savings they will realize from improvements, given the way they use the home.

2. An important function of an auditor is the determination of the health and safety conditions of the home.

    a. A Building Performance Institute (BPI)/Home Performance with an ENERGY STAR® certified auditor. The auditor must be able to evaluate the condition of the equipment to determine if there are combustion gas problems, ensure proper moisture management, and ensure ventilation for mold mitigation and indoor air quality.

    b. BPI contractors must also test the home to determine that it is in safe condition after all the retrofit work is completed.

c. Most auditors will not provide a HERS type rating for the home.

- Most will provide the homeowner with an estimate of the annual energy use for the home after the retrofit work has been complete.
- This information can be valuable third-party information that could be used by the appraiser.

d. California and Nevada are strongly considering the requirement of an energy audit prior to selling a house. Other states are expected to follow the trend, thereby increasing the demand for energy auditors. Appraisers are a natural for this field.

B. A rater provides a way to compare homes based on their physical characteristics (asset rating) independent of the lifestyle of the people living in the home. A rater typically rates new homes.

1. LEED® is a third-party certification program and the nationally accepted benchmark for the design, construction, and operation of high-performance green buildings. A LEED® AP (LEED® Accredited Professional) is a specialist in green construction.
2. The combination of being an appraiser and a third-party rater or energy auditor might be a good business decision. The appraiser that is also a third-party rater can offer the market a unique service and additional credibility to his or her appraisal skills.

6.3 Discussion Question

Opportunities for Residential Appraisers

What are some opportunities or benefits of networking with third-party raters?

Exhibit #1

Exhibit #1

Review **Part 6**

Learning Objectives

Now that you've completed Part 6, you should be able to

- ☑ Identify writing concepts to enhance the communication of the analysis.
- ☑ Identify green consulting opportunities for appraisers.

Recommended Reading

Appraising Residential Properties, 4th ed., pp. 349 – 355, 369 – 378

The Appraisal of Real Estate, 13th ed., pp. 312 – 314, 559 – 565

Terms and Concepts to Remember

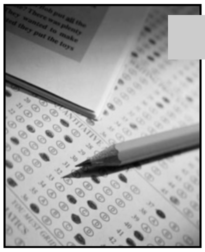
LEED® AP

Third-party rater

Writing process

Exhibit #1

Exhibit #1



Practice Test — Section 2

This multiple-choice test provides a review of concepts and definitions covered in Section 2. This is a "closed book" test. Choose the most correct answer.

1. The final reconciliation

   A. addresses only the approaches to value used.

   B. addresses the ranking of the comparable sales.

* C. addresses the strengths and weakness of all approaches to value.

   D. explains the methodology of the approaches to value.

2. The appraisal process involves reconciliation

* A. of many areas, the number of which depends on the complexity of the assignment and methods used.

   B. of the approach used.

   C. of the value range only.

   D. to meet secondary mortgage market guidelines only.

3. The green movement offers appraisers opportunities to expand their business in the following area (s):

   A. Energy audits—a third-party certifier for Green Scoring

   B. LEED® AP—a rater of ENERGY STAR® homes

* C. LEED® AP, third-party rater for ENERGY STAR® , or energy auditor

   D. Resnet rater—rates green and ENERGY STAR® homes

4. The reconciliation process should be

   A. applied only to the sales comparison approach.

* B. property specific and not generic.

   C. shortened to fit on the 1004 form.

   D. the final step in proofreading.

L.183

Exhibit #1

5. The comparable sales comments should be included in

A. narrative report writing only.

B. the final reconciliation and sales comparison reconciliation.

* C. the sales comparison reconciliation only.

D. the self-contained report only.

6. The "AP" in LEED® AP is an acronym for

* A. Accredited Professional.

B. Appraiser Planner.

C. Assistant Planner.

D. Associated Professional.

7. An energy auditor may suggest

A. a contributory value for the energy features.

B. green products to qualify for LEED® certification.

* C. more insulation to make the house more energy efficient.

D. none of the above.

L.184

Exhibit #1

Appendix 1

Exhibit #1

Appendix 1

L.186

Exhibit #1

Exhibit #1

Describing the High-Performance House on a Residential Form

Improvement Section of URAR (1004 form)

IMPROVEMENTS

General Description	Foundation	Exterior Description materials/condition	Interior materials/condition
Units [X] One [ ] One with Accessory Unit	[X] Concrete Slab [ ] Crawl Space	Foundation Walls Concrete/New	Floors Wool carpet/Linoleum/New
# of Stories One	[ ] Full Basement [ ] Partial Basement	Exterior Walls SIP (Structural Insulated Panel)	Walls Drywall/New
Type [X] Det. [ ] Att. [ ] S-Det./End Unit	Basement Area sq. ft.	Roof Surface Metal/New	Trim/Finish Wood/New
[ ] Existing [X] Proposed [ ] Under Const.	Basement Finished %	Gutters & Downspouts Yes/New	Bath Floor Linoleum/New
Design (Style) Key West	[ ] Outside Entry/Exit [ ] Sump Pump	Window Type Low-E, High Impact/New	Bath Wainscot Tile/New
Year Built Proposed - 2009	Evidence of [ ] Infestation	Storm Sash/Insulated Yes/new	Car Storage [ ] None
Effective Age (Yrs) New	[ ] Dampness [ ] Settlement	Screens Yes/new	[X] Driveway # of Cars
Attic [ ] None	Heating [X] FWA [ ] HWBB [ ] Radiant	Amenities [ ] WoodStove(s) #	Driveway Surface
[X] Drop Stair [ ] Stairs	[ ] Other Fuel Heat Pump	[ ] Fireplace(s) # [ ] Fence	[X] Garage # of Cars Two
[ ] Floor [ ] Scuttle	Cooling [X] Central Air Conditioning	[ ] Patio/Deck [X] Porch	[ ] Carport # of Cars
[ ] Finished [ ] Heated	[ ] Individual [X] Other 16 Seer	[ ] Pool [ ] Other	[ ] Att. [ ] Det. [ ] Built-in

Appliances [ ] Refrigerator [X] Range/Oven [X] Dishwasher [X] Disposal [ ] Microwave [ ] Washer/Dryer [X] Other (describe) Energy Star Appliances

Finished area **above** grade contains: 6 Rooms 3 Bedrooms 2.0 Bath(s) 1,650 Square Feet of Gross Living Area Above Grade

Additional features (special energy efficient items, etc.) Energy Star House with third party rating; green features include low-E windows, non toxic pest control, graywater reuse system, solar water heater, spray soybean based insulation, low VOC paint, recycled glass counter tops,

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.) The proposed construction has a functional floor plan, acceptable in this market area.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness or structural integrity of the property? [ ] Yes [X] No If Yes, describe

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? [X] Yes [ ] No If No, describe The proposed construction exceeds the existing house quality when the energy and green features are considered. This house will have less maintenance cost and lower utility expenses.

Freddie Mac Form 70 (March 2005) Form reproduced by United Systems Software Company (800) 969-8727 www.unitedsystems.com - Page 1 of 6 Fannie Mae Form 1004 (March 2005)

The highlighted areas address the energy and green features in a house and provide support for the adjustments found in the sales comparison approach. If the subject property is not properly described, the adjustments become questionable.

Exhibit #1

Sales Comparison Approach (Page 2 of URAR form)

On the second page, the sales comparison approach has three line items that may require adjustments. If adjustments are not applied, a comment should be made as to why an adjustment is not made.

SALES COMPARISON APPROACH

Sale Price	$		$ 235,000		$ 232,000		$ 255,000
Sale Price/Gross Liv. Area	$ sq. ft.	$ 136.23 sq. ft.		$ 148.91 sq. ft.		$ 135.28 sq. ft.	
Data Source(s)		MLS/Tax Record		MLS/Tax Record		MLS/Tax Record	
Verification Source(s)		Agent		Agent		Agent	
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment	DESCRIPTION	+(-) $ Adjustment
Sale or Financing Concessions		Conventional None		Conventional None		Conventional None	
Date of Sale/Time		P:4/01/XX C:5/9/XX		P:5/05/XX C:6/1/XX		P:3/04/XX C:4/21/XX	
Location	Urban	Urban		Urban		Urban	
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple	
Site	10,000 SqFt	10,000 SqFt		10,000 SqFt		10,000 SqFt	
View	Residential	Residential		Residential		Residential	
Design (Style)	Key West	Key West		Key West		Ranch	
Quality of Construction	Good/Green 230 Rating	Good/CBS/Metal		Good/CBS/As Sh		Good/CBS/Metal	
Actual Age	Proposed	New		New		New	
Condition	New	New		New		New	
Above Grade Room Count	Total 6, Bdrms. 3, Baths 2.0	Total 6, Bdrms. 3, Baths 2.0		Total 6, Bdrms. 3, Baths 2.0		Total 6, Bdrms. 3, Baths 2.0	
Gross Living Area	1,650 sq. ft.	1,725 sq. ft.		1,558 sq. ft.	6,900	1,885 sq. ft.	-17,625
Basement & Finished Rooms Below Grade	n/a n/a	n/a n/a		n/a n/a		n/a n/a	
Functional Utility	Average	Average		Average		Average	
Heating/Cooling	FWA/Central/HI Eff	FWA/Central		FWA/Central		FWA/Central	
Energy Efficient Items	86.4 HERS Score	Average	8,930	Average	8,816	Average	9,690
Garage/Carport	Two-Garage	Two-Garage		Two-Garage		Two-Garage	
Porch/Patio/Deck	Covered Entry/Lanai	Covered Entry/Lanai		Covered Entry/Lanai		Covered Entry/Lanai	
Net Adjustment (Total)		[X] + [ ] –	$ 8,930.00	[X] + [ ] –	$ 15,716.00	[ ] + [X] –	$ -7,935.00
Adjusted Sale Price of Comparables		Net Adj. % Gross Adj. %	$ 243,930	Net Adj. % Gross Adj. %	$ 247,716	Net Adj. % Gross Adj. %	$ 247,065

Comparable selection is difficult in areas where high-performance house sales are few. Seeking comparable sales with similar quality features, including the energy or green features, is the goal, but these sales are not always available.

The two areas highlighted above are the areas where these features are typically described with adjustments applied where necessary. Notice the HERS and green ratings are provided on the description line for the subject property. If the comparable sales were also high-performance houses, their ratings would be inserted in the description.

All sales in this analysis are new construction; however, these were all marketed through the MLS. They meet the definition of market value.

Exhibit #1

Cost Approach (Page 3 of URAR form)

COST APPROACH

COST APPROACH TO VALUE (not required by Fannie Mae)				
Provide adequate information for the lender/client to replicate the below cost figures and calculations.				
Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value) The site value is based on the following sales: 143 Brown Street sold 7/XX at $55,000; 403 Sims Street sold 6/XX at $60,000; and 309 Boggs Street sold 8/XX at $58,000. All sales are similar in size, zoning, location, and use supporting a site value of $58,000 based on the mid range of the sales data.				
ESTIMATED ☐ REPRODUCTION OR ☒ REPLACEMENT COST NEW	OPINION OF SITE VALUE			= $ 58,000
Source of cost data Marshall & Swift Residential Handbook/Local Builders	Dwelling 1,650 Sq. Ft. @ $ 95.00			= $ 156,750
Quality rating from cost service Good+ Effective date of cost data 8/XX/ Multiplier	Sq. Ft. @ $			= $
Comments on Cost Approach (gross living area calculations, depreciation, etc.)	Porches, built-in appliances, extras included in GLA			= $
The property has a green rating of 230 by FGBC and a HERS Rating of 86.4.	Garage/Carport 480 Sq. Ft. @ $ 28.00			= $ 13,440
These ratings are considered in the cost new estimates. Depreciation is not	Total Estimate of Cost-New			= $ 170,190
charged for this proposed construction.	Less Physical 0.0	Functional	External	
	Depreciation 0			= $ (0)
The site improvements include the utilities, Zero landscaping, irrigation	Depreciated Cost of Improvements			= $ 170,190
system, drive, planters, herb garden, and sidewalks.	"As-is" Value of Site Improvements			= $ 22,000
				= $
Estimating Remaining Economic Life (HUD and VA only) Years	Indicated Value by Cost Approach			= $ 250,200

The cost approach section requires documentation to lead the reader to an understanding of the cost basis. The Comment lines should include the description of the ratings. This particular property does not have obsolescence; however, some new construction may have obsolescence due to superadequacy.

Exhibit #1

Case Study A

Average Sale Price Comparison

A local appraiser uses the following table to support a conclusion on the value of an ENERGY STAR® house versus a code-built house.

Analysis of ENERGY STAR® Houses Versus Code-Built Houses

MLS #	Full Bath	Half Bath	Beds	Sq. Ft. Bldg	FP	Garage	List Price	Sales Price	Closed Date	Sold Price Sq. Ft.	List Price Sq. Ft.	Year Built
23415	2	1	4	2900	1	2	$299,121	$264,810	12/23/2009	$91.31	$103.15	2009
23456	3	0	4	2913	1	3	$354,746	$319,875	3/23/2010	$109.81	$121.78	2010
21345	3	0	4	2927	1	2	$245,000	$245,000	4/29/2010	$83.70	$83.70	2007
346701	3	0	4	2939	1	2	$299,900	$280,561	4/30/2010	$95.46	$102.04	2010
348903	3	0	4	2939	1	2	$291,900	$286,396	4/30/2010	$97.45	$99.32	2010
212348	3	0	4	2939	1	2	$326,900	$297,298	12/11/2009	$101.16	$111.23	2009
24589	2	1	4	2950	1	2	$273,571	$243,199	5/7/2010	$82.44	$92.74	2009
43670	3	0	4	2967	1	2	$290,000	$287,000	4/6/2010	$96.73	$97.74	2008
Not Energy Efficient or Green			**Median**	**2939**			**Median**	**$283,479**				
			Mean	**2934**			**Mean**	**$278,017**				
493616	3	0	4	2,939	1	2	$326,900	$297,298	12/11/2009	$101.16	$111.23	2009
343967	3	0	4	2,939	1	2	$299,900	$280,561	4/30/2010	$95.46	$102.04	2010
685884	3	0	4	2,941	1	2	$324,900	$277,000	12/30/2009	$94.19	$110.47	2009
991557	3	0	4	2,942	1	2	$269,900	$272,400	12/7/2009	$92.59	$91.74	2009
214871	3	0	4	2,942	1	2	$283,900	$270,000	12/14/2009	$91.77	$96.50	2009
280826	3	0	4	2,942	1	2	$279,900	$273,000	12/17/2009	$92.79	$95.14	2009
427181	3	0	4	2,942	1	2	$309,900	$290,215	4/8/2010	$98.65	$105.34	2010
502555	3	0	4	2,967	1	2	$290,000	$287,000	4/6/2010	$96.73	$97.74	2008
Energy Star and/or Green			**Median**	**2,942**			**Median**	**$278,781**				
			Mean	**2,944**			**Mean**	**$280,934**				

1. *Is this good support for not making an adjustment? Explain.*

This support could be used but would be more credible if more data were available and if the data were truly comparable in all respects except for the energy or green features.

Assuming the sales are similar in all respects except for these features, this would be a good method to support not making an adjustment.

L.191

Exhibit #1

Case Study A, cont.

2. *What other observations can you draw from this table?*

- *The code-built houses have a wider price range than the ENERGY STAR® or green homes.*
- *The sales are similar in size.*
- *Why not present the paired data sets to more clearly support the conclusion?*
- *A site or view difference could be involved that has not been considered.*

L.192

Exhibit #1

What Does Fannie Mae Say about Energy Efficiency?

Fannie Mae addresses energy efficiency in the 2007 Selling Guide:

> **XI, 405.03: Insulation and Energy Efficiency (11/01/05).**
>
> "An energy-efficient property is one that uses cost-effective design, materials, equipment, and site orientation to conserve nonrenewable fuels. Special energy saving items should be recognized in the appraisal process. The nature of these items and their contribution to value will vary throughout the country because of climactic conditions and differences in utility costs. The appraiser should compare the energy-efficient features of the subject property to those of the comparable properties in the "sales comparison analysis" grid to ensure that the overall contribution of these items is reflected in his or her opinion of the market value of the subject property."

Residential appraisers and the 1004 form

- Recognize the areas of the FNMA 1004 that address green and energy-efficiency issues.
- Understand what the secondary mortgage market says about these features—the description starts with the site if the building is green.
- Energy-efficient or ENERGY STAR® descriptions begin with the improvement description.

Exhibit #1

Case Study B

New Construction

A builder provided the following comparison of his energy-efficient house to the code-built or standard house. The information is used in the marketing brochures for the builder and assists buyers in their decision making.

The monthly energy savings is supported by a HERS Index Rating. The HERS Index Rating is a preliminary rating based on the plans and specifications.

The typical gross rent multiplier in this market area is between 110 and 120 for a similar size house.

2,000 Square Foot	Standard*	Energy Efficient
Price	$218,750	$246,080
Tax credit	−0	−2,000
Price/sq. ft.	$109.37	$122.04 or 11.58% more
Loan-80% LTV, 30-year fixed rate at 6.25%	$175,000.00	$196,864.00
P & I	$1,077.50	$1,212.13
Taxes	$167.10	$177.97**
Energy	$250.00	$75.00
Monthly total	$1,548.77	$1,525.51
Net savings per month: $23.26/Per year: $279.12 based on 2010 utility rates		

*Assumes house meets 2004 IECC energy codes.
**Depending on property assessment of energy features.

1. *Can this same data be used in an analysis?*

Potentially as support for an energy adjustment. This analysis could be talking points for the support of higher current construction cost with a return on the additional cost on a continual basis that more than offsets the current construction cost over a code-built house.

L.194

Exhibit #1

Case Study B, cont.

2. *The tax incentive is deducted from the current construction cost of the energy-efficient house. Should the tax incentive be deducted from current construction cost?*

   Yes, the incentives offset the current construction cost and reflect the cost to the buyer.

This case study provides an example of why the incentives should be provided to the appraiser. This short comparison also provides a quick picture to explain the dollars and cents of purchasing an energy-efficient house.

Exhibit #1

Case Study C

Insulation Payback

The local utility company says the attic typically represents about one quarter of your heating and cooling bill. By air sealing the attic and adding insulation, you can cut the energy losses from the attic in half.

The heating and cooling portion of an energy bill is at least 40%. The energy auditor indicates the attic insulation would reduce your bill by about 5%.

1. *The current utility bill is $155 per month, and the cost of insulation is $142. What is the payback period?*

   $155 x (0.05) savings = $7.75 per month savings x 12 = $93 annually;

   $142 / $93 = 1.53 years payback

2. *This kind of energy savings is called the low-hanging fruit. It is very easy to add insulation and reduce energy costs, resulting in a short payback period. Could an appraiser make such a suggestion to a homeowner? Why or why not?*

   Yes, an appraiser might suggest this improvement if it is apparent insulation is needed. The appraiser could also ask about utility bills to assist in making the point.

L.196

Exhibit #1

Case Study D

Builder Advertisement for SIP Construction

This case study is based on *The Appraisal Journal* article, *More Evidence of Rational Market Values for Home Energy Efficiency*, October 1999.

A builder is advertising increased value of a structurally insulated panel (SIP) house based on *The Appraisal Journal* article and says it is worth more than a conventional stick-built house. The example used is as follows:

	Conventional Stick Built	**SIP Construction**
Living area	2,000 sq. ft.	2,000 sq. ft.
Monthly utility bill	$145 per month	$35 per month
Annual utility savings	–0–	$1,320

The advertisement states, "Using the criteria in the U.S. Environmental Protection Agency (EPA) report, which was published in *The Appraisal Journal,* you take the $20 for every $1 reduction in annual utility bills and multiply it by $1,320 and you get an increased home resale value of $26,400. If you saved even more in energy savings in a year, your resale value will do nothing but increase."

Is this a good basis for valuing the SIP house? Explain your reasoning.

Maybe not unless the market participants use this in purchasing SIP constructed houses.

L.197

Exhibit #1

"Easy Comparison Chart" of many Wall Methods of Construction

used to DETERMINE **"The BEST WALL for YOUR home"**

	Benefits every home can easily have!													
COMPLETED WALL USING this System/ Method of Construction	Most Mold Resistant	Fire Proof	100% Termite Proof	Most Pest Resis-tant	Best Sealed Envelope	Most Energy Efficient per D.O.E. Mass in contact with Interior	Does **not** depend on Diaphragm of roof for strength	Concrete and Steel Strength	Meets High Wind Loading	30 minutes training to Design	Less than 2 hours training to Install	Least Inspections	Code Compliant	**SCORE**
All Wall System	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	13
Wood Framing System	NO	NO	NO	NO	NO	NO	NO	NO	Yes	NO	NO	NO	Yes	2
Steel Framing System	NO	NO	NO	NO	NO	NO	NO	NO	Yes	NO	NO	NO	NO	1
Concrete Block System	NO	NO	NO	NO	NO	NO	NO	Yes	Yes	NO	NO	NO	Yes	3
ICF System	NO	NO	NO	NO	Yes	NO	Yes	Yes	Yes	NO	NO	NO	Yes	5
Aerated Concrete System	NO	NO	NO	NO	NO	NO	NO	Yes	Yes	NO	NO	NO	NO	2
Durisol System	NO	NO	NO	NO	Yes	NO	Yes	Yes	Yes	NO	NO	NO	NO	4
Tilt Wall System	NO	NO	NO	NO	Yes	NO	NO	Yes	Yes	NO	NO	NO	NO	3
Pre-Cast Wall System	NO	NO	NO	NO	NO	NO	NO	Yes	Yes	NO	NO	NO	Yes	3

NO - Not Good for the following reasons;
- Has Drywall, Wood,
- or Insulation which absorbs water, which promotes mold,
- fuels fires,

Chart produced by permission from All Wall System: http://allwallsystem.com/AllWallInformation

Exhibit #1

Exhibit #1

Appendix 2

Exhibit #1

Appendix 2

Excerpts from

U.S. Department of Energy Building Technologies Program

Building America Best Practices Series (Vol. 11)

Builders Challenge Guide to Whole House Energy Savings in the Marine Climate, September 2010

- Chapter 6, Building Science and the Systems Approach
- Appendix I, Homebuyer's Checklist
- Appendix IV, Energy and Housing Glossary

All excerpts are reprinted with permission.

Exhibit #1

Exhibit #1

Chapter 6.
Building Science and the Systems Approach

When builders design houses to work well as a system, not only do the houses save energy, they also are better able to withstand the elements. *(Photo source: Leif Juell, Alternative Power Enterprises, Inc.)*

This chapter introduces fundamental principles of building science, including the systems approach to house design. The dynamic forces that drive the movement of moisture, air flow, and heat in homes are described. This background information helps to explain the underpinnings of the best practices described in later chapters. In applying building science, the goal is to design and build houses that work within the bounds of natural forces, and in some cases to put these forces to work for occupant comfort and building efficiency.

"Most builders view each aspect of the house—the electrical work, the plumbing, the framework—as separate jobs, but the Building America approach views each area as part of the whole...If you view the whole house as the system...it's not only easier, you end up with a better product."

Lee Rayburn, developer of Centennial Terrace in Tucson, Arizona

The Systems Approach

Building America takes a systems approach to home design recognizing that as buildings become increasingly efficient, one must take into account the interactions of all of the home's components and subassemblies, both to maximize performance and to avoid catastrophe. This "whole-house" approach recognizes that changes in one or a few components can dramatically change how other components perform, affecting overall building energy use, comfort, and durability.

Building Science Basics

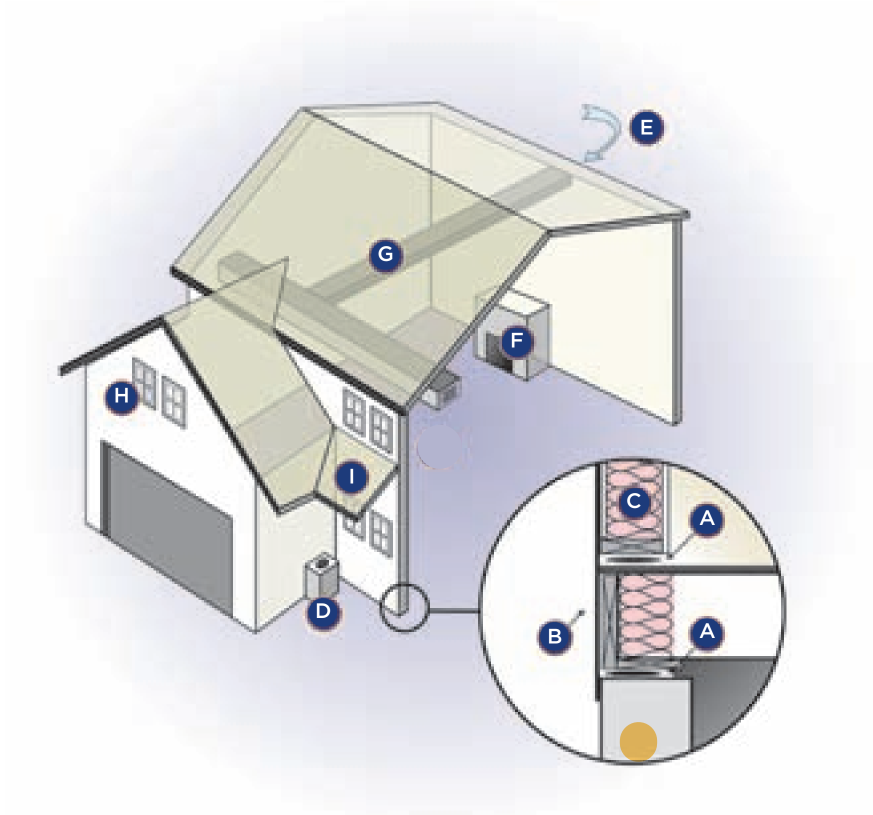
The successful builder needs to understand all of the forces that impact a house and how these forces interact with each other and the home's components. These forces include water, vapor, air flow, heat transfer, and occupants.

CHAPTER TOPICS

Exhibit #1

The Systems Approach to House Design

In a system-designed house all the parts are designed to work together for a healthy, durable home that minimizes builder callbacks while cutting energy, maintenance, and repair costs down the road.



A. **Air Sealing:** Helps maintain proper pressure balance in home and stops stack effect limiting drafts and keeping humidity, soil gases, and garage contaminants out of the house; creates a barrier to rodents and insects.

B. **Well-Designed Moisture Barriers and Drainage:** Avoids expensive structural damage and helps stop humidity, mold, and mildew.

C. **Insulation:** Holds comfortable temperatures in conditioned spaces and helps control noise. For insulation level recommendations visit www.ornl.gov/sci/roofs+walls/insulation/ins_16.html

D. **Right-Sized and High-Efficiency HVAC Equipment:** Costs less to install than bigger equipment, saves energy, and is designed to comfortably handle heating and cooling loads.

E. **Ventilation:** Exhaust fans remove moisture and pollutants. A controlled, filtered air intake ensures plenty of fresh air.

F. **Sealed-Combustion Appliances:** Reduce moisture buildup and ensure the safe removal of combustion gases with sealed-combustion appliances.

G. **Compact and Tightly Sealed Duct Runs:** Short, straight duct runs in conditioned space yield better airflow with less chance for leaks and fewer contaminants like humidity and dust from attics or crawlspaces. Leaky ducts are a major contributor to mold problems. Multiple return air paths ensure balanced air pressure for less drafts and more balanced temperatures throughout the house. Ducts are in conditioned space.

H. **Efficient Windows:** Help to reduce heating and cooling loads. Window flashing protects against water leaks.

I. **Overhangs:** Provide shade, reduce cooling load, and direct water away from the house.

Exhibit #1

New Tradition Homes' in-house building science team takes a whole-house approach, implementing complementary strategies throughout the home to improve energy efficiency, durability, air quality, and comfort for homeowners. *(Figure source: New Tradition Homes)*

Water

Homes in the marine climate are subjected to 30 to 200 inches of rain per year, most of it falling between October and June. Because of this abundance of precipitation, water management is a critical concern in the marine climate. Rain water wants to flow down and will take the path of least resistance. To minimize mold and moisture damage in homes in the marine climate, builders must become experts in moisture management techniques, learning how to guide rain water off or out of the structure and how to incorporate redundant levels of moisture protection into the home's building shell.

Liquid moisture can also originate in the ground and flow upwards. This uptake is due to capillary action that is related to the adhesive properties of water. Water is attracted to other water. This is called cohesion. Water is also attracted to other materials. This is called adhesion. Capillary action allows water to climb up into seemingly solid materials through pores in the material. A capillary break is a non-permeable material that blocks the capillary flow of water from the ground. See Chapter 8 for more details.

One Marine Climate Builder's Whole-House Approach:

New Tradition Homes, Vancouver, Washington

True Energy Efficiency

- ENERGY STAR windows with low-E glass
- 93% high-efficiency Goodman® gas furnace
- Rinnai® tankless water heater
- Sealed-combustion gas fireplace with electronic ignition
- ENERGY STAR fluorescent lighting packages
- Whole-house energy usage monitor
- Mastic-sealed air ducts
- ENERGY STAR rated dishwasher

Air-Tight Construction

- Sealed walls dividing house and garage
- Trained and certified house weatherization team
- All wall penetrations sealed
- Tyvek® Drainwrap™ weather barrier

Healthier Indoor Air

- Fresh Air System with 4-inch high-efficiency air filter
- Air transfer vent in bedrooms
- GREENGUARD® certified EcoBatt™ insulation
- ENERGY STAR low-sone bath and laundry fans
- All low-VOC paints

Performance Tested

- ENERGY STAR third-party certification
- Duct testing
- Third-party ENERGY STAR label
- Complete system analysis
- Blower door test
- Moisture testing before drywall is hung

Environmental Responsibility

- Construction lumber waste is recycled
- Water-conserving bath faucets
- Flyash in concrete
- Rain Bird rain sensor on sprinkler system
- Native northwest landscaping
- GREENGUARD® certified laminate countertops
- Minimum 40% recycled content roofing

L.205

Exhibit #1

(top) When moisture is trapped inside walls, mold can grow unchecked causing damage to the walls and health impacts for the occupants. *(Photo source: EPA; photo by Terry Brennan)*

(middle and bottom) This sprinkler was placed too close to the house's foundation wall. Moisture seeped through the concrete block causing water stains and mold inside. *(Photo source: EPA; photo by Terry Brennan)*

Vapor

Water in its liquid state is not the only problem; water vapor can also be a source of damage. In the western United States humidity levels tend to be higher in the winter than in the summer. Field testing in the Pacific Northwest shows average interior relative humidity levels above 55% are common in the winter; whereas, in the rest of the country interior relative humidity levels are typically about 30% to 40% in the winter.

Unlike moisture in its liquid form, water vapor travels wherever air flows. Water vapor causes problems when it is trapped within a building assembly, such as a wall cavity. If it touches a cold surface it can condense, turning into its liquid form, where it can cause damage to structural components. Condensation can also form in and on ductwork, especially when air conditioning cools duct surfaces that come in contact with humid air, such as in a vented attic or crawlspace.

Air is vapor's heavy lifter. Where there are air leaks, there are vapor leaks. Water vapor also can be carried by diffusion, which can force vapor through materials and into places it shouldn't be, such as wall cavities. Differences in vapor pressure and temperature are the forces that drive diffusion. Vapor diffusion moves moisture from areas of higher vapor pressure to areas of lower vapor pressure, and from areas of higher temperature to areas of lower temperature.

Vapor retarders (sometimes called vapor barriers) are materials that block diffusion because they are impermeable. A perm is a unit of measurement based on the amount of water that passes through a material over a fixed period of time.

Vapor retarder requirements were removed in the 2009 IECC. However, vapor retarders are addressed in the 2009 IRC R601.3, which states Class I or II vapor retarders are required on the ***interior*** side of framed walls in IECC Climate Zones 5, 6, 7, 8 and IECC Marine Climate Zone 4, except on the following: basement walls, in the below-grade portion of any wall, or in construction where moisture or frozen moisture will not damage the materials used in the assembly.

One significant change in the 2009 IRC is that Class III vapor retarders (such as latex paint) can be used instead of Class 1 or Class II vapor retarders under certain conditions, as defined in the table below.

L.206

Exhibit #1

According to the 2009 IRC R601.3, vapor retarder classes should be defined as follows (using the desiccant method with Procedure A of the American Society for Testing and Materials [ASTM] E-96):

- **CLASS I:** 0.1 perm or less
- **CLASS II:** 0.1 < perm < 1.0 perm
- **CLASS III:** 1.0 < perm < 10 perm.

According to 2009 IRC, the following vapor retarder materials would meet these class specifications:

- **CLASS I:** Sheet polyethylene, non-perforated aluminum foil
- **CLASS II:** Kraft-faced fiberglass batts or low-perm paint (paint with 0.1 < perm < 1.0)
- **CLASS III:** Latex or enamel paint.

Class III Vapor Retarders

Zone	Class III vapor retarders permitted for:
Marine 4	• Vented cladding over OSB • Vented cladding over plywood • Vented cladding over fiberboard • Vented cladding over gypsum • Insulated sheathing with R-value ≥ R-2.5 over 2x4 wall • Insulated sheathing with R-value ≥ R-3.75 over 2x6 wall
5	• Vented cladding over OSB • Vented cladding over plywood • Vented cladding over fiberboard • Vented cladding over gypsum • Insulated sheathing with R-value ≥ R-5 over 2x4 wall • Insulated sheathing with R-value ≥ R-7.5 over 2x6 wall
6	• Vented cladding over fiberboard • Vented cladding over gypsum • Insulated sheathing with R-value ≥ R-7.5 over 2x4 wall • Insulated sheathing with R-value ≥ R-11.25 over 2x6 wall
7 & 8	• Insulated sheathing with R-value ≥ R-10 over 2x4 wall • Insulated sheathing with R-value ≥ R-15 over 2x6 wall

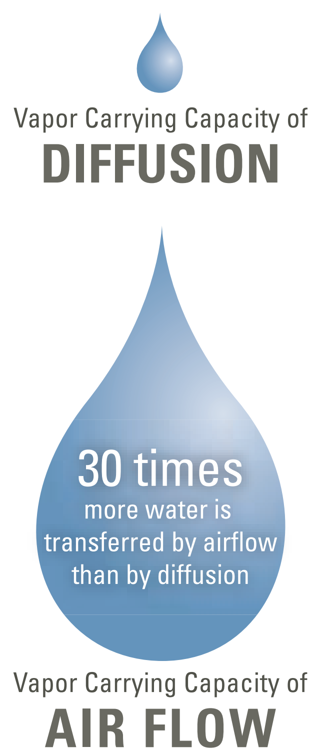
According to the 2009 IRC: "For the purposes of this section vented cladding shall include the following minimum clear air spaces. Other openings with the equivalent vent area shall be permitted."

1. Vinyl lap or horizontal aluminum siding applied over a weather-resistive barrier as specified in Table R703.4 of the *2009 International Residential Code*.
2. Brick veneer with a clear airspace as specified in Section R703.7.4.2 of the *International Residential Code*.
3. Other approved vented claddings.

Treasure Homes of Sacramento installs rigid foam under stucco siding to serve as an insulation layer and exterior vapor barrier.

Water Carrying Capacity of Diffusion vs. Air Flow

Air is vapor's heavy lifter—where there are air leaks, there are vapor leaks. Warmer air can carry much more vapor than cooler air.



*__Smart vapor retarders__ are engineered materials that are designed to change their permeance at specific relative humidity levels *(Lstiburek 2006)*.

L.207

Exhibit #1

Unintentional air leaks can allow leakage of significant amounts of air into and out of a home in an uncontrolled manner through unsealed seams and unplugged holes in the walls, ceiling, and floors.
(Figure source: EPA)

Vapor retarders can block the entry of vapor. However, vapor retarders can also block vapor's exit. It is important that moisture not get trapped inside of walls. Walls need to dry to the interior, the exterior, or both.

Air Flow

Air enters a home through openings in walls, cracks around doors and windows, and at intersections of building assemblies. Key points of air entry include rim joists where foundations meet floors and walls, where walls and floors for upper stories join together, and where walls intersect the roof. The pressure difference between indoor and outdoor air (or between indoor air and soil gas), temperature differences, and wind are the driving forces of air infiltration. Plugging air leaks is one way to slow down infiltration.

Air movement can affect how well insulation works. When outside air is pushed through insulation in places such as attics, walls, or crawlspaces, it robs the insulation's ability to slow down heat loss. This process is called wind wash or air intrusion. Using baffles, dams, and wind blocks in attics keeps ventilation ports open and directs air away from the insulation.

Controlled air movement in the right place is beneficial. Providing a ventilation space behind exterior wall cladding allows the material to dry out and prevents the moisture from contaminating housewraps, sheathing, or other wall components. Wall venting behind brick veneers is especially important. Under the right conditions, energy from the sun can push vapor through wet brick with the force of a steam boiler. Ventilation cavities behind brick help to dissipate this vapor before it is injected into the framed cavity.

Crawlspaces and attics are other areas in homes that have traditionally used passive ventilation to dissipate moisture.

Researchers and builders have developed methods of building unvented, conditioned attics and crawlspaces, and sealing these areas may be recommended if they are to provide conditioned space to house HVAC equipment and ducts. (See Chapter 8 for more on crawlspaces.)

Planned ventilation is needed to provide a healthy and comfortable indoor environment. Relying on air leakage to provide ventilation and combustion air is unreliable. By its nature, infiltration is not a reliable form of ventilation. It depends on pressure and temperature differentials that change constantly. Air leaks may also carry with them moisture that can cause structural or mold problems. Combustion in furnaces, fireplaces, dryers, and cooking appliances

L.208

requires air. If multiple combustion or exhaust systems are drawing air at the same time and if these appliances are not all direct vented to the outdoors, there is a chance that combustion appliances can backdraft, drawing flue gases into a home rather than expelling them outdoors. Mechanical ventilation and sealed-combustion systems are described in Chapter 9.

Heat Transfer

Heat travels via three mechanisms: conduction, convection, and radiation.

Conduction

Conduction is the movement of heat through a material. It is the cause of a hot handle on a sauce pan simmering away on a range top. Heat flows from warm areas to cold areas. The larger the temperature difference between the areas, the faster heat will flow.

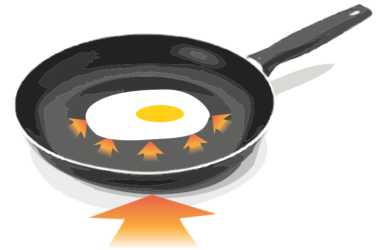
The ability of materials to resist heat flow influences conduction. Insulation is very good at resisting conducted heat flow. Dimensional lumber is not very good at resisting heat flow. The best way to slow down conduction is to add insulation to building envelope assemblies. It is important that insulation be installed to fill all voids in the building envelope. It is easiest to fill voids using blown-in insulation of various types. Blown cellulose or fiberglass insulation for example flows almost like a liquid, filling in areas behind wiring and framing where batt insulation might be compressed or blocked. Spray foam is applied as a liquid and also fills voids that may be difficult to reach with batts. Batts work well in large, uninterrupted areas if installed properly.

The rate at which heat flows through a material is described using two terms: R-value and U-value. Resistance to heat flow is called R-value, the higher the R-value the more resistant a material is to heat conduction. R-values can be added together to calculate how well an entire assembly will resist heat flow.

Conductivity is described using U-value. Conductivity refers to how well a material or assembly conducts heat. It is inversely proportional to R-value. If the U-value is high, then the R-value is low. From an energy-efficiency perspective, high R-values and low U-values are good. U-values may be calculated for an entire assembly or for an individual component. However, U-values for a number of components cannot be added together to calculate the overall U-value for an assembly such as a wall.

Conduction

Heat transferred by contact, like the hot pan that fries an egg or the hot asphalt that burns bare feet.



Convection

Heat transferred via air or liquid movement in a pattern of cooling/ falling and warming/ rising like hot water that rises and falls in a percolating coffee pot.

Radiation

Heat transferred through space by rays, like rays of sun that warm your skin, if the rays are not blocked by a building or tree.

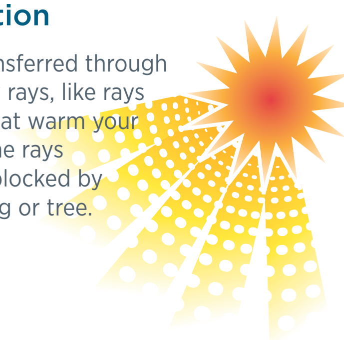


Exhibit #1

Stack Effect

The stack effect is the flow of air that results from warm air rising, creating a positive pressure area at the top of a building and a negative pressure area at the bottom of a building. The stack effect can overpower the mechanical system and disrupt ventilation and circulation in a building. It can pull unfiltered air and soil gasses into a home through cracks in the foundation and around doors and windows and it can draw conditioned air up and out through air leaks around ceilings, chimneys, flue, and pipe chases.

Convection

Convection is the movement of heat via a gas or liquid. Warm air becomes buoyant, while cold air tends to sink. Convection is the force that draws hot air up a chimney. This force is sometimes called the stack effect.

Designers and builders can use convection as a natural way to cool and ventilate a home, but it can cause problems in the wrong places and circumstances.

In cooler climates, heated air tends to rise to the top of tall structures. Warmer air becomes buoyant and can carry more moisture than cool air. Near cold surfaces, such as inefficient windows, cooler air drops. As the air cools below the dew point, it must give up some of its moisture, which then condenses on the cold surface. This is why windows sometimes have condensation in wintertime.

In air-conditioned structures, colder air sinks, drawing in warmer air through leaks in the building envelope. The warmer air can carry moisture; so as it cools this moisture may condense inside structural assemblies. It can also increase indoor humidity levels, causing occupants to turn up the air conditioner, which exacerbates the problem.

Convective air currents can set up wherever differences in air pressure drive air movement. This applies to the house as a whole, and to smaller spaces. Convective loops can occur in cavities inside walls where there are voids in insulation, in attics, and even between tight-fitting blinds and inefficient windows. Differences in temperature between the conditioned space and outdoors can create enough of a pressure difference inside a wall cavity to form a convective loop.

The most effective strategies for stemming convective heat losses are to avoid air temperature differentials inside structures, to fully fill insulated cavities with insulation (no voids), and to seal air leaks. Properly installing adequate insulation eliminates cold spots in walls and structural cavities. Sealing air leaks blocks air movement and minimizes the temperature differentials that occur from mixing conditioned and unconditioned air.

Radiation

Radiation is the movement of heat by solar or infrared rays. Much of the heat from a woodstove is in the form of radiation. The key to radiation is that, unlike conduction or convection, this process

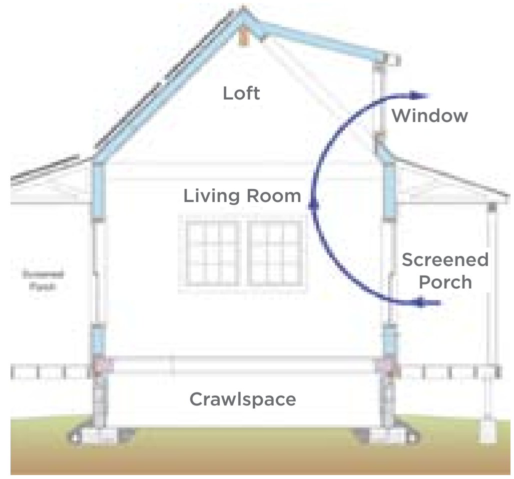
Exhibit #1

does not involve a molecular connection between the source and the recipient of the heat. That is one reason a person sitting across the room feels toasty from a radiant heater, such as a woodstove. Heat can be transferred through a vacuum via radiation; this is how heat from the sun is transferred to earth through the vacuum of space.

Radiant heat can influence comfort. In a house with a reasonable indoor temperature, radiant heat from a hot window or wall can influence the comfort level of building occupants. In cold climates, heat radiating from occupants to a cold window or wall can make them feel colder. On the other hand, when indoor warming is needed, an occupant exposed to radiant floor heating may feel warmer than the air temperature suggests.

Techniques for controlling solar radiation heat gain in the marine climate include tree shading and window awnings or overhangs. Radiant barriers installed in the attic and light-colored roofing material are used to minimize solar heat gain in the hot dry and hot humid climates but are not recommended in the heating-dominated areas of the marine climate.

At night, a house can radiate heat to a clear night sky. The resulting cooling can lead to condensation in attics and roof wetting. Researchers are exploring ways to use radiation to the night sky as a passive way to cool homes.



Building America's Building Science Consortium used convection to help cool this structural insulated panel (SIPs) cottage in Georgia. Cool air from the screened porches is drawn into the building's interior where it heats up and is pulled up and out the second-story windows, drawing more air in through the shaded first-story windows.

Occupants

Occupants are a force unto themselves, not tied directly to climate or building dynamics but able to strongly influence building performance. Occupant comfort and costs are at the center of design considerations. However, as the building operators and maintainers, occupants can do much to correct or unbalance a system. Providing correct information in the form of owners manuals, homeowner education, and accurate marketing materials can help occupants make decisions that will contribute to their home's longevity, comfort, and efficiency.

Occupants have an enormous impact on the energy performance of homes in the selections they make in appliances, entertainment systems, computers, tools, and other electric equipment. These plug loads make up about 40% of energy loads in homes. As builders and researchers figure out how to make thermal, lighting, and ventilation equipment more efficient, these miscellaneous plug loads will become more and more important in how energy is managed in homes.

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Exhibit #1

Occupant choices in appliances and home electronics have a big impact on plug load.

More Information on Water, Vapor, Air Flow, and Heat Transfer

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Exhibit #1

Appendix I.

Homebuyer's Checklist

Homebuyers, take this with you when you go house shopping to make sure you get an energy-efficient home.

MEASURE	Building America Recommendations	Builder #1	Builder #2	Builder #3
HEATING AND COOLING EQUIPMENT				
ENERGY STAR qualified air conditioning of SEER* 13 or greater	Yes			
ENERGY STAR qualified heat pump	Yes			
ENERGY STAR qualified boiler	Yes			
ENERGY STAR qualified sealed-combustion gas furnace of 90 AFUE* or higher	Yes			
ENERGY STAR qualified programmable thermostat	Yes			
Ductwork sealed with mastic (no duct tape)	Yes			
5% or less duct leakage found with pressure test 10% allowed if all ducts are located in the conditioned space.	Yes			
Duct Insulation: R-4 in conditioned space, R-8 in attic, R-6 in crawlspace	Yes			
House plans show duct layouts	Yes			
Ducts located in conditioned space	Yes			
Ducts sized according to industry standards in Manual D	Yes			
Heating and cooling equipment sized according to industry standards in Manual J	Yes			
House pressure balanced with jump ducts or transfer grills	Yes			
HVAC* equipment and duct work inspected and tested after installation	Yes			
Filter with MERV rating of 8 or higher installed on the central air handler	Yes			
Air handler isolated from garage by a thermal barrier (insulation) and air barrier (e.g., drywall sealed at seams)	Yes			

Exhibit #1

MEASURE	Building America Recommendations	Builder #1	Builder #2	Builder #3
INSULATION (take a look at a house under construction before sheetrock is installed)				
Insulation installed behind tubs, landings, and other hard to reach places	Yes			
Insulation fills entire cavities—no voids or compressed batts—Attic insulation level without gaps and covers entire attic floor	Yes			
Where fiberglass batt insulation is used it is high-density	Yes			
Rim joists are insulated	Yes			
Rigid foam insulation applied under exterior siding or stucco	Yes			
WINDOWS (take a look at a house under construction before exterior siding is installed)				
ENERGY STAR qualified windows, doors, and skylights	Yes			
Windows flashed to help repel water	Yes			
Windows rated to U-factor of 0.40 or less and SHGC of 0.40 or less	Yes			
MOISTURE MANAGEMENT (take a look at a house under construction before exterior siding is installed)				
Ground slopes away from house	Yes			
Housewrap, building paper, or rigid foam exterior insulation, taped at seams and caulked at edges, covers OSB walls in wood-framed houses	Yes			
Roof flashing in valleys, where walls and roofs intersect, and at other places where water may enter the house—the more complex the roof, the more flashing you should see	Yes			
Air gap between stucco, brick, or masonry cladding and housewrap	Yes			
Overhangs for shade and to direct water away from walls	Yes			
Trees planted ten feet from house, no overhanging branches	Yes			
Plantings 18 to 36 inches away from the foundation	Yes			
No wood or siding in direct contact with ground	Yes			
AIR BARRIERS				
Follow ENERGY STAR Thermal Bypass Checklist	Yes			
All penetrations through exterior walls sealed	Yes			
Careful sealing of sheetrock or exterior sheathing	Yes			
Canned lights rated as airtight and for insulated ceiling (ICAT)	Yes			
Electrical boxes on exterior walls caulked or gasketed	Yes			
Holes into attic sealed	Yes			
Attic hatch weather-stripped and insulated	Yes			
Air leakage determined with house depressurization test	Yes			
Wall-roof intersection carefully sealed to avoid ice dams	Yes			
Draft-stops installed behind tubs, showers, stairs, and fireplaces	Yes			
Garage completely sealed from conditioned areas of house	Yes			
Careful sealing around bathtubs, landings, fireplaces, kneewalls, cantilevered floors, etc.	Yes			
Sill plates gasketed or sealed	Yes			

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Exhibit #1

MEASURE	Building America Recommendations	Builder #1	Builder #2	Builder #3
FOUNDATION MEASURES				
Radon control measures installed	Yes			
4 to 6 inch gravel base under slab and basement floors	Yes			
Polyethylene (plastic) vapor barrier between gravel and slab	Yes			
Conditioned crawlspace	Yes			
Exterior slab insulation	Yes			
Termite flashing added at sill plate	Yes			
PLUMBING				
No pipes in exterior walls	Yes			
Pipe insulation	Yes			
VENTILATION				
Whole-house mechanical ventilation installed	Yes			
Spot ventilation installed in kitchen and bathrooms	Yes			
Clothes dryers are vented to the outside	Yes			
Gas-fired furnaces or water heaters sealed-combustion, direct vented, or power vented	Yes			
Carbon monoxide detector installed in homes with a combustion appliance or attached garage	Yes			
Attached garages are ventilated	Yes			
FRAMING				
Use Optimum Value Engineering (also called Advanced Framing): - 2x6 24 in. oc instead of 2x4 18 in. oc studs - Align framing members from floor joists to wall studs to rafters - Use single top plates and single headers where possible - Use two-stud corners and drywall clips instead of 3-stud corners	Yes			
OTHER				
Low VOC interior coatings	Yes			
Low VOC adhesives	Yes			
Low emission cabinets	Yes			
CFL lighting	Yes			
OTHER FEATURES FOR COMPARISON				

**SEER*: Seasonal Energy Efficiency Ratio | **AFUE*: Annual Fuel Utilization Efficiency | **HVAC*: heating, ventilation, and air conditioning

Exhibit #1

Exhibit #1

Appendix IV.

Energy & Housing Glossary

Accreditation
The process of certifying a Home Energy Rating System (HERS) as being compliant with the national industry standard operating procedures for Home Energy Rating System.

AFUE Annual Fuel Utilization Efficiency (AFUE)
Measures the amount of fuel converted to space heat in proportion to the amount of fuel entering the furnace. This is commonly expressed as a percentage. A furnace with an AFUE of 90 could be said to be 90% efficient. AFUE includes any input energy required by the pilot light but does not include any electrical energy for fans or pumps.

Air Barrier
Any material that restricts air flow. In wall assemblies, the exterior air barrier is often a combination of sheathing and either building paper, housewrap or board insulation. The interior air barrier is typically gypsum board.

Air Flow Retarder
Sealants used to keep outside air and inside air out of the building envelope. Four common approaches to retarding air flow include careful sealing using the following building components: drywall and framing, plastic sheets (should not to be used in hot and humid climates) between drywall and framing, exterior sheathing, and building paper. Air flow retarders define the pressure boundary in a house that separates indoor and outdoor air.

Building Envelope
The outer shell, or the elements of a building, such as walls, floors, and ceilings, that enclose conditioned space. *See also Pressure Boundary and Thermal Boundary.*

Btu (British Thermal Unit)
A standard unit for measuring energy. One Btu is the amount of energy required to raise the temperature of one pound of water by one degree Fahrenheit from 59 to 60. An Inches-Pounds unit.

CABO (Council of American Building Officials)
The previous umbrella organization for the three nationally recognized model code organizations in the United States: the Building Officials & Code Administrators International, Inc. (BOCA), the International Conference of Building Officials (ICBO), and the Southern Building Code Congress International (SBCCI). All were incorporated into the International Code Council in ICC in November of 1997 with the goal of developing a single national building code in the United States.

Capacity
The rate at which a piece of equipment works. Cooling capacity is the amount of heat a cooling system can remove from the air. For air conditioners total capacity is the sum of latent capacity, the ability to remove moisture from the air, and the sensible capacity, the ability to reduce dry-bulb temperature. Heating system capacity indicates how much heat a system can provide. Heating and cooling capacities are rated in Btu per hour.

Chase
An enclosure designed to hold ducts, plumbing, electric, telephone, cable, or other linear components. A chase designed for ducts should be in conditioned space and include air flow retarders and thermal barriers between it and unconditioned spaces such as attics.

Construction Documents
The drawings (plans) and written specifications that describe construction requirements for a building.

COP (Coefficient of Performance)
A measure of efficiency typically applied to heat pumps. The COP for heat pumps is the ratio, at a given point in time, of net heat output to total energy input expressed in consistent units and under designated conditions. Heat pumps result in a COP greater than 1 because the system delivers or removes more heat energy than it consumes. Other specific definitions of COP exist for refrigeration equipment. See HSPF for a description of a unit for seasonal efficiency.

Debt-to-Income Ratio
The ratio, expressed as a percentage, which results when a borrower's total monthly payment obligations on long-term debt are divided by their gross monthly income. This is one of two ratios (housing expense-to-income ratio being the other) used by the mortgage industry to determine if a prospective borrower qualifies (meets the underwriting guidelines) for a specific home mortgage. Fannie Mae, Freddie Mac and FHA underwriting guidelines set an upper limit of 36% on this value for conventional loans but increase ("stretch") the ratio by 2% for qualifying energy-efficient houses.

Exhibit #1

Dry-Bulb Temperature

The temperature of air indicated on an ordinary thermometer, it does not account for the affects of humidity.

ECM (Energy Conservation Measure)

An individual building component or product that directly impacts energy use in a building.

EEM (Energy-Efficient Mortgage)

Specifically, a home mortgage for which the borrower's qualifying debt-to-income and housing expense-to income ratios have been increased ("stretched") by 2% because the home meets or exceeds CABO's 1992 version of the Model Energy Code (MEC). This so-called "stretch" mortgage is nationally underwritten by Fannie Mae, Freddie Mac and the Federal Housing Administration (FHA). This term is often used generically to refer to any home mortgage for which the underwriting guidelines have been relaxed specifically for energy efficiency features, or for which any form of financing incentive is given for energy efficiency.

EER (Energy Efficiency Ratio)

A measurement of the instantaneous energy efficiency of cooling equipment, normally used only for electric air conditioning. EER is the ratio of net cooling capacity in Btu per hour to the total rate of electric input in watts, under designated conditions. The resulting EER value has units of Btu per watt-hour.

EF (Energy Factor)

A standardized measurement of the annual energy efficiency of water heating systems. It is the annual hot water energy delivered to a standard hot water load divided by the total annual purchased hot water energy input in consistent units. The resultant EF value is a percentage. EF is determined by a standardized U.S. Department of Energy (DOE) procedure.

Energy (Use)

The quantity of onsite electricity, gas or other fuel required by the building equipment to satisfy the building heating, cooling, hot water, or other loads or any other service requirements (lighting, refrigeration, cooking, etc.)

Energy Audit

A site inventory and descriptive record of features impacting the energy use in a building. This includes, but is not limited to all building component descriptions (locations, areas, orientations, construction attributes and energy transfer characteristics); all energy using equipment and appliance descriptions (use, make, model, capacity, efficiency and fuel type) and all energy features.

ENERGY STAR® Home

A home, certified by the U.S. Environmental Protection Agency (EPA), that is at least 30% more energy efficient than the minimum national standard for home energy efficiency as specified by the 1992 MEC, or as defined for specific states or regions. ENERGY STAR is a registered trademark of the EPA.

Envelope

See Building Envelope

Fannie Mae (FNMA - Federal National Mortgage Association)

A private, tax-paying corporation chartered by the U.S. Congress to provide financial products and services that increase the availability of housing for low-, moderate-, and middle-income Americans.

FHA (Federal Housing Administration)

A division of the U.S. Department of Housing and Urban Development (HUD). FHA's main activity is the insurance of residential mortgage loans made by private lenders.

Freddie Mac (FHLMC - Federal Home Loan Mortgage Corporation)

A stockholder-owned organization, chartered by the U.S. Congress to increase the supply of mortgage funds. Freddie Mac purchases conventional mortgages from insured depository institutions and HUD-approved mortgage bankers.

Grade Beam

A foundation wall that is poured at or just below the grade of the earth, most often associated with the deepened perimeter concrete section in slab-on-grade foundations.

HERS (Home Energy Rating System)

A standardized system for rating the energy-efficiency of residential buildings.

HERS Energy-Efficient Reference Home (EERH)

The EERH is a geometric "twin" to a home being evaluated for a HERS rating and according to a newly revised system, is configured to be minimally compliant with the 2004 International Energy Conservation Code.

HERS Provider

An individual or organization responsible for the operation and management of a Home Energy Rating System (HERS).

HERS Rater

An individual certified to perform residential building energy efficiency ratings in the class for which the rater is certified.

HERS Score

A value between 0 and 100 indicating the relative energy efficiency of a given home as compared with the HERS Energy-Efficient Reference Home as specified by the HERS Council Guidelines. The greater the score, the more efficient the home. A home with zero energy use for the rated energy uses (heating, cooling and hot water only) scores 100 and the HERS Reference Home scores 80. Every one point increase in the HERS score amounts to a 5% increase in energy efficiency.

Housing Expense-to-Income Ratio

The ratio, expressed as a percentage, which results when a borrower's total monthly housing expenses (P.I.T.I.) are divided by their gross monthly income. This is one of two ratios (debt-to-income ratio being the other) used by the mortgage industry to determine if a prospective borrower qualifies (meets the underwriting guidelines) for a specific home mortgage. Fannie Mae, Freddie Mac and FHA underwriting guidelines set an upper limit of 28% on this value for conventional loans but increase ("stretch") the ratio by 2% for qualifying Energy-Efficient Mortgages (EEM).

Housewrap

Any of several spun-fiber polyolefin rolled sheet goods for wrapping the exterior of the building envelope.

HSPF (Heating Season Performance Factor)

A measurement of the seasonal efficiency of an electric heat pump using a standard heating load and outdoor climate profile over a standard heating season. It represents the total seasonal heating output in Btu divided by the total seasonal electric power input in watt-hours (Wh). Thus, the resultant value for HSPF has units of Btu/Wh.

Infrared Imaging

Heat sensing camera which helps reveal thermal bypass conditions by exposing hot and cold surface temperatures revealing unintended thermal flow, air flow, and moisture flow. Darker colors indicate cool temperatures, while lighter colors indicate warmer temperatures.

Insulated Concrete Forms (ICFs)

Factory-built wall system blocks that are made from extruded polystyrene insulation. Steel reinforcing rods are added and concrete is poured into the voids, creating a very airtight, well insulated and sturdy wall as the insulation is inherently aligned with the exterior and interior air barriers.

Insulation Contact, Airtight (ICAT) Lighting Fixture

Rating for recessed lights that can have direct contact with insulation and constructed with airtight assemblies to reduce thermal losses.

Jump Duct

A flexible, short, U-shaped duct (typically 10-inch diameter) that connects a room to a common space as a pressure balancing mechanism. Jump ducts serve the same function as transfer grilles.

Load

The quantity of heat that must be added to or removed from the building (or the hot water tank) to satisfy specific levels of service, such as maintaining space temperature or hot water temperature at a specified thermostat setting (see also the definitions of energy and thermostat).

Low-E

Refers to a coating for high-performance windows, the "E" stands for emissivity or re-radiated heat flow. The thin metallic oxide coating increases the U-value of the window by reducing heat flow from a warm(er) air space to a cold(er) glazing surface. Low-E coatings allow short-wavelength solar radiation through windows, but reflect back longer wavelengths of heat.

MEC (Model Energy Code)

A "model" national standard for residential energy efficiency. The MEC was developed through a national consensus process by the Council of American Building Officials (CABO) and is the accepted national minimum efficiency standard for residential construction. Since MEC is a model code, it does not have the "force of law" until it is adopted by a local code authority. The MEC is used as the national standard for determining Energy-Efficient Mortgage (EEM) qualification, and it serves as the national "reference point" used by Home Energy Rating Systems (HERS) in the determination of energy ratings for homes.

Mechanical Ventilation

The active process of supplying or removing air to or from an indoor space by powered equipment such as motor-driven fans and blowers, but not by devices such as wind-driven turbine ventilators and mechanically operated windows.

Optimal Value Engineering (OVE)

A strategy for reducing thermal bridging by minimizing wall framing needed for structural support. Common techniques include 2x6 framing with 24" on-center spacing, single top plates where trusses align with wall framing below, properly sized headers, two-stud corners, lattice strips at exterior/interior wall intersections, and the elimination of excessive fire blocking and window framing. This results in much more open framing for insulation to improve energy efficiency and comfort.

Performance Test

An onsite measurement of the energy performance of a building energy feature or an energy using device conducted in accordance with pre-defined testing and measurement protocols and analysis and computation methods. Such protocols and methods may be defined by national consensus standards like those of the American Society of Heating, Refrigerating and Air Conditioning Engineers (ASHRAE) and the American Society for Test and Measurement (ASTM).

P.I.T.I.

An abbreviation which stands for principal, interest, taxes, and insurance. These generally represent a borrower's total monthly payment obligations on a home loan. The taxes and insurance portion are often paid monthly to an impound or escrow account and may be adjusted annually to reflect changes in the cost of each.

Pressure Boundary

The point in a building at which inside air and outside air are separated. If a building were a balloon, the rubber skin would form the pressure boundary. Where inside and outside air freely mingle there is no pressure boundary.

Pressurization Test

A procedure in which a fan is used to place a house, duct system, or other container, under positive or negative air pressure in order to calculate air leakage.

RESNET (Residential Energy Services Network)

The national association of energy rating providers.

Rated Home

A specific residence that is evaluated by an energy rating.

R-Value

Measures a material's ability to slow down or resist the transfer of heat energy, also called thermal resistance. The greater the R-value, the better the resistance, the better the insulation. The effective R-value of an insulation material will be reduced by gaps, voids, compression or misalignment. R-values are the reciprocal of U-values. See U-values for more information.

Exhibit #1

Sealed Combustion
Sealed combustion means that a combustion appliance, such as a furnace, water heater, or fireplace, acquires all air for combustion though a dedicated sealed passage from the outside; combustion occurs in a sealed-combustion chamber, and all combustion products are vented to the outside through a separate dedicated sealed vent.

SEER (Seasonal Energy Efficiency Ratio)
A measurement similar to HSPF except that it measures the seasonal cooling efficiency of an electric air conditioner or heat pump using a standard cooling load and outdoor climate profile over a standard cooling season. It represents the total seasonal cooling output in Btu divided by the total seasonal electric input in watt hours (Wh). The SEER value are units of Btu/Wh.

Semi-Permeable
The term vapor semi-permeable describes a material with a water vapor permeance between 1 and 10 Perms. Water vapor can pass through a semi-permeable material but at a slow rate.

Shading Coefficient (SC)
The ratio of the total solar heat admittance through a given glazing product relative to the solar heat admittance of double-strength, clear glass at normal solar incidence (i.e., perpendicular to the glazing surface).

Site Energy
The energy consumed at a building location or other end–use site.

Solar Heat Gain Coefficient (SHGC)
SHGC measures how well a window blocks heat caused by sunlight. The lower the SHGC rating the less solar heat the window transmits. This rating is expressed as a fraction between 0 and 1. The number is the ratio of a window's solar heat admittance compared to the total solar heat available on the exterior window surface at normal solar incidence (i.e., perpendicular to the glazing surface).

Sone
A sound rating. Fans rated 1.5 sones and below are considered very quiet.

Source Energy
All the energy used to deliver energy to a site, including power generation and transmission and distribution losses (also called primary energy). Approximately three watts (or 10.239 British thermal units) of energy is consumed to deliver one watt of usable electricity. Building America energy saving targets are measured in terms of source energy rather than site energy.

Structural Insulated Panels (SIPs)
Factory-built insulated wall assemblies that ensure full alignment of insulation with integrated air barriers. Composed of insulated foam board glued to both an internal and external layer of sheathing (typically OSB or plywood). Many SIP panels are manufactured with precut window and door openings.

Supply ducts
The ducts in a forced air heating or cooling system that supply heated or cooled air from the or air conditioner to conditioned spaces.

Thermal Boundary
The border between conditioned and unconditioned space where insulation should be placed.

Thermal Bridging
Accelerated thermal flow that occurs when materials that are poor insulators displace insulation.

Thermostat
A control device that measures the temperature of the air in a home or the water in a hot water tank and activates heating or cooling equipment to cause the air or water temperature to remain at a pre-specified value, normally called the set point temperature.

Ton(s) of Refrigeration
Units used to characterize the cooling capacity of air conditioning equipment. One ton equals 12,000 Btu/h.

U-Value
Measures the rate at which heat flows or conducts through a building assembly (wall, floor, ceiling, etc.). The smaller the u-value the more energy efficient an assembly and the slower the heat transfer. Window performance labels include U-values (calling them U factors) to help in comparing across window products.

Ventilation
The controlled movement of air into and out of a house.

W (watt)
One of two (Btu/h is the other) standard units of measure for the rate at which energy is consumed by equipment or the rate at which energy moves from one location to another. It is also the standard unit of measure for electrical power.

Wet-Bulb Temperature
A measure of combined heat and humidity. At the same temperature, air with less relative humidity has a lower wet-bulb temperature. *See Dry-Bulb Temperature.*

Wind Baffle
An object that serves as an air barrier for the purpose of blocking wind washing at attic eaves.

Wind-Washing
Air movement due to increased pressure differences that occur at the outside corners and roof eaves of buildings. Wind-washing can have significant impact on thermal and moisture movement and hence thermal and moisture performance of exterior wall assemblies.

Xeriscaping
Landscaping that minimizes outdoor water use while maintaining soil integrity and building aesthetics. Typically includes emphasis on native plantings, mulching, and no or limited drip/subsurface irrigation.

Zero Energy House
Any house that over time, averages out to net-zero energy consumption. A zero energy home may supply more energy than it needs during peak demand, typically using one or more solar energy strategies, energy storage and/or net metering.

N R P A B
Nebraska Real Property Appraiser Board

Bill Color Key
NRPAB High Priority Bills
Nebraska State Government Bills
General Interest Bills

108th Legislature (2nd Regular Session) Report as of February 7, 2024	
Bill:	LB16
Title:	Require occupational boards to issue certain credentials based on credentials or work experience in another jurisdiction and make a determination regarding an applicant with a criminal conviction, provide for jurisprudential examinations and appeals from denial of a license, and change requirements for membership of the State Electrical Board
Status:	February 02, 2024 - Placed on Final Reading with ST32
Summary:	LB16 allows for recognition in Nebraska for most types of occupational licenses issued in other states and change provisions relating to preliminary applications by individuals with a criminal conviction. Specifically, this bill requires that certain information is required to be reported by the applicant for mitigating factors, only allows for certain felony convictions to be disqualifying, requires issuance of a preliminary adverse determination by the director of the occupational board or the board's designated employee, provides for an opportunity for an informal meeting to be held within sixty days of application, and provides for a waiver of fees based on the applicants income being more than 300% below the federal poverty level. To the extent that an occupational board or lawful occupation is also governed by federal law, federal law shall take precedence over the Occupational Board Reform Act. The act shall not be construed to preempt federal law governing lawful occupations in this state. AM748 to LB16, inserts "the Real Property Appraiser Board" after the second comma on page 8, line 1. This amendment exempts the Board from Subsections (8) and (9) of this bill and Neb. Rev. Stat. § 84-947 pertaining to preliminary background reviews for applicants of occupational licensing. FA58 and FA59 strikes Section 1. AM2012 strikes the original sections in AM748 and all amendments thereto and inserts the language from AM748 and LB16. AM2229 inserts the Interior Design Voluntary Registration Act.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=49705
Notes:	

Bill:	LB41
Title:	Prohibit state agencies from imposing annual filing and reporting requirements on charitable organizations
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB41 prohibits state agencies from imposing annual filing and reporting requirements on charitable organizations greater than those defined in state or federal law.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=49960
Notes:	No update since March 2023 meeting.
Bill:	LB43
Title:	Require hearing officers and judges to interpret statutes and regulations to limit agency power and maximize individual liberty
Status:	January 26, 2024 - Placed on Select File with ER44
Summary:	LB43 requires that a hearing officer or judge hearing a contested case under the Administrative Procedure Act, interpreting a state statute or agency regulation, shall not defer to the state agency's interpretation of such statute or regulation and shall interpret the statute or regulation de novo on the record. In actions brought by or against state agencies, after applying all customary tools of interpretation of a statute or regulation, the court or hearing officer shall resolve any remaining doubt in favor of a reasonable interpretation which limits agency power and maximizes individual liberty. AM2076 strikes all original sections and creates the First Freedom Act prohibiting the substantial burden of a person's right to the exercise of religion unless it is demonstrated that applying the burden to that person's exercise of religion in this particular instance is essential to further a compelling governmental interest and is the least restrictive means of furthering that compelling governmental interest; and prohibits restricting a religious organization from operating and engaging in religious services during a state of emergency to a greater extent than the state restricts other organizations or businesses from operating during a state of emergency. AM2076 also amends the Nebraska Public Records Act to include the actual added cost used as the basis for the calculation of a fee for records a charge for the proportion of the existing salary or pay obligation to the public officers or employees, including a proportional charge for the services of an attorney to review the requested public records, for the time spent searching, identifying, physically redacting, copying, or reviewing such records, when request is made by a non-resident of Nebraska. The custodian may waive or reduce any fee if the waiver or reduction of the fee would be in the public interest. AM2076 adds records relating to the nature, location, or function of cybersecurity by the State of Nebraska or any of its political subdivisions, including, but not limited to, devices, programs, or systems designed to protect computer, information technology, or communications systems against terrorist or other attacks. The Nebraska Information Technology Commission shall adopt and promulgate rules and regulations to implement this subdivision.

	AM2076 requires that a hearing officer or judge hearing a contested case under the Administrative Procedure Act, interpreting a state statute or agency regulation, shall not defer to the state agency's interpretation of such statute or regulation and shall interpret the statute or regulation de novo on the record. In actions brought by or against state agencies, after applying all customary tools of interpretation of a statute or regulation, the court or hearing officer shall resolve any remaining doubt in favor of a reasonable interpretation which limits agency power and maximizes individual liberty. AM2076 introduces the Personal Protection Privacy Act, which notwithstanding any provision of law to the contrary, and except as otherwise provided in this section, each public agency is prohibited from: (a) Requiring any individual to provide personal information or otherwise compelling the release of personal information; (b) Requiring any nonprofit organization to provide such public agency with personal information or otherwise compelling the release of personal information; (c) Publicizing or otherwise publicly disclosing personal information in the possession of such public agency without the express permission of every individual who is identifiable from the potential release of such personal information, including individuals identifiable as members, supporters, or volunteers of, or donors to, a nonprofit organization; or (d) Requesting or requiring a current or prospective contractor or grantee to provide such public agency with a list of nonprofit organizations to which such contractor or grantee has provided financial or nonfinancial support. Personal information is exempt from disclosure under public records laws, including, but not limited to, sections 84-712 to 84-712.09 25 and 84-1413; other exemptions as defined in the Personal Protection Privacy Act apply as well.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50402
Notes:	
Bill:	LB104
Title:	Change provisions of the County Employees Retirement Act, the Judges Retirement Act, the School Employees Retirement Act, the Nebraska State Patrol Retirement Act, and the State Employees Retirement Act
Status:	January 3, 2024 - Title printed. Carryover
Summary:	LB104 changes the requirements for distribution of funds and updates definitions. Provisions/portions of LB104 amended into LB103 by AM417 - Approved by Governor on May 1, 2023.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50392
Notes:	

Bill:	LB164
Title:	Adopt updates to building and energy codes
Status:	January 17, 2024 - Placed on General File with AM2105
Summary:	LB614 updates the state building and energy codes to include the 2021 edition of the International Building Code and to include the 2021 edition of the International Residential Code. AM2075 amends the Municipal Inland Port Authority Act to restrict an inland port authority to one per city of the metropolitan class and defines the structure and funding for such inland port authority. AM2015 replaces AM2075 with the same language. AM2175 filed to make technical changes.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=49745
Notes:	

Bill:	LB205
Title:	Adopt the Government Neutrality in Contracting Act
Status:	January 03, 2024 - Title printed. Carryover bill
Summary:	The purposes of LB205 are to provide for the efficient procurement of goods and services by governmental units and to promote the economical, nondiscriminatory, and efficient administration and completion of construction projects funded, assisted, or awarded by a governmental unit. LB205 limits or prohibits certain language or provisions from state contracts. AM452, AM453, AM454, AM455, AM456, AM457, AM458, AM459, AM460, AM461, AM462, AM463, AM464, AM465 were filed to make various changes to LB205.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50181
Notes:	No update since March 2023 meeting.

Bill:	LB279
Title:	Change and eliminate provisions relating to executive officers of banks
Status:	February 01, 2024 - Placed on Final Reading with ST30
Summary:	LB279 eliminates the requirement that executive officers of banks submit a written report to the Department of Banking stating the amount of loans or indebtedness in which the officer is a borrower, co-signer, or guarantor, and how those proceeds have been or are to be used. AM86 adopted to add a new subsection allowing the board of directors of a bank to obtain a credit report from a recognized credit agency, on an annual basis, for any or all of its executive officers, but this does not apply to any executive officer if such officer is excluded by a resolution of the board of directors or bylaws of the bank from participating in the major policymaking functions of the bank.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50126
Notes:	ST30 Adopted due to change in laws made in 2023.

Bill:	LB293
Title:	Provide formal protest procedures for certain state contracts for services
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	The purpose of LB293 is to require that the Department of Administrative Services immediately adopt and promulgate rules and regulations establishing formal protest procedures, including procedures for a contested case hearing, for any state agency contract for services awarded in excess of ten million dollars. Any protest shall be filed with the department.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=49738
Notes:	No update since February 2023 meeting.

Bill:	LB302
Title:	Change provisions relating to conflicts of interest by certain officeholders and public employees
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB302 replaces “city, village, or school district” with “political subdivision,” and require that any public employee except as otherwise governed under section 49-1499.02 who would be required to take any action or make any decision in the discharge of his or her official duties that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, which is distinguishable from the effects of such action on the public generally or a broad segment of the public, shall prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict and deliver it to the responsible public body, which shall enter it as a public record. The public employee must abstain from participating in the matter unless legally required to. AM503 filed strikes “person holding elective office” and inserts “public official” and adds language to require that the provisions of LB302 apply for one whose annual salary and benefits exceed one hinder fifty thousand dollars.

	On page 3 of LB302, AM603 filed strikes "person holding elective office" and inserts "public official," strikes "city, village, or school district" and inserts "political subdivision," and strikes "person holding elective" and inserts "public official holding." On page 3 of LB302 (amendment to standing amendment AM603) AM1368 filed strikes "person holding elective office" and inserts "public official," strikes "city, village, or school district" and inserts "political subdivision," and strikes "person holding elective" and inserts "public official holding."
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50291
Notes:	No update since May 2023 meeting.
Bill:	LB360
Title:	Adopt the Office of Inspector General of Nebraska Procurement Act
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB360 adopts the Office of Inspector General of Nebraska Procurement Act and establishes the purpose and duties of the Office of Inspector General of Nebraska Procurement.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50518
Notes:	No change since February 2023 meeting.
Bill:	LB366
Title:	Change provisions relating to public records and include body-worn camera recordings in certain circumstances
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB366 defines recordings created by body-worn cameras which depict or record circumstances in which a person died while being apprehended by, or while in the custody of, a law enforcement officer or detention personnel, including duplicates of such recordings, are public records under Neb. Rev. Stat. § 84-712.01. In addition, the requirements for fees charged for providing copies of public records is also changed to require allow for eight hours of service (currently four) to Nebraska residents prior to charging, and the custodian of record may waive or reduce any fee for such service if the waiver or reduction of the fee would be in the publics best interest.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50179
Notes:	No updated since the March 2023 meeting.

Bill:	LB408
Title:	Change provisions relating to conflicts of interest under the Nebraska Political Accountability and Disclosure Act
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB408 require that any member of a nonelective government body not designated in 49-1493 who would be required to take any action or make any decision in the discharge of his or her official duties that may cause financial benefit or detriment to him or her, a member of his or her immediate family, or a business with which he or she is associated, which is distinguishable from the effects of such action on the public generally or a broad segment of the public, shall prepare a written statement describing the matter requiring action or decision and the nature of the potential conflict and deliver it to the responsible public body, which shall enter it as a public record. The public employee must abstain from participating in the matter unless legally required to.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=49781
Notes:	No change since February 2023 meeting.

Bill:	LB461
Title:	Change, transfer, and eliminate provisions relating to the materiel division of the Department of Administrative Services and procurement of services and personal property
Status:	February 01, 2024 - Placed on Final Reading
Summary:	LB461 implements the statutory changes recommended by the report filed with the legislature on November 15, 2023 by the independent procurement consultant that reviewed the State's procurement practices and procedures as authorized by LB1037(2022). LB461 consolidates and harmonizes the procurement statutes between goods and services into Chapter 73; allows bids to be evaluated for realism and reasonableness; revises the residential preference and proof of need process. AM389 inserts "Nebraska state colleges," strikes obsolete date references, and strikes language regarding preferential contracts under Neb. Rev. Stat. § 73-101.01.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50431
Notes:	ER39 filed and adopted.

Bill:	LB485
Title:	Provide for applicability of provisions regarding state contracts for services to certain state entities
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB485 defines state agency director (a) for contracts entered into by a state agency other than an officer or agency established by the Constitution of Nebraska, the director or executive head of the agency, (b) for contracts entered into by a board, commission, or department established by the Constitution of Nebraska, the designee of the board, commission, or department, and (c) for contracts entered into by any other state constitutional officer, the state constitutional officer or the designee of the state constitutional officer. Under AM269, the provisions of sections Neb. Rev. Stat. §§ 73-501 to 73-510 shall not apply to contracts for services executed for the purpose of managing educational lands by the Board of Educational Lands and Funds, pursuant to N.R.S. §§ 72-201 to 72-251 and Article VII, section 6, of the Constitution of Nebraska. AM269 also defines state agency director (a) for contracts entered into by a state agency other than an officer or agency established by the Constitution of Nebraska, the director or executive head of the agency, (b) for contracts entered into by a board, commission, or department established by the Constitution of Nebraska, the designee of the board, commission, or department, and (c) for contracts entered into by any other state constitutional officer, the state constitutional officer or the designee of the state constitutional officer
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50440
Notes:	No change since March 2023 meeting.

Bill:	LB538
Title:	Change provisions relating to the board of directors of a bank
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB538 requires that the Department of Banking is notified of a vacancy on the board of directors of a bank.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50778
Notes:	No change since March 2023 meeting.

Bill:	LB628
Title:	Change provisions relating to professional service by limited liability companies and professional corporations
Status:	February 01, 2024 - Placed on Final Reading
Summary:	LB628 modifies the definition of professional services in the Limited Liability statutes to mirror the definition of the professional corporation statutes. There is a grandfather clause so the Limited Liability Corporations that don't want to make a change are not required to do so. There are a few other changes to the statutes related to professional services. 1. Clean-up of the use of ancillary services in the Limited Liability Corporation professional entity statutes. 2. Recognize outside certifying organizations or compacts recognized by the regulatory body. (This is applicable to some health professionals) 3. Requires regulatory bodies that use the electronic access process for verifying licensure to work with the Nebraska Secretary of State's office to create an automated process for us to electronically access and verify licensing records. 4. Strikes the requirement for the professional to list their residence address in a filing with the Nebraska Secretary of State's Office. AM175 adopted to provide better clarification throughout LB628. AM676 adopted to provide better clarification throughout LB628.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50428
Notes:	ER8 adopted.
Bill:	LB637
Title:	Require members of the public to be allowed to speak at each meeting subject to the Open Meetings Act
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB637 requires that a public body shall allow members of the public an opportunity to speak at each meeting. Closed sessions are excluded. AM616 amends LB637 to not allow a public body to limit public participation in any meeting at which citizens are allowed to speak. AM617 amends LB637 to relieve a public body if a member or members are found or declared to be too tired to hear citizen testimony.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50594
Notes:	No change since April 2023 meeting.

Bill:	LB669
Title:	Provide powers for the Director of Banking and Finance regarding conditions on financial institutions
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB669 allows the Department of Banking and Financing to prescribe conditions on certain financial Institutions as a part of any order, decision, or determination required under the statutes governing those institutions. Provisions/portions of LB669 amended into LB92 by AM1364 - Approved by Governor on June 6, 2023
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=49957
Notes:	

Bill:	LB820
Title:	Adopt the Agricultural Valuation Fairness Act
Status:	January 3, 2024 - Title printed. Carryover bill
Summary:	LB820 enacts the Agricultural Valuation Fairness Act to provide for uniform assessment of agricultural and horticultural land in Nebraska. It declares that sales of agricultural and horticultural land are influenced by uses other than agricultural or horticultural purposes and cause the price paid for agricultural land and horticultural land to exceed the value such land has for agricultural or horticultural purposes. To achieve fairness, all agricultural and horticultural land will be assessed based on its capacity to produce income, called agricultural use value. Procedurally, LB820 establishes an Agricultural Land Valuation Committee to establish agricultural land values by Land Capability Groups (LCG) for agricultural land throughout the state. Land values are established utilizing a production approach to value. Gross income will be computed using an eight-year average yield data, with the highest and lowest values removed. Gross income is reduced to net income by utilizing expense ratios. The net income is then capitalized to determine assessed value. The capitalization rate is also determined by the committee and is calculated to arrive at valuations within 69-75% of market value ensuring assessed values are uniformly and proportionately assessed within the class of Agricultural Land. LB820 retains elements of local control by keeping the county assessor responsible for classifying land. County assessors currently inventory agricultural land on a productivity index making the implementation of this bill simple at the county level. County Assessors have representation on the Agricultural Land Valuation Committee created in this bill and have the option to petition the Tax Commissioner for alternative values they determine are not uniform and proportionate. LB820 also contains limitations to assure the resulting values for all agricultural and horticultural land statewide cannot be above the current market-based standard of 75% of value and cannot increase more than 3.5% over the prior year. MO23 filed to indefinitely postpone LB820. AM112 was filed to strike section 1 (the creation of the Agricultural Valuation Fairness Act). FA16 filed on the floor to strike section 1.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=50777
Notes:	No update since the February 2023 meeting.

Bill:	LB909
Title:	Change state agency notice requirements regarding occupational regulation
Status:	February 01, 2024 - Placed on General File
Summary:	LB909 amends the Occupational Board Reform Act to require that each agency notify the Executive Board of the Legislative Council of the status of any rule or regulation pending before the agency that constitutes an occupational regulation as defined in section 84-940 and that has not been adopted and promulgated.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=54628
Notes:	
Bill:	LB914
Title:	Adopt the Uniform Unlawful Restrictions in Land Records Act
Status:	January 25, 2024 – Hearing before the Judiciary Committee
Summary:	LB914 enacts the Uniform Unlawful Restrictions in Land Records Act to provide for an owner of real property subject to an unlawful restriction the ability to submit to the recorder for recordation in the land records an amendment to remove the unlawful restriction, but only as to the owner's property. Notwithstanding any provision of the governing instrument or other law of this state, the governing body may execute an amendment under this section.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=54826
Notes:	
Bill:	LB947
Title:	Authorize virtual inspections for certain building permits and require certain inspection records be made available to the public under the Building Construction Act
Status:	February 13, 2024 – Hearing before the Urban Affairs Committee
Summary:	LB947 provides for any state agency, county, city, or village that requires an inspection as part of a building permit to allow for virtual inspection by an authorized inspector if the following conditions are met: (i) The inspection is of an area of a building that is less than three stories in height and under ten thousand square feet; (ii) The individual requesting or holding the building permit has provided a list of personnel who are completing the work onsite; and (iii) with certain exceptions, the virtual inspection is conducted live with both the individual requesting or holding the building permit and the authorized inspector. Inspections required for building permits of a nonstructural nature, as determined by the permitting entity, or any reinspection may be conducted using video or photo documentation. Any state agency, county, city, or village that requires an inspection by an authorized inspector as part of a building permit or structural scope of project shall make inspection records available to the public if the structure for which the permit was requested or issued is standing at the time of the request.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55007

Notes:	
Bill:	LB989
Title:	Change and eliminate provisions of the Nebraska Appraisal Management Company Registration Act and the Real Property Appraiser Act
Status:	February 01, 2024 - Placed on General File
Summary:	LB989, introduced at the request of the Nebraska Real Property Appraiser Board, is a cleanup bill to update the Nebraska Appraisal Management Company Registration Act for the purpose of implementing the recommendations of the Appraisal Subcommittee as identified during its 2022 State Off-site Assessment. These changes are required for the Board's continued compliance with Title XI and Appraisal Subcommittee Policy Statements 1, 7-9, and 10-12. Along with changes pertaining to the Appraisal Subcommittee's SOA recommendations, LB989 includes a small upward change to one fee limit, and minor changes to address the administration of the Act and reduce unnecessary barriers for owners of appraisal management companies.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=54684
Notes:	Advanced to General File by the Banking, Commerce and Insurance Committee on 8-0 vote.
Bill:	LB992
Title:	Change provisions of the Real Property Appraiser Act
Status:	February 01, 2024 - Placed on General File
Summary:	LB992, introduced at the request of the Nebraska Real Property Appraiser Board, is a cleanup bill to update the Nebraska Real Property Appraiser Act for the purpose of implementing the Real Property Appraiser Qualifications Criteria ("2026 Criteria") adopted by The Appraisal Foundation's Appraiser Qualifications Board, effective on January 1, 2026; the Uniform Standards of Professional Appraisal Practice adopted by The Appraisal Foundation's Appraisal Standards Board, effective on January 1, 2024; and the recommendations of the Appraisal Subcommittee as identified during its 2022 State Off-site Assessment. These changes are required for the Board's continued compliance with Title XI and Appraisal Subcommittee Policy Statements 1-7 and 10-12. Along with changes pertaining to the 2026 Criteria, the 2024 USPAP, and the Appraisal Subcommittee's SOA recommendations, LB992 includes a small upward change to four fee limits, and minor changes to address the administration of the Act and reduce unnecessary barriers for real property appraisers and applicants for credentialing.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=54685
Notes:	Advanced to General File by the Banking, Commerce and Insurance Committee on 8-0 vote.

Bill:	[LB1075]
Title:	Change provisions of the Delayed Deposit Services Licensing Act, the Nebraska Installment Loan Act, the Nebraska Installment Sales Act, the Nebraska Money Transmitters Act, and the Residential Mortgage Licensing Act
Status:	January 30, 2024 – Hearing before the Banking, Commerce and Insurance Committee
Summary:	LB1075 provides for background checks of certain applicants and licensees under the Delayed Deposit Services Licensing Act, the Nebraska Installment Loan Act, the Nebraska Installment Sales Act, the Nebraska Money Transmitters Act, and the Residential Mortgage Licensing Act. The director may use the Nationwide Mortgage Licensing System and Registry as a channeling agent for requesting information from and distributing information to the United States Department of Justice or any other governmental agency in order to reduce the points of contact which the Federal Bureau of Investigation may have to maintain. LB1075 also requires that a licensee notify the director in writing or through the Nationwide Mortgage Licensing System and Registry within three business days from the time that the licensee becomes aware of any breach of security of the system of computerized data owned or licensed by the licensee, which contains personal information about a Nebraska resident, or the unauthorized access to or use of such information about a Nebraska resident as a result of the breach. If a licensee would be required under Nebraska law to provide notification to a Nebraska resident regarding such incident, then the licensee shall provide a copy of such notification to the department prior to or simultaneously with the licensee's notification to the Nebraska resident. Notice required by this subsection may be delayed if a law enforcement agency determines that the notice will impede a criminal investigation. Notice shall be made in good faith, without unreasonable delay, and as soon as possible after the law enforcement agency determines that notification will no longer impede the investigation.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55262
Notes:	

Bill:	[LB1136]
Title:	Change provisions of the Nebraska Real Estate License Act
Status:	February 12, 2024 – Hearing before the Banking, Commerce and Insurance Committee
Summary:	LB1136 updates the civil penalty for a finding of guilt in a complaint, and updates the requirements and terms and conditions for errors and omissions insurance.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55069
Notes:	

Bill:	LB1190
Title:	Adopt the Professional Service Contract Reporting Act
Status:	February 13, 2024 – Hearing before the Urban Affairs Committee
Summary:	LB1190 provides for enhance transparency within city, county, and state governments concerning professional service contracts, particularly those awarded to individuals or entities situated within economic redevelopment areas or qualified census tracts.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=54687
Notes:	

Bill:	LB1219
Title:	Adopt updates to building and energy codes
Status:	February 13, 2024 – Hearing before the Urban Affairs Committee
Summary:	LB1136 updates the state building and energy codes to include the 2021 edition of the International Building Code and to include the 2021 edition of the International Residential Code.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55585
Notes:	

Bill:	LB1240
Title:	Provide a requirement for state officials and state employees testifying before the Legislature
Status:	February 1, 2024 – Hearing before the Executive Board
Summary:	LB1240 mandates that state officials and employees, testifying on behalf of a state agency before a legislative committee, must testify in a neutral capacity. LB1240 will ensure that agency testimony before the legislature must pertain to the technical aspects and implementations of the bill, and neither for or against specific legislation.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55600
Notes:	

Bill:	LB1292
Title:	Change provisions relating to standing to file a petition for a declaratory judgment
Status:	February 2, 2024 – Hearing before the Judiciary Committee
Summary:	LB1192 changes Section 84-911 of the Administrative Procedures Act (APA) and provides that a person who seeks to determine the validity of any rule or regulation may petition for a declaratory judgement in the district court of Lancaster County. In a declaratory judgement, the court may declare the rule or regulation invalid if the rule or regulation violates constitutional provisions, exceeds statutory authority of the agency, or was adopted without compliance with the APA. In order to bring a petition pursuant to section 84-911, a plaintiff must have standing, or the legal ability to bring a claim. Legislative Bill 1292 would provide statutory standing to the following individuals: (a) any Nebraska taxpayer and (b) any person whose legal rights or privileges are interfered with or threatened by a rule or regulation. In the case of Griffith v. Nebraska Dept. of Corr. Servs., 304 Neb. 287, 934 N.W.2d 169 (2019), the Nebraska Supreme Court interpreted section 84-911 to allow for standing only to individuals who can show an injury in fact, as a result of any challenged rule or regulation, and not necessarily for taxpayers who are funding an agency's unconstitutional or invalid regulatory acts. This bill is intended to broaden the category of persons who have standing to seek relief under section 84-911.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55321
Notes:	
Bill:	LB1417
Title:	Create, eliminate, terminate, and provide, change, eliminate, and transfer powers, duties, and membership of boards, commissions, committees, councils, task forces, panels, authorities, and departments and change and eliminate funds
Status:	February 29, 2024 – Scheduled for Hearing before the Government, Military and Veterans Affairs Committee
Summary:	LB1417 was introduced at the request of Governor Pillen on January 22, 2024. If passed, effective July 1, 2025, the Board of Abstracters and Appraisers is created, which would assume all of the duties of the Abstracters Board of Examiners; the Real Property Appraiser Board; and the board of appraisers in sections 72-224.03, 72-225, 72-240.14, and 72-240.19. On this same date, the Real Property Appraiser Board as it currently exists is terminated. The Board of Abstractors and Appraisers would consist of nine members. One member who is a certified real property appraiser would be selected from each of the three congressional districts, and six members would be selected at large. The six members selected at large would include three members who shall at all times be active registered abstracters who have engaged in the business of abstracting for at least five years, one member who shall be a lawyer experienced in the area of real estate law, one member who shall be a superintendent of a school district offering instruction in grades kindergarten through twelve, and one member who shall be a certified public accountant.

The Board held a meeting on January 22, 2024 to discuss LB1417. At this meeting, Director Kohtz presented LB1417 to the Board for review and gave a brief summary of the contents and background research completed to date. After discussion of LB1417, the Board moved to authorize Director Kohtz to draft a letter to Senator Brewer and Governor Pillen requesting clarification of the intent of LB1417 and to bring attention to the potential impact of this bill; and to authorize Director Kohtz to draft a Memo From the Board to notify the appraiser community of the introduction of LB1417. The letters requested by the Board were sent to Govern Pillen and Senator Brewer on January 23, 2024. In these letters, the Board thank them for their efforts to make State government more efficient and effective and informed them that Board shares the same mission. The Board also brought attention to its purpose and accomplishments, what affect that such of a change may have on the State of Nebraska, and offered its assistance in pursuing a common goal.

After a few brief discussions with Senator Brewer's office, Director Kohtz was informed by Senator Brewer on January 24, 2024 that all inquiries and comments regarding LB1417 were to be directed at the Governor's Policy and Research Office.

Director Kohtz spoke with Governor Pillen's Policy and Research Office ("GRPO") on January 29, 2024. The Director reiterated that the Board shares the same goal to operate with efficiency and effectiveness in a way that best serves the citizens of Nebraska. During this conversation, the GRPO mentioned that one of the main intents of LB1417 is to reduce the number of appointments made by Governor Pillen. The Director expressed the Board's preference to maintain its current independence as it exists, and the GRPO indicated the Governor is open an amendment. The following concepts and information were provided for the Governor's consideration:

- The Board operates with a high level of efficiency and effectiveness, and understands the framework of a complex federal regulatory system. Terminating this Board would cause undue harm to the public as all the institutional knowledge would be lost and the State of Nebraska's relationship with the financial and appraiser communities would also be damaged. It was requested that the Governor consider maintaining the current Real Property Appraiser Board, in its current makeup, as a foundation to build from if it is the Governor's will to make such of a change. This concept is in the best interest of the State of Nebraska as the cohesiveness and knowledge is maintained, along with the banking and real estate communities' representation in the appraiser profession.

- If it is the Governor's will, the Board would be open to absorbing the Abstractors Board of Examiners with a proper representation ratio on the Board. Since there are 700 real property appraisers, and 75 appraisal management companies (Separate from a business that provides real property appraisal services), and only 200 registered abstractors, along with a smaller number of certificates of authority (required for any individual or business entity desiring to engage in the business of abstracting), it would be reasonable to add two abstractor members to the current Real Property Appraiser Board. Under this concept, there is no specific need to add a lawyer experienced in real estate law as the Board relies on the Attorney General's Office and its Special Assistant Attorney General for legal advice. This ratio would ensure that the real property appraiser population, along with its peer professions, continue to be properly represented on the Board. This concept also eliminates three appointments for Governor Pillen.

	• The Board of Appraisers under Neb. Rev. Stat. §§ 72-240.14 and 72-240.19 is appointed by the county judge or clerk magistrate to serve as appraisers. The county judge or clerk magistrate shall direct the sheriff to summon the appraisers so selected to convene in the office of the county judge at a time specified in the summons for the purpose of qualifying as appraisers and thereafter proceed to appraise the value of the permitted improvements to the land and growing crops owned by the lessee at the time of termination of the occupying tenant's lease. It is not clear how these duties would fit with an administrative licensing board. It was requested that the Governor consider removing these duties in an amendment. • It is believed that the addition of the superintendent of a school district offering instruction in grades kindergarten through twelve, and the certified public accountant member placed on the new board in LB1417, was extracted from the terminated Board of Appraisers that exists for the purpose of making a finding as to the interest of the owner in a lease contract, if any, and assessing such value, when public bodies with authority to acquire educational lands for public use are required to condemn the interest of the state, as trustee for the public schools, in educational lands. Although the purpose of this Board of Appraisers is established under a specific act administered by the Nebraska Board of Educational Lands and Funds. If it is the Governor's intent to combine the duties of this board with the NRPAB, it was requested that the Governor consider incorporating it as a sub-Board. The superintendent and the certified public accountant member provide a critical role on the Board of Appraisers within the intent of that Act; however, the superintendent and the certified public accountant member would have little interest in the administration of appraiser licensing and regulation. It would be very difficult to convince individuals in these professions to provide the time and dedication needed to sit on a professional licensing board. • As for the name of the Board, if it is the Governor's will that the Nebraska Abstractors Board of Examiners is absorbed by the Nebraska Real Property Appraiser Board, it would be important that "Real Property" be maintained in the name as this language relates to the statutory definitions of real property appraiser and real property appraisal practice. Appraisal is a generic term that could be used to describe those that do business appraisals, or that provide appraisals of jewelry, fine art, or antiques. The Nebraska Board of Real Property Appraisers and Registered Abstractors would ensure that the language relationship is maintained. If the Governor does not feel that it is in the best interest of the State to absorb the Nebraska Abstractors Board of Examiners into the Real Property Appraiser Board, it is requested that the current name remain in place for continuity and familiarity. As of February 2, 2024, there has been no response received from the GRPO.
Legislature Information and Status:	https://nebraskalegislature.gov/bills/view_bill.php?DocumentID=55542
Notes:	

APPRAISAL SUBCOMMITTEE
QUARTERLY MEETING MINUTES
SEPTEMBER 13, 2023

LOCATION: Webex

ATTENDEES

MEMBERS:	CFPB – Zixta Martinez (Chair) FDIC – Luke Brown (Vice Chair) FRB – Suzanne Williams HUD – Julia Gordon NCUA – JeanMarie Mattingly OCC – Enice Thomas
ALTERNATES:	CFPB – John Schroeder FDIC – Tom Lyons FHFA – Julie Giesbrecht HUD – Brian Barnes
STAFF:	Executive Director – Jim Park Deputy Executive Director – Denise Graves General Counsel – Rick McGuire Grants Director – Rae Frederique Financial Manager – Girard Hull Attorney Advisor – Ada Bohorfoush Attorney Advisor – Natalie Lutz Management and Program Analyst – Lori Schuster Administrative Officer – Brian Kelly Administrative Assistant – Oteal Griffin Policy Manager – Kristi Klamet
OBSERVERS:	See attached list.

The Meeting was called to order at 10:00 a.m. by Chair Z. Martinez.

REPORTS

- **Chair**

Z. Martinez thanked those in attendance at today's meeting. She welcomed Rick McGuire as the ASC's new General Counsel. (J. Gordon arrived at meeting.)

- **Executive Director**

J. Park updated the ASC on recent staff activity as noted below.

- The third Hearing on Appraisal Bias is scheduled for November 1st at HUD headquarters in Washington, DC. The hearing will focus on appraisal development, including in rural markets and reconsiderations of value. He thanked HUD for hosting this hearing.

- The Census/Survey project has been delayed as R. McGuire is researching some issues regarding the project.

- ASC staff work on the PAVE Task Force has decreased. ASC developed a State dashboard showing instances in which States (States, territories, and the District of Columbia) have imposed additional requirements for credentialing aspiring appraisers. This dashboard is available on the PAVE website (https://pave.hud.gov/reducebarriers). He added that FHFA is sharing appraisal data through the Government-Sponsored Enterprises, Fannie Mae and Freddie Mac.

- **Compliance Reviews**

  D. Graves provided an update on the Compliance Review Program. There were five State Appraiser Program Compliance Review reports finalized and approved by the Executive Director under delegated authority. The States are Arizona, Florida, Minnesota, Nebraska, and New Jersey. All had a finding of Excellent and will remain on a two-year Review Cycle.

  There were five State Appraisal Management Company (AMC) Compliance Review reports finalized and approved by the Executive Director under delegated authority. One State, Nebraska, had a finding of Excellent. Four States had a finding of Good and are working toward correcting the deficiencies. Those States are Arizona, Florida, Minnesota, and New Jersey. All will remain on a two-year Review Cycle.

- **Grants Program**

  R. Frederique reported that the grants program is working on the 2024 Notice of Funds Availability. The ASC Grants Handbook, Standard Operating Procedures and grant award terms and conditions are being revised. (J. Gordon departed the meeting.)

- **Financial Manager**

  G. Hull provided an update for the third quarter ending June 30, 2023. The ASC has recognized a total revenue of $8.9M with roughly $2.4M coming from Appraiser Registry fees and $6.5M coming from AMC Registry fees. The ASC incurred total expenditures amounting to $6.5M, resulting in net income of approximately $2.5M. ASC staff does not anticipate incurring any extraordinary or unusual expenses which could adversely affect the ASC's FY23 budget.

ACTION ITEMS

- **June 14, 2023 Quarterly Meeting Minutes**

  J. Giesbrecht made a motion to approve the June 14th quarterly meeting minutes as presented. S. Williams seconded the motion. All members present voted to approve.

- **FY24 ASC Budget Proposal**

  J. Park reported on the Fiscal Year 2024 (FY24) ASC budget proposal. Revenue in FY24 is estimated to be $11.2M. AMC registry fee revenue is expected to decrease by approximately $750K due to a decrease in mortgage lending and the consolidation of AMCs. Appraiser registry fees are stable and there was a slight increase in appraiser credentials from FY22 to FY23. ASC staff does not feel there is a need to increase appraiser registry fees at this time. Total operating expenses are estimated to be $6.7M. The most significant expenses are $4.2M for personnel compensation and $1.2M for contracted services. An additional grants staff person is proposed which, if approved, would bring the ASC staff count to 21. State grants are estimated to be $2M with $250K allocated for a grant to the Appraisal Foundation. The ASC hopes to fund 30 State grants by the end of FY24. E. Thomas made a motion to approve the FY24 ASC Budget Proposal as presented and recommended by ASC staff. J. Mattingly seconded the motion. All members present voted to approve the budget.

- **Proposed Enforcement Rule**

  N. Lutz provided a brief update on the proposed enforcement rulemaking. State Appraiser and AMC Programs are evaluated through periodic Compliance Reviews to determine compliance with or lack thereof with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act, as amended. Prior to the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), the ASC had only one enforcement tool that could be used which was derecognition of a State Agency. The Dodd-Frank Act expanded the ASC's enforcement authority by allowing the ASC to impose sanctions against a State Agency that fails to have an effective appraiser regulatory program, as an alternative to, or in advance of, the derecognition of a State Agency. The ASC is working on drafting a proposed enforcement rule that focuses on voluntary commitments by State agencies to correct deficiencies identified at the conclusion of a Compliance Review as an alternative to, or in advance of, the derecognition of a State Agency. ASC staff hopes to have the notice of proposed rulemaking published in the *Federal Register* by year's end.

Z. Martinez thanked ASC members, ASC staff and observers for attending today's meeting. The meeting was adjourned at 10:20 a.m. The next quarterly ASC meeting is scheduled for November 15, 2023.

Attachment: Observer list

Meeting:	**Appraisal Subcommittee Meeting**	**Meeting Date:**	September 13, 2023
Time:	10:00 AM ET	**Location:**	Webex

OBSERVERS	
Affiliation	**Name**
Appraisal Foundation	JoEllen Alberts
Appraisal Foundation	David Bunton
Appraisal Foundation	Olivia Chalakani
Appraisal Foundation	Kelly Davids
Appraisal Foundation	Aida Dedajic
Appraisal Foundation	Edna Nkemngu
Appraisal Foundation	Amy Timmerman
Appraisal Institute	Brian Rodgers
Consumer Financial Protection Bureau	Kara Allen
Consumer Financial Protection Bureau	Wyatt Fine
Consumer Financial Protection Bureau	Deana Krumhansl
Consumer Financial Protection Bureau	David Uejio
Council on Licensure, Enforcement and Regulation	David Byerman
Federal Deposit Insurance Corporation	Erin Barry
Federal Deposit Insurance Corporation	Stuart Hoff
Federal Deposit Insurance Corporation	Patrick Mancoske
Federal Deposit Insurance Corporation	Mark Mellon
Federal Deposit Insurance Corporation	Lauren Whitaker

Federal Reserve Board	Susan Ali
Federal Reserve Board	Trevor Feigleson
Federal Reserve Board	David Imhoff
Federal Reserve Board	Derald Seid
Freedom Mortgage	Mike Scarpa
Joseph Mier & Associates	Joseph Mier
Mortgage Bankers Association	Hanna Pitz
National Credit Union Administration	Rachel Ackmann
National Credit Union Administration	Gira Bose
Newrez	Adam Johnston
Office of the Comptroller of the Currency	Carolle Cantwell
Office of the Comptroller of the Currency	Kevin Lawton
PropertyRate LLC	John Brenan
Real Estate Valuation Advocacy Association	Mark Schiffman
Voxtur	Ernest Durbin
Wagar Appraisals	Martin Wagar
Wells Fargo	Magdalene Vasquez
	Lori Noble

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Notice of Funding Availability (NOFA)

Fiscal Year 2024

State Appraiser Regulatory Agencies Support (SARAS) Grant

All entities wishing to do business with the federal government must have an active unique entity identifier (UEI). The UEI number is issued by the SAM system. Requesting a UEI using SAM.gov can be found at https://sam.gov/content/entity-registration.

Grants.gov registration information can be found at https://www.grants.gov/web/grants/register.html.

On April 4, 2022, the Data Universal Numbering System (DUNS) Number was replaced by a new, non-proprietary identifier requested in, and assigned by, the System for Award Management (SAM.gov). This new identifier is the UEI. Additional Information can be found on Grants.gov: https://www.grants.gov/web/grants/forms/planned-uei-updates.html.

I. Program Description

A. Issued by

The Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council (FFIEC)

B. Assistance Listing Number

38.006

C. Assistance Listing Title

State Appraiser Regulatory Agencies Support (SARAS) Grant

D. Funding Opportunity Title

Fiscal Year 2024 State Appraiser Regulatory Agencies Support (SARAS) Grant Program

E. Authorizing Authority for the Program

12 U.S.C. 3338(b)(5)

F. Announcement Type Initial

Initial

G. Program Overview, Objectives and Priorities

1. Overview

This announcement is making available federal assistance for the State regulatory agencies with the responsibility for (1) credentialing and supervising certified and licensed real estate appraisers eligible to perform appraisals for federally related transactions as defined in Title XI § 1121(4), 12 U.S.C. 3350; and/or (2) registering and supervising appraisal management companies (AMCs) under Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 as amended (Title XI). According to Title XI § 1109 (b)(5), 12 U.S.C. 3338, grants to the States lists two areas of support: (1) the complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and (2) the submission of data on State certified and licensed appraisers and AMCs to the National Registries, including information affirming that the appraiser or AMC meets the required qualification criteria and formal and informal disciplinary actions.

ASC may also identify additional activities that this funding will support States in complying with their Title XI requirements.

a. Objectives

The funding being made available is meant to aid the States to improve the State real estate appraiser regulatory framework.

b. Priorities

ASC has identified the following priorities for this fiscal year. In addition to the States' being able to submit projects that address their identified gaps in implementing the requirements of Title XI, projects can also be submitted to address any of these set priorities. Submitted project plans should clearly outline how ASC grant funding would address the State's gap as well as support the stated ASC priority. ASC highly encourages that projects also make considerations for advancing equity and diversity as well as possible partnerships with institutions of higher education.

i. Reducing barriers to entry into the real estate appraiser profession to assure the availability of State certified and licensed appraisers for the performance of appraisals in federally related transactions.

   (1) States with a shortage of appraisers in rural, tribal lands, or other underserved markets may submit projects to assist aspiring appraisers in fulfilling the required education and experience to become a licensed or certified appraiser. The application should include supportable data that

Q.7

substantiate the shortage of appraisers. Projects that address diversity and partnerships with institutions of higher education are highly encouraged.

(2) States with requirements that go above the minimum requirements set by the Appraiser Qualifications Board (AQB) as identified in the state-level dashboard developed by the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) (https://pave.hud.gov/reducebarriers) may submit projects for the State to assess, review, and revise their additional requirements.

ii. Improving the State real estate appraiser and AMC complaint and/or enforcement process to assure effective supervision of the activities of State certified and licensed appraisers.

These projects expand the appraiser and AMC complaint process, investigations, and enforcement activities. Examples of this can include:

(1) Improve the complaint intake process for complaints alleging appraisal bias.

(2) Using technology to improve investigatory process of complaints against State certified and licensed appraisers and registered AMCs.

(3) Reduction of complaint backlog or time to resolve complaints.

iii. Improving data submission to the National Registry.

Improvements to the process of submitting data on State certified and licensed appraisers and registered AMCs to the National Registry. Examples of this can include:

(1) Transitioning to the use of Application Programming Interfaces.

(2) Implementing the use of unique identifier (UID) for appraisers.

iv. Staff Development that ensures effective supervision of the activities of State certified and licensed appraisers.

Participation in trainings, meetings, and conferences to increase professional competency in the management and regulation of State appraiser and AMC programs. Proposals must include the name of the training, the vendor/supplier, and dates of the event. The grant Statement of Work (SOW) should include the titles/position of those individuals the State is seeking to fund as well as the benefit to the State for those individuals' participation.

Conference/symposium/and seminar participation is limited to no more than 3 staff and/or board members participating at the same conference/symposium/seminar.

v. Improving the State's overall process or infrastructure to ensure compliance with Title XI requirements. Examples can include:

(1) Develop remedial education concerning the most common practice violations.

(2) Process requests for temporary practice permits within 5 business days of receipt of a completed application.

H. Performance Measures

Performance metrics for this grant program are as follows:

Performance Measure 1: Improve the State's capability to maintain compliance with Title XI requirements identified as gaps in the grant application.

Performance Measure 2: Implementation of data modernization processes that increase data efficiencies (if applicable).

ASC will analyze the above metrics through State Compliance Reviews performed by the ASC Policy Managers and review of semi-annual programmatic report submissions by the States.

II. Federal Award Information

A. Available Funding for FY24: $2,025,000

ASC has approved the FY24 level of funding. Applicants can submit applications in amounts of up to $120,000 federal share per year for three years (maximum of $360,000 for three years). Grants will be for three years, with funding provided on an annual basis. The approved FY24 level of funding is only for year 1 of 3 funding.

B. Period of Performance: 36 months

Grants will be for three years, with funding provided on an annual basis. Extensions to the period of performance are allowed. For additional information regarding requesting extension requests, please refer to the ASC Grants Handbook Ver. 2.

1. Funding Instrument Type: Grant

III. Eligibility Information

A. Eligible Applicant

State appraiser certifying and licensing agency, as defined in Title XI § 1121(1), 12 U.S.C. 3350, subject to oversight by ASC and with the jurisdiction for (1) credentialing and supervising certified and licensed real estate appraisers eligible to perform appraisals for federally related transactions as defined in Title XI § 1121(4), 12 U.S.C. 3350; and/or (2) registering and supervising AMCs.

B. Applicant Eligibility Criteria

The fifty U.S. States, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, and the United States Virgin Islands (States) are eligible for this grant program.

IV. Application and Submission Information

A. Key Dates and Times

1. **Application Start Date:** February 1, 2024

2. **Application Submission Deadline:**

   First round: June 3, 2024 at 5:00 PM ET
   Second round: September 4, 2024 at 5:00 PM ET

   Applications **must** be submitted during one of the established deadlines. **ASC will not review applications that are received after the established deadline.** ASC may, however, extend the application deadline on request for any applicant who can demonstrate that good cause exists to justify extending the deadline. Good cause for an extension may include technical problems outside of the applicant's control that prevent submission of the application by the deadline, or other exigent or emergency circumstances.

3. **Anticipated Funding Selection Date:**

   First round: no later than July 19, 2024
   Second round: no later than September 20, 2024

4. **Anticipated Award Date**

   First round: no later than August 15, 2024
   Second round: no later than October 15, 2024

5. **Other Key Dates:**

Four weeks before the actual submission of applications the following steps should be completed by the applicant:

a. Initial registration in SAM.gov, including UEI issuance.

b. Obtaining a valid Employer Identification Number.

c. Creating an account with login.gov.

B. Agreeing to Terms and Conditions of Award

By submitting an application, applicants agree to comply with the requirements of this NOFA and the terms and conditions of the award, should they receive an award.

C. Address to Request Application Package

Please send request to Grants@asc.gov or mail to:

Postal Address: The Appraisal Subcommittee
Attn: Grants Management Office
1325 G Street NW, Suite 500
Washington, DC 20005

D. Requirements

1. Obtain a Unique Entity Identifier (UEI) and Register in System for Award Management (SAM)

Applying for an award under this grant program is a multi-step process and requires time to complete. Applicants are encouraged to register early with SAM.gov as the registration process can take four weeks or more to complete. Therefore, registration should be done in sufficient time to ensure it does not impact the applicant's ability to meet required submission deadlines.

Failure of an applicant to comply with any of the required steps before the deadline for submitting an application may disqualify that application from funding.

To apply for an award under this program, all applicants must:

a. Apply for, update, or verify their UEI number from SAM.gov and Employer Identification Number (EIN) from the Internal Revenue Service;

b. In the application, provide an UEI number;

c. Have an account with login.gov;

d. Register for, update, or verify their SAM account and ensure the account is active before submitting the application; and

e. Continue to maintain an active SAM registration with current information at all times during which it has an active federal award or an application or plan under consideration by a federal awarding agency. As part of this, applicants must also provide information on an applicant's immediate and highest-level owner and subsidiaries, as well as on all predecessors that have been awarded federal contracts or federal financial assistance within the last three years, if applicable.

Specific instructions on how to apply for, update, or verify an UEI number or SAM registration are found at https://sam.gov/content/entity-registration

Applicants are advised that ASC may not make a federal award until the applicant has complied with all applicable SAM requirements. Therefore, an applicant's SAM registration must be active not only at the time of application, but also during the application review period and when ASC is ready to make a federal award. Further, as noted above, an applicant's or recipient's SAM registration must remain active for the duration of an active federal award. If an applicant's SAM registration is expired at the time of application, expires during application review, or expires any other time before award, ASC may determine that the applicant is not qualified to receive a federal award and use that determination as a basis for making a federal award to another applicant.

Per 2 CFR § 25.110(c)(2)(iii), if an applicant is experiencing exigent circumstances that prevents the applicant from obtaining an UEI number and completing SAM registration prior to receiving a federal award, the applicant must notify ASC as soon as possible by contacting Grants@asc.gov and providing the details of the circumstances that prevent completion of these requirements.

If ASC determines that there are exigent circumstances and ASC has decided to make an award, the applicant will be required to obtain a UEI number, if applicable, and complete the SAM registration within 30 calendar days of the federal award date.

2. How to Submit a grant application to ASC

The following elements comprise the entire application package:

a. SF-424, Application for Federal Assistance (Face Page)

b. SF-424A, Budget Information for Non-Construction

c. ASC Budget Narrative

d. SF-424B- Assurances for Non-Construction Programs

e. Disclosure of Lobbying Form (SF-LLL)

f. Application Narrative/Statement of Work/Work Plan

g. Negotiated Indirect Cost Rate Agreement (NICRA) (if applicable)

Please note that all the Standard Forms (SF) can be found on the ASC website at https://www.asc.gov/grants/state-programs.

The grant application package must be emailed to Grants@asc.gov. Subject line of the email should indicate "FY24 SARAS Application."

3. Funding Restrictions and Allowable Costs

ASC can only approve projects that support both Title XI requirements and the priorities set forth in this NOFA. Costs should comply with the Uniform Administrative Requirements, Cost Principles, and Audit requirements of the 2 CFR Part 200, unless otherwise indicated in this NOFA, the terms and conditions of the award, or the ASC Grants Handbook Ver. 2.

Federal funds made available through this award may be used for the purpose set forth in this NOFA, the ASC Grants Handbook Ver. 2, and the terms and conditions of the award and must be consistent with the statutory authority for the award. Award funds may not be used for matching funds for any other federal awards, lobbying, or intervention in federal regulatory or adjudicatory proceedings. In addition, federal funds may not be used to sue the federal government or any other government entity.

a. In determining if costs are allowable, the costs must be:

   i. Necessary, reasonable, and allocable to the work covered by the grant program.

   ii. Authorized or not prohibited under state or local laws or regulations.

   iii. Consistent with both grant and ASC policies, regulations, and procedures; that applies to both federally funded activities and other activities of the non-federal entity.

   iv. Treated in conformance with generally acceptable accounting principles.

v. Not included in the cost of any other federally funded activity.

vi. Inclusive of all appliable credits or reductions due to discounts, rebates, recoveries of losses, insurance proceeds, or other overpayments or erroneous charges.

vii. Adequately documented.

b. **List of allowed and unallowed grant activities. This is not an exhaustive list.**

i. <u>Allowable Costs</u>

(1) **Conference Fees:** Registration fees for recipient's employees, consultants, or experts to attend an approved conference or meeting that supports the purpose of the grant program.

(2) **Contract Costs:** Costs paid to contracts or contractors to support the grant program. Contracts must abide with both federal and recipient's procurement policies and procedures.

(3) **Equipment:** Personal property that has a value of $5,000 or greater.

(4) **Fringe Benefits:** Supplemental personnel benefit costs outside of salary.

(5) **Indirect Costs:** Indirect costs are allowable under this program as described in 2 CFR Part 200, including 2 CFR § 200.414. Applicants with a current negotiated indirect cost rate agreement that desire to charge indirect costs to an award must provide a copy of their negotiated indirect cost rate agreement at the time of application. Only those States with a federally negotiated indirect cost rate agreement can charge indirect costs to the grant.

(6) **Personnel Costs:** Employee salary/compensation.

(7) **Pre-Award Costs:** Costs incurred before the start of the grant period of performance. In order for these costs to be allowed, they **must be approved by ASC.**

(8) **Stipend:** Fixed amount of money paid to trainees, students, and/or interns for their participation in a training program.

(9) **Supplies:** Personal property that is valued at less than $5,000.

(10) **Technology Costs:** Costs involving the use of machines, tools, methods, systems, or procedures to solve problems.

(11) **Training Costs:** Registration fees or tuition costs to take an approved course.

(12) **Travel**: Domestic travel costs are allowable. Applicants must follow their state policies and procedures on travel.

ii. <u>Unallowable Costs</u>

(1) **Bad Debts:** debts which have been determined to be uncollectable, including losses (whether actual or estimated) arising from uncollectable accounts and other claims, are unallowable. Related collection costs, and related legal costs, arising from such debts after they have been determined to be uncollectable are also unallowable.

(2) **Construction Costs**

(3) **Clothing**

(4) **Entertainment Costs:** cost of entertainment including amusement, diversion, and social activities and any associated costs are unallowable.

(5) **Fines**

(6) **Legal Costs:** Legal costs incurred in defending or prosecuting claims, whether equitable or monetary, including administrative grant appeals.

(7) **Lobbying Costs**

(8) **Program Income:** Gross income earned by the non-federal entity or recipient that is directly generated by a supported activity or earned as a result of the federal award during the period of performance.

(9) **Real Property**

(10) **Scholarships**

(11) **Supplanting:** The practice of using federal funding to replace already approved/appropriated state, local, tribal funds for the same activity.

(12) **Unrelated Costs:** Costs that do not support the program or are not approved by ASC.

V. Application Review Information

A. Application Evaluation Criteria

1. Programmatic Criteria

ASC needs to ensure that it is funding sound, well-coordinated projects. Projects that are developed in consultation with the applicant's Contracting, Budget/Finance, Legal, and/or Grants Management Office as appropriate exhibits proper coordination. Projects also need to comply with Title XI and support the State in complying with its requirements. All projects will be evaluated considering this factor.

a. **Projects including Practicum Course or PAREA activities.**

States with a shortage of appraisers in rural, tribal lands, or other underserved markets may submit projects to assist aspiring appraisers in fulfilling the required education and training to become a licensed or certified appraiser. The application should include verifiable data that substantiate the shortage of appraisers.

If the State can demonstrate this shortage, projects with either a Practicum Course or the Practical Applications of Real Estate Appraisal (PAREA) project can be submitted and considered for funding by ASC. The State must first ensure that their proposed program complies with the requirements established by the AQB. In addition to complying with the requirements of the AQB, the project application must include the following:

i. **Statement of Need** which includes documented data that clearly demonstrates a shortage of real estate appraisers in rural, tribal lands, or other underserved markets. The applicant must also reference or supply the source of this verifiable data that substantiates the claim.

ii. **Objectives/Measurable Accomplishments** identify what the program sets to accomplish by the end of the grant's period of performance and include the organizations and/or offices involved and their specific roles and responsibilities in ensuring the success of the State's program.

iii. **Methodology Plan** must include details of how the program will be executed in order to meet the defined objectives/measurable accomplishments. This should include:

(1) Milestone activities and schedule that include completion dates.

(2) A proposed list of contracts and/or memorandums of understanding (MOU) that will be executed between the State and vendors and/or collaborators. The list should include the legal names of all organization(s)/vendor(s)/collaborator(s).

(3) The instructor-to-student ratio.

(4) A recruitment and retention plan for participants.

(5) If stipends are to be awarded to participants, confirmation that the program will abide with the State's policies and procedures as it pertains to the issuance of stipends. Please note scholarship or direct payments or reimbursements to contractors or organizations is unallowable. Stipends to participants are allowed.

(6) Please note that applicants cannot combine elements of a Practicum Course and PAREA. If applicants plan on using PAREA in any capacity, an applicant will need to obtain written approval from the AQB.

iv. **Evaluation Plan** identifies the process in place that ensures that the State will monitor and track progress in accomplishing the defined established goals and objectives set forth in the program.

2. Financial Integrity Criteria

Prior to making a federal award, federal awarding agencies are required by 31 U.S.C. 3354, as enacted by the Payment Integrity Information Act of 2019, Pub. L. No. 116-117 (2020); 41 U.S.C. 2313; and 2 CFR § 200.206 to review information available through any Office of Management and Budget (OMB)-designated repositories of governmentwide eligibility qualification or financial integrity information, including whether the applicant is suspended or debarred.

ASC may also pose additional questions to the applicant to aid in conducting the pre-award risk review. Therefore, application evaluation criteria may include the following risk-based considerations of the applicant:

a. Financial stability;

b. Quality of management systems and ability to meet management standards;

c. History of performance in managing federal award;

d. Reports and findings from audits; and

e. Ability to effectively implement statutory, regulatory, or other requirements.

3. Supplemental Financial Integrity and Criteria and Review

N/A

B. Review and Selection Process

Applicants must comply with all the administrative requirements herein including the submission of all the required application materials by the set deadline. The following process will be used to make awards of the ASC SARAS grant program.

1. Initial Review

The ASC Grants Management Office (GMO) staff conducts a completeness review of the submitted application to ensure that the eligible applicant from the State has submitted the grant application and validate that all the required documents and actions have been accomplished in order to review the grant application. If additional information is required or an ineligible applicant has submitted an application, a member of the ASC GMO staff will contact the applicant.

2. Overall Review

Once it has been determined that a complete and eligible application has been submitted, the ASC GMO and subject matter experts (SME) begin the financial review of the application. The financial review includes the following criteria:

a. Review the proposed budget and budget justification for allowability, allocability, and financial reasonableness.

b. Validate if the applicant meets the financial and legal requirements listed in 2 CFR Part 200.

VI. Federal Award Administration Information

A. Notice of Grant Award

The Notice of Grant Award (NGA) will be signed by the ASC Executive Director and emailed to the applicant's authorized representative for signature. Before accepting the award by signing the NGA, the recipient should carefully read the award package. The package will include the NGA, approved budget, and terms and conditions. **The recipient is accepting all conditions in this NOFA and the ASC Grants Handbook Ver 2 as well as any specific terms and conditions in the NGA to receive an award under this program.**

Recipients must sign and return the award package no later than 30 calendar days from the award date. The recipient must also follow the steps in establishing a Payment and Management System (PMS) account as outlined in section 4.4.1 of the ASC Grants Handbook Ver. 2. Drawing down funds in the PMS also serves as acceptance of all the terms of the award.

B. Administrative and ASC Terms and Conditions

In addition to the requirements in this section of this NOFA and the administrative requirements outlined in the 2 CFR Part 200, ASC may place specific terms and conditions on individual awards in accordance with 2 CFR Part 200. These specific terms and conditions will be clearly stated in the award package at the time of the award.

Recipients will also have to comply with the ASC General Terms and Conditions.

C. Reporting

1. <u>Semi-annual Reports</u>
   Recipients are required to submit semi-annual financial (SF-425) and programmatic reports (ASC-PR) as a condition of award acceptance. Future awards and funds drawdown may be withheld if these reports are delinquent. Refer to the ASC Grants Handbook Ver. 2, section 5.1.4 Reporting Requirements for additional information.

   Reporting period 04/01 to 09/30 is due 10/30
   Reporting period 10/01 to 03/31 is due 04/30

2. <u>Final Reports</u>
   Recipients' final reports are due 120 calendar days after the end of the period of performance. Please refer to the ASC Grants Handbook Ver. 2 for additional information regarding semi-annual and final report requirements.

D. Monitoring and Oversight

Per 2 CFR §§ 200.328-200.329, ASC, through its authorized representatives, has the right at all reasonable times, to make site visits or conduct desk reviews to review grant project accomplishments and management control systems to review award progress and provide any required technical assistance. During these reviews, the ASC GMO staff will review recipients' files related to the award. As part of any monitoring and program evaluation activities, recipients must permit authorized ASC staff, upon reasonable notice, to review grant-related records and to interview the organization's staff and contractors regarding the program. Recipients must respond in a timely and accurate manner when ASC requests information pertaining to the grant award.

VII. ASC Agency Contact Information

A. Contact and Resource Information

ASC Grants Management Office
Regeane Frederique, ASC Grants Director
Grants@asc.gov

B. Systems Information

1. Payment Management System (PMS)

ASC will use the Department of Health and Human Services (DHHS) PMS system for both grant reporting and recipient drawdown of grant funds. The One DHHS helpdesk for PMS provides support Monday-Friday, 7am-9pm EST. The helpdesk can be reached by phone 1-877-614-5533, press option 3 or PMSsupport@psc.gov. There is also a Self Help Web Portal available 24 hours a day, seven days a week, at https://pms.psc.gov/support/help-desk.html.

VIII. Additional Information

A. ASC Grants Handbook Ver. 2 serves as a resource for applicants and recipients for ASC grant funding. It serves as a guide on grant policies and procedures for managing ASC grants. The handbook can be found on our website www.asc.gov/grants.

B. Termination Provisions

ASC may terminate a federal award in whole or in part for any of the reasons outlined in 2 CFR § 200.340 Termination.

1. Noncompliance

If a recipient fails to comply with the terms and conditions of a federal award, ASC may terminate the award in whole or in part. If the noncompliance can be corrected, ASC may first attempt to direct the recipient to correct the noncompliance. If the noncompliance cannot be corrected or the recipient is nonresponsive, ASC may proceed with a remedy notification, which could impose a remedy based on noncompliance per 2 CFR § 200.339 Remedies for Noncompliance.

C. Period of performance (POP) Extensions

Time extensions to the period of performance are permitted for this program. Extensions will only be considered through a formal written request of the recipient's authorized representative or designee. The extension request should include the following information:

1. The grant program, budget year, and grant award number.

2. The reason for the delay. This may include any details of the legal, policy, or operational challenges that prevent the final outcome of awarded funds by the current deadline.

3. The status of all the activities.

4. The amount of funds expended to date.

5. The remaining available funds of the grant.

6. A budget outlining how remaining grant funds will be expended.

7. A plan for completion, including milestones and timeframes for achieving each milestone and position or person responsible for implementing the plan for completion.

8. Certification that the activities will be completed within the extended period of performance.

D. Grant Closeout

At the end of the period of performance, the recipient will have 120 calendar days to submit the request to closeout letter, the final federal financial report (SF-425) and final progress report (ASC-PR) to the PMS system. Both reports should be marked “final”. The request to closeout letter must be signed by the recipient’s authorized representative. The federal financial report should be cumulative for the entire period of performance. The final progress report should list all the accomplishments of the grant for the entire period of performance. Additional requirements are listed in the ASC Grants Handbook Ver. 2 under Chapter 6.

Grants Handbook

Version 2

Effective: 01/17/2024

Table of Contents

Chapter 1: General Information

1.1 Purpose

This Handbook serves as the basic reference and framework guide of how the Appraisal Subcommittee (ASC) administers its grant programs and should be used in conjunction with the 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.

1.2 Applicability and Scope

The Handbook applies to all new ASC grants awarded starting with FY24.

1.3 Suspension

This Handbook supersedes the ASC Grants Handbook (2019) for all grants awarded in FY24 or later. However, the 2019 version of the ASC Grants Handbook will remain in effect for all legacy grants awarded in FY20 and 21.

1.4 Authorities

12 U.S.C. 3338(b)(4) and (5)

1.5 References

2 CFR Part 200- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (a.k.a. Super Circular)

1.6 Roles and Responsibilities

Under the leadership of the Grants Director, the ASC Grants Management Office (GMO) is responsible for the day-to-day responsibilities to manage and administer ASC Grant Programs. ASC approves the awarding levels for the ASC Grant Programs annually.

1.7 Acronyms and Definitions

Defined Acronyms

ALN (Assistance Listing Number) is a unique number assigned to identify a Federal Assistance Listing, formerly known as the Catalog of Federal Domestic Assistance (CFDA) Number.

AMC (Appraisal Management Company) is a person that:(i) Provides appraisal management services to creditors or to secondary mortgage market participants, including affiliates; (ii) Provides such services in connection with valuing a consumer's principal dwelling as security for a consumer credit transaction or incorporating such transactions into securitizations; and (iii) Within a given 12-month period, as defined in 12 CFR § 1222.22(d), oversees an appraiser panel of more than 15 State certified or State-licensed appraisers in a State or 25 or more State-certified or State-licensed appraisers in two or more States.

ASB (Appraisal Standard Board) is the Appraisal Standards Board (ASB) of the Appraisal Foundation (TAF) that writes, amends, and interprets the *Uniform Standards of Professional Appraisal Practice (USPAP),* which is referred to under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA).

ASC (Appraisal Subcommittee) is a subcommittee of the Federal Financial Institutions Examination Council (FFIEC) that oversees the real estate appraisal regulatory framework for federally related transactions.

AQB (Appraiser Qualifications Board)- is the Appraiser Qualifications Board of the Appraisal Foundation that establishes the Real Property Appraiser Qualification Criteria, or the minimum education, experience, and examination requirements for real property appraisers to obtain a State license or certification.

BOT (Appraisal Foundation, Board of Trustees) is responsible for the governance of the Appraisal Foundation. The BOT appoints members and provides financial support and oversight to two independent Boards: the AQB and ASB.

FFIEC (Federal Financial Institutions Examination Council) is a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Board of Governors of the Federal Reserve System (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Office of the Comptroller of the Currency (OCC), and the Consumer Financial Protection Bureau (CFPB), and to make recommendations to promote uniformity in the supervision of financial institutions.

FIRREA (Financial Institutions Reform, Recovery, and Enforcement Act of 1989) is a United States federal law enacted in the wake of the savings and loan crisis of the 1980s. Title XI of FIRREA created the ASC.

GMO (Grants Management Office) is the group within ASC that is responsible for all aspects of the management and administration of the ASC Grants Program.

NOFA (Notice of Funding Availability) is a formal announcement of the availability or opportunity of Federal funding through a financial assistance program from a Federal awarding agency.

NGA (Notice of Grant Award) is the official legal document issued to the grantee that indicates a federal grant award has been made and funds may be requested to be used, and reported on, in the approved manner.

PMS (Payment and Management System) is a secure, online financial award payment platform operated by the Department of Health and Human Services (DHHS), Program Support Center (PSC). PMS supports the entire financial assistance payment process for both the awarding agency and Recipients. ASC uses the PMS to draw funds and do financial reporting.

SAM (System for Award Management) is the online system the federal government uses to manage all business with the federal government, including grants and cooperative agreements. All non-federal entities seeking grants from the federal government must be registered in SAM before receiving funds from Federal awarding agency.

TAF (The Appraisal Foundation) is a not-for-profit corporation under the laws of Illinois, which was authorized by Congress in 1989 under Title XI of FIRREA to maintain standards and minimum qualifications for the real property appraisal profession.

UEI (Unique Entity Identifier) is the unique number assigned to all entities who register to receive grants or contracts from the federal government. The US General Service Administration (GSA) issues these numbers from the System for Award Management (sam.gov).

USPAP (Uniform Standards of Professional Appraisal Practice) is the Uniform Standards of Professional Appraisal Practice that are the generally recognized ethical and performance standards for the appraisal profession in the United States. USPAP was adopted by Congress in 1989, and contains standards for all types of appraisal services, including real estate, personal property, business, and mass appraisal. Compliance is required by State-licensed and State-certified appraisers performing appraisals in connection with federally related transactions.

Defined Terms

Budget Period is the time interval from the start date of a funded portion of an award to the end date of that funded portion during which recipients are authorized to expend the funds awarded, including any funds carried forward or other revisions pursuant to 2 CFR § 200.308. ASC grants with a three-year period of performance will have three budget periods. Those budget periods will be the initial year or year one, year two, and year three.

Certified Appraiser is any individual who has satisfied the requirements for State certification in a State or territory whose criteria for certification as a real estate appraiser currently meets or exceeds the minimum criteria for certification issued by the AQB.

De-obligation is the process of downward adjustment of previously incurred obligations. Usually performed at grant closeout when a Recipient reports funds that will not be used towards the grant.

Federal Financial Report (FFR) is the Standard Form (SF) 425 that reports the summary of a Recipient's grant financial activity for the reporting period.

Federally-Related Transaction is any real estate related financial transaction which: (a) a federal financial institutions regulatory agency engages in, contracts for, or regulates; and (b) requires the services of an appraiser.

Grant is federal financial assistance to a non-federal entity to perform activities for the public good per Federal awarding agency's statue.

Grant Agreement is a legal instrument of financial assistance between a Federal awarding agency or pass-through entity and a non-Federal entity, consistent with 31 U.S.C. 6302, 6304.

Grant Lifecycle is the process of a grant from beginning to end. The major stages are pre-award, award, post-award, and closeout.

Ineligible Costs are costs that are not eligible for funding or credit to the grant. Another word for ineligible is unallowable.

Licensed Appraiser is any individual who has satisfied the requirements for State licensing in a State or territory whose criteria for licensing of a real estate appraiser currently meet or exceed the minimum criteria issued by the AQB.

National Registry is a list of State certified and licensed appraisers who are eligible to perform federally related transactions, of AMCs that are either are registered with and subject to supervision of a State appraiser certifying and licensing agency or are operating subsidiaries of a federally regulated financial institution. The registry is maintained by the Appraisal Subcommittee. Please note that there is a national registry for appraisers and a separate national registry for AMCs.

Noncompliance is the determination by ASC that the Recipient is not abiding or following the rules, terms and conditions, and/or regulations of the grant.

Non-Federal Entity (NFE) is a State, local government, Indian tribe, Institution of Higher Education (IHE), or nonprofit organization that carries out a Federal award as a Recipient or subrecipient.

Obligation is a legal commitment or liability of the federal government for the payment to the Recipient.

Period of Performance (POP) is the duration of time designated to the Recipient to complete all actions of the Grant Agreement. The POP may include one or more funded portions, or budget periods.

Progress Report (PR) is the report from the Recipient providing status of project activities of the approved grant scope of work. The ASC progress report (ASC-PR) is a fillable form that is submitted semiannually in the Payment Management System (PMS) along with the Federal Financial Report (FFR).

Recipient is an entity, usually but not limited to Non-Federal Entities that receives a Federal award directly from a Federal awarding agency. The term “Recipient” does not include subrecipients or individuals that are beneficiaries of the award.

State is any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, U.S. Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and any agency or instrumentality thereof exclusive of local governments.

State Appraiser Certifying and Licensing Agency is a State Agency established in compliance with Title XI of FIRREA and subject to oversight by the ASC, and which is responsible for: (1) for the certification and licensing of individuals who are qualified to perform appraisals in connection with federally related transactions and/or (2) registering and supervising AMCs.

Statement of Work (SOW) is a work plan or grant narrative that is the Recipient's written description of how they will carry out the project requirements, which includes project milestones and deliverables.
Supplanting is the practice that a NFE deliberately replaces or reduces NFE funds for an activity, specifically because federal funds are available or expected to be available to fund that same activity.

Terms and Conditions is the list of rules and responsibilities that a Recipient agrees to follow when they accept a federal grant award.

Chapter 2: Grant Programs

2.1 The Appraisal Foundation (TAF) Grant

2.1.1 Introduction

Congress has tasked TAF for setting the standards and qualifications for the real estate valuation profession in the United States. They are directed by BOT and have two independent boards; the AQB and the ASB. ASC is responsible for monitoring and reviewing the practices, procedures, activities, and organizational structure of TAF.

2.1.2 Authority

12 U.S.C. 3338(b)(4)

2.1.3 Eligible Applicant

TAF is the only eligible applicant.

2.1.4 Purpose of this grant funding

ASC is authorized to make grants to TAF to help defray costs relating to the activities of the ASB and AQB. Specific priorities will be identified in the NOFA which will be explained in section 3.2 of this Handbook.

2.2 State Appraiser Regulatory Agencies Support Grants

2.2.1 Introduction

ASC's authority to award States grants was established under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in 2010.

2.2.2 Authority

12 U.S.C. 3338(b)(5)

2.2.3 Eligible Applicant

The legal recipient in each State would be the State Appraiser Certifying and Licensing Agency (State Agency).

2.2.4 Purpose of this grant program

ASC makes awards to support the efforts of eligible State Agencies to comply with Title XI of FIRREA as amended by the Dodd-Frank Act, including the following two areas of support:

1. The complaint process, complaint investigations, and appraiser enforcement activities of such agencies; and

2. The submission of data on State licensed and certified appraisers and AMCs to the National Registries, including information affirming that the appraiser or AMC meets the required qualification criteria and formal and informal disciplinary actions.

In addition to the statutorily defined areas of support, ASC will use its authority to support the efforts of such agencies to comply with the statute by making grants that improve the State regulation of appraisers and AMCs. ASC may periodically identify additional activities it will fund to support these goals consistent with Title XI. Specific goals and priorities will be identified in the NOFA, explained in section 3.2 of this Handbook.

2.2.5 Supplanting

Supplanting is prohibited. ASC grant program is meant to supplement the State's efforts and not replace State appropriated funds.

Chapter 3: Pre-Award Procedures

3.1 Availability of Funds for Grant Programs

ASC funds its grant programs from fees paid by appraisers and AMCs to be on the National Registry of Appraisers and the National Registry of AMCs[1]. While the funds come directly from fees, these monies are considered federally appropriated funds for the purposes of ASC's federal grants management practices. On an annual basis, ASC will establish the budget allocated for the ASC Grant programs during the September quarterly meeting. The final budget allocations will be included in the published Notice of Funding Availability (NOFA) and the ASC website.

3.2 Notice of Funding Availability (NOFA)

This is the official document that will list all the requirements of active ASC grant opportunities. It will follow all the requirements set forth in the 2 CFR § 200.204 *Notices of Funding Opportunities.*

[1] As authorized by Title XI § 1103(a)(3) and (a)(6), 12 U.S.C. § 3332(a)(3) and (a)(6) respectively.

3.3 Application Submission

Currently, there is not an electronic Grants Management System at the ASC. The NOFA will outline the requirements and process of submitting an ASC grant application for consideration. Recipients must have an active UEI from SAM.gov. The UEI has replaced the Dun and Bradstreet (DUNS) number. ASC cannot award a Recipient without an active UEI number.

3.4 Application Review

The ASC GMO is the lead for all ASC grant applications. Specific application review criteria will be identified in the NOFA for each ASC Grant opportunity. Once applications are submitted to ASC, GMO staff will review the application and validate eligibility and completeness. Ineligible and incomplete applications will not be considered for funding. GMO will notify applicants in writing if an applicant is ineligible. If an application is eligible but incomplete, GMO will notify the applicant of the required information needed with an associated deadline in order to deem the application complete. GMO will coordinate with ASC Policy Managers and subject matter experts on the Statement of Work and budget submitted and review against the priorities and objectives set in the NOFA.

3.5 Conflict of Interest Considerations

A conflict of interest occurs when an individual or entity has private interests (self-serving) that could improperly influence, or be seen to influence, their decisions or actions in the performance of their professional duties. If during the grant application review phase, ASC staff identify any conflicts-of-interest, GMO will communicate the concern to the applicant and allow them an opportunity to address how they plan on managing or mitigating the conflict of interest. The applicant's response will be reviewed by ASC. If it is determined that a special condition needs to be placed on an award due to this review, it will be reflected in the terms and conditions of the grant award as a special condition as outlined in 2 CFR § 200.208 *Special Conditions*.

Chapter 4: Awarding Procedures

4.1 Roles and Responsibilities

4.1.1 Grants Management Office (GMO)

Serves as the ASC primary point of contact for all aspects of grant awarding, management, and administration. This office is under the leadership and direction of the ASC Grants Director.

4.1.2 Recipient Authorized Representative

The individual from the Recipient organization who is responsible for ensuring that all the requirements of the grant award are met. They or their designee will be the only ones that that can request changes or closeout of the grant award.

4.2 Initial Award Package

Once the award is made, GMO will send the Recipient an initial award package. This package contains the Notice of Grant Award and Terms and Conditions.

4.2.1 Notice of Grant Award (NGA)

The official legal notification to an applicant that they have been awarded an ASC federal grant. This notice will have all the elements required by 2 CFR § 200.211 *Information contained in a Federal Award.* The NGA must be signed by the ASC signatory official (ASC Executive Director) to be valid. The NGA will include the grant's Period of Performance, approved budget and any relevant terms and conditions.

4.2.2 Terms and Conditions

Lists all the rules, requirements, and responsibilities that the grant recipient must follow in accepting an ASC federal grant. This can include both general and special conditions.

4.3 Award Acceptance

To accept the grant award, the Recipient's authorized representative countersigns the NGA. The Recipient has 30 calendar days from receipt of the NGA to accept the award. Failure to accept the award runs the risk of ASC canceling the grant award and De-obligating funds.

4.4 Award Obligation

Once ASC receives the fully executed NGA, the Financial Manager will work with GMO to ensure that grant funding is loaded into the PMS for Recipient use. While these are three-year grant awards, the Recipient will be awarded the first year amount of the grant award. The Recipient would have to request subsequent budget years per the continuation award procedure outlined in 4.5 of this Handbook.

The Recipient must register for a PMS account which is a secure, online financial award payment platform operated by the Department of Health and Human Services (DHHS), Program Support Center (PSC). PMS supports the entire financial assistance payment process for both ASC and Recipients.

4.4.1 Obtaining a PMS Account

It is recommended that the Recipient's financial point of contact obtain the PMS account and not necessarily the authorized representative. The individual with the PMS account will be the one responsible for drawing down federal funds as well as submitting the required semi-annual reports and progress reports.

For individuals that have never accessed the PMS for an ASC grant, click HERE to download the New User Request Instructions PDF. Please note if the Recipient already has an existing PMS account for another federal agency, the Recipient will still need to register for access with ASC grant information. Recipients can also view PMS' Video on how to request new user access at https://youtu.be/kdoqaXfiuI0 and find extensive information about and instructions for using PMS at PMS User Guide | HHS PSC FMP

Payment Management Services. Allow up to four business days for the user access request to be processed by PMS after Supervisor listed on the request has submitted for approval. If a Recipient has not been contacted after four business days, reach out to the One DHHS Helpdesk for PMS Support and they can assist with general questions Monday-Friday, 7 am-9 pm EST. The Helpdesk may be reached at 1-877-614-5533, press option 3, or PMSsupport@psc.gov. The Self-Help Web Portal is available 24 hours a day, seven days a week, at https://pms.psc.gov/support/help-desk.html. Once the Recipient has successfully obtained the PMS account, please notify ASC GMO by emailing grants@asc.gov. GMO staff will ensure that funding is loaded and ready for drawdown for the Recipient.

4.5 Continuation Award Procedures

4.5.1 Continuation Award Request Requirements

To request additional funding for the subsequent budget period, which represents funding for the second or third year of the grants period of performance, the organization must submit a continuation award package to the ASC Grants Director, 60 calendar days before the start of the next budget period. The following forms must be submitted:

- **Application for Federal Assistance,** Standard Form (SF) 424 Face Page.
- **Budget SF 424A** will represent the total budget for this continuation budget period (line 1e), including the amounts carried over from the prior year (line 1c).
- **ASC Budget Narrative Worksheet** - It is recommended to begin with the budget narrative prior to completing the SF424A since calculations from the narrative worksheet will be used for the SF424A. As a reminder:
    - Personnel & Fringe: only employee's costs (not contractors) should be listed. Please include percentage effort and titles of State employees that will be charged to the grant. Contractors' costs should be added to the "contractual" line.
    - Travel: include the title(s) of employees (not contractors) and breakdown of how those costs were calculated (e.g., airfare, milage, hotel, etc.). Contractor travel would not be included here. Contractor travel should be included in the "contractual" line.
- **Application Narrative** - There is not a standard form, however, a written narrative should be submitted. MS Word or a similar format is acceptable. Continuation grant narratives must include:
    - Description of Progress: Summarize progress on reaching the goals and objectives under the grant achieved during the previous one- or two-year budget period.
    - Challenges: Include any challenges encountered in the previous year and if and how the challenges were resolved.
    - Plans for the Next Budget Period: Describe grant activities for the upcoming year. Year 2 or 3 grant activities should align with the organization's original application. If making changes to the objectives under the Grant, an explanation of those changes must be clear.

E-mail this continuation award package to the GMO inbox grants@asc.gov.

4.5.2 Continuation Award Package Review

GMO is the lead for the review of the continuation package. If there is anything missing or needing additional information, GMO staff will reach out. Once a complete package is received, the final approval of the Continuation Notice of Grant will be emailed to the Recipient.

4.5.3 Continuation Notice of Grant (NGA)

The continuation NGA is the official legal notification awarding funding for the subsequent year 2 or year 3 of the grant. The continuation NGA will be signed by ASC authorized signatory official or their designee. The Continuation NGA will include the appropriate amount available, the applicable budget year and the approved budget for that year.

Chapter 5: Post-Award Procedures

5.1 Standards for Financial and Program Management

Recipients should ensure that their financial management system complies with 2 CFR § 200.302 *Financial Management.* Federal grants funds should be drawn as needed to reimburse Recipient funds. Advance drawdowns should only be made if it complies with an established Recipient policy for advancing funds and comply with 2 CFR § 200.305 *Federal payment*. The Recipient will also be required to advise GMO if federal advance of funds will be made.

If a Recipient is a State, they are required to comply with 2 CFR § 200.302 (a). States must expend and account for federal funds in accordance with State laws and procedures to include the State's Cash Management Improvement Act (CMIA) Agreement. The State's financial management system should be sufficient to prepare reports as required by the terms and conditions of the grant as well as trace funds to a level of expenditure adequate to establish which funds were used for those expenditures.

5.1.1 Cost Sharing or Matching

Cost Sharing should comply with the requirements set forth in 2 CFR § 200.306 *Cost Sharing or Matching.* The Recipient should be able to accurately track how the match is being met.

5.1.2 Grant Revisions

If the Recipient needs to make a revision to the approved scope of work, budget, extend the Period of Performance (per 2 CFR § 200.308 *Revision of budget and program plans* and 2 CFR § 200.309 *Modifications to Period of Performance);* a signed request needs to be received from the Recipient's authorized representative to the ASC Grants Director. The request must include the following:

- The grant program, budget year, and grant award number
- The reason for the delay. This may include any details of the legal, policy, or operational challenges that prevent the final outcome of awarded funds by the current deadline.
- The status of all the activities.
- The amount of funds expended to date.
- The remaining available funds of the grant.
- A budget outlining how remaining grant funds will be expended.
- A plan for completion, including milestones and timeframes for achieving each milestone and position or person responsible for implementing the plan for completion.
- Certification that the activities will be completed within the extended period of performance.

Failure to submit the necessary information will result in GMO not being able to make a determination and will delay a response. Once the information is received, GMO will coordinate with ASC staff to make a determination. The ASC Executive Director will provide an official response to the revision request addressed to the Recipient's authorized representative.

5.1.3 Program Income

Program Income, as defined in 2 CFR § 200.1, is the gross income earned by the non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance. Program income is prohibited.

5.1.4 Reporting Requirements

The Federal Financial Report (FFR, SF-425) and Progress Report (ASC-PR) are due semi-annually. The reports will be uploaded onto PMS as noted:

Reporting Period 04/01 to 09/30 is due 10/30

Reporting Period 10/01 to 03/31 is due 04/30

At the end of the Period of Performance, a final FFR and final Progress Report will be due at the end of the liquidation period (120 calendar days after the POP end date). The final Progress Report covers the entire project period of the grant and is due 120 calendar days after federal funds have been spent. Progress Reports cover these specific periods while the financial report is cumulative over the period of the grant.

5.1.5 Grant Monitoring

ASC has the responsibility to monitor and provide oversight of the grant per 2 CFR § 200.329 *Monitoring and reporting program performance.* ASC GMO staff will work with ASC Policy Managers to review and analyze the semiannual reports received by the Recipients. After our analysis, GMO staff may reach out to the Recipient to request additional information or request a corrective action plan for items that need to be addressed. GMO staff track these requests until resolution. GMO staff will also review A-133 Single audits submitted in the Federal Audit Clearinghouse (FAC) as required per 2 CFR 200 Subpart F *Audits*.

GMO staff can also conduct onsite visits to review documentation, policies and procedures, and financial processes as deemed necessary. Notification and coordination will be made with GMO staff and the Recipient's authorized representative.

5.1.6 Actions to Address Non-Compliance

If the Recipient does not comply with any of the terms and conditions of the grant, ASC can explore all the options as detailed in 2 CFR § 200.339 *Remedies for noncompliance*. ASC will make a minimum of three notifications to the Recipient regarding a violation with the recommended remedy. Failure to remedy the grant non-compliance within the time specified in the notice will result in ASC taking action that can include termination of the grant and De-obligation of funding.

5.2 Cost Principles Compliance

Costs charged to the grant must be approved and allowable under all ASC grant policies as well as comply with 2 CFR 200 Subpart E *Cost Principles.* The NOFA will have specific rules and considerations when it comes to allowable and unallowable costs for each of the grant program.

5.3 Procurement Standards

General procurement standards should be followed per 2 CFR § 200.318 *General procurement standards.*

5.3.1 States Procurement Standards

In addition to the general procurement standards, States must also follow their own procurement standards when using federal funds per 2 CFR § 200.317 *Procurement by States*. If a service or procurement action is not allowable under State funds, it is not allowable using a federal grant award. The State must treat the federal funding the same way it would treat State funding.

5.4 Property Standards

Grant must follow the standards set forth in 2 CFR §§200.310- 200.316 *Property Standards*.

5.4.1 Personal Property: Supplies and Equipment

Personal property is any property other than real property that is tangible, having physical existence, or intangible. Equipment is personal property that has a value of $5,000 or greater. Supplies are personal property that has a value less than $5,000.

5.4.2 Real Property

Real property means land, including land improvements, structures, and appurtenances thereto, but excludes moveable machinery and equipment. Real property is not an allowable expense for the ASC grant programs.

Chapter 6: Closeout Procedures

6.1 Roles and Responsibilities

6.1.1 Recipient

The period after the POP end date is the liquidation period. It is the first step in the closeout process. During this time, the Recipient is no longer allowed to perform actions of the grant. The Recipient can only work on closeout actions. That includes paying final invoices and preparing final reports for submission to ASC. If additional time is needed for closeout actions, a liquidation extension request can be made to the ASC Grants Director. The Recipient is responsible for submitting the final FFR and final Progress Report to ASC by the end of the liquidation period.

6.1.2 ASC GMO

GMO is the lead for ensuring that the Recipient submits all the final reports required by the end of the liquidation period. Once received GMO will work with ASC staff to ensure all activities of the grant have been met and comply with all terms and conditions of the award.

6.1.3 Financial Manager

The Financial Manager ensures unobligated Recipient grant funds are De-obligated from the grant and performs all closeout actions in the PMS system.

6.1.4 Executive Director

The Executive Director signs the closeout notification letter to the Recipient.

6.2 Closeout Process

6.2.1 Liquidation Period

At the end of the Period of Performance, the Recipient will enter into the liquidation period which is the first portion of the closeout period. The Recipient will have 120 calendar days to pay all final invoices and submit the request to closeout letter, final FFR, and final Progress Report to ASC via PMS. Grant activity is prohibited during the liquidation period except for these grant closeout activities. If additional time is needed for the liquidation period, a written request must be submitted to the ASC Grants Director with the details justifying an extension. If more time is requested to perform activities for the grant, then a Period of Performance extension must be requested (follow steps 5.1.2 Grant Revisions).

6.2.2 Request to Closeout Letter

Letter requesting grant closeout which must be signed by the Recipient's authorized representative. This letter should certify that all approved work has been completed and all eligible costs have been paid.

6.2.3 Final Federal Financial Report (FFR or SF425)

This is the final financial report for the grant. It must be marked as "final" on the form. The Recipient will record all the required financial information on this form. Please note that a final FFR cannot report any unliquidated obligations or have any cash on hand. This report is submitted in the PMS system.

6.2.4 Final Progress Report (ASC-PR)

This is the final Progress Report that will detail all the accomplishments of the grant. The report will have to be marked as "final" on the form. If additional space is needed, the Recipient can add an additional MS Word document to capture the additional text. The completed form should be uploaded as an attachment to the FFR on PMS.

6.2.5 ASC Receipt of Final Reports

ASC GMO will monitor for timely receipt of the final reports from the Recipient. If final reports are not received in a timely manner, ASC will make at least three attempts to obtain the required final reports. If final reports are not received, ASC will proceed to closeout the grant and will use the information from the last submitted reports to serve as the final reports. That could lead to all activities and charges past those last submitted reports to be deemed unallowable and due back to ASC. ASC can also report the Recipient to the OMB-designated integrity and performance system as being non-compliant.

6.2.6 ASC Grant Closeout

GMO will download the final reports from PMS and work with the Policy Managers and other ASC staff to review the final reports. If any questions or clarifications are needed, GMO will be the lead in gathering the information needed. ASC will work on De-obligating any unobligated funds and notify the Recipient in writing of the grant closure. ASC has an obligation to closeout the grant no more than one year from the end of the Period of Performance end date.

6.3 Retention Period

Recipients should comply with 2 CFR § 200.334 *Retention requirements for records*. Federal award records should be retained for a period of three years from the date of the submission of the final reports. However, if the Non-Federal Entity's requirements are more restrictive than three years, the organization must follow the more stringent requirement.

Chapter 7: A-133 Single Audit Resolution

7.1 Introduction

2 CFR § 200.501 *Audit Requirements* outlines responsibilities of federal grant Recipients as they pertains to the single audit requirements. Generally, Recipients that expend more than $750,000 a year, are required to do a single audit. Please note that if the State Agency is included in the overall State single audit, that State audit meets the requirement. The single audits are to be uploaded into the Federal Audit Clearinghouse (FAC) on an annual basis.

7.2 Roles and Responsibilities

7.2.1 Recipient/Auditee

The Recipient/Auditee is responsible for ensuring that a single audit is completed if required. Results are to be uploaded to the FAC. If any finding is discovered by the auditors, the Recipient/Auditee is responsible for creating a Corrective Action Plan (CAP) to address the finding. The Recipient/Auditee is responsible for implementing the CAP to resolve the finding(s).

7.2.2 ASC GMO

Responsible for reviewing the CAP submitted by the Recipient/Auditee to ensure the plan satisfactorily addresses the finding(s). The ASC Grants Director drafts the Agency Response to the CAP (called the Management Decision Letter or MDL) for signature.

7.3 Process for Resolving ASC Findings

After the Recipient/Auditee ensures that the single audit is uploaded in the FAC along with any associated CAP, the Recipient/Auditee works on implementing the CAP. The ASC GMO reviews the single audit and any necessary CAPs to ensure that it adequately addresses the findings.

APPRAISAL SUBCOMMITTEE
FFIEC

APPRAISAL SUBCOMMITTEE

5-Year Strategic Plan

FY2024 – 2028

Approved 11.27.2023

Q.41

Contents

Message from the Executive Director

As the federal agency charged with oversight of the appraisal regulatory system, our vision is to ensure that the public can trust in the accuracy and integrity of real estate appraisals and that the appraisal profession is valued for its critical role in supporting the financial services industry and consumers. As we plan for our agency's future, we remain committed to delivering on our mission, upholding our values of integrity, excellence, collaboration, service, fairness, and equity. In the face of several external factors, like rapid technological advancements and changing economic conditions, this strategic plan will enable us to be proactive and innovative.

The mission of the Appraisal Subcommittee (ASC or Subcommittee) is, generally, to ensure that appraisals used in federally related transactions are compliant with uniform standards and are performed by competent individuals. The Subcommittee was established by Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) whose purpose is to provide that Federal financial and public policy interests in real estate related transactions will be protected by requiring that real estate appraisals utilized in connection with federally related transactions are performed in writing, in accordance with uniform standards, by individuals whose competency has been demonstrated and whose professional conduct will be subject to effective supervision.

In recent years, the ASC has raised concerns about the lack of diversity in the appraisal profession, reports of biased behavior by appraisers, and a regulatory system with major limitations. Since 2019, the ASC has held two roundtables to obtain input from experts in the appraisal, mortgage lending, regulatory, fair housing, and civil rights fields. In 2023, the ASC began holding a series of hearings to better understand appraisal bias and the appraisal regulatory system. A 2022 report commissioned by the ASC, completed by a consortium of fair housing and appraisal legal experts, explored the appraisal standards and appraiser qualifications to consider whether they potentially either encouraged or systematized bias; and ultimately to inform efforts to support and promote fairness, equity, objectivity, and diversity in both appraisals and the training and credentialing of appraisers. The study, available on our website (https://bit.ly/43zqqfM), resulted in several troubling conclusions and thoughtful recommendations. The issue of bias in the appraisal process, especially, is concerning, and the ASC is uniquely positioned within the appraisal regulatory framework to assess long-standing challenges pertaining both to the profession and to its regulation.

With insight from our Board, our colleagues, the hearings, and public input, we are using the authority we have at our disposal to deliver on our mission.

Jim Park, Executive Director, Appraisal Subcommittee, FFIEC

Background and Objectives

The ASC is a subcommittee of the Federal Financial Institutions Examination Council (FFIEC) and was established by Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Title XI). It has the authority to oversee the real estate appraisal regulatory framework for federally related transactions.

Title XI authorized the ASC to provide federal oversight of State appraiser and appraisal management company (AMC) regulatory programs and to create a monitoring framework for the Appraisal Foundation and the Federal Financial Institutions Regulatory Agencies, which work to protect financial and public policy interests in real estate appraisals utilized in federally related transactions. Funding required to support the ASC and its operations is received from the States' submission of fees collected from AMCs and appraisers.

The ASC is headed by an Executive Director, who works with the ASC Board composed of representatives from the member agencies. The ASC member agencies include Federal Reserve Board (FRB), Federal Deposit Insurance Corporation (FDIC), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), U.S. Department of Housing and Urban Development (HUD), Federal Housing Finance Agency (FHFA), and Consumer Financial Protection Bureau (CFPB). Each member agency appoints their representative to serve on the Board. The FFIEC appoints the Board Chairperson for a two-year term. The ASC's Board meets regularly to discuss and make decisions related to the ASC's mission and strategic goals.

For most of the past thirty-three years, our role and responsibilities have not dramatically changed except for the added requirements in the 2010 Dodd-Frank Act to provide oversight to State AMC regulatory programs and establish the National Registry of AMCs. Our staff have faithfully been delivering on our mission. However, over the past few years the appraisal industry has received increased attention and scrutiny, including the ASC, as more focus is given to issues of diversity, equity, and inclusion in appraisal practice and the appraisal regulatory system. The strategic plan development process reflected on our progress against the 2018-2023 Strategic Plan, and considered where the agency needs to be in 2028. The following 2024-2028 Strategic Plan is to guide us there.

The staff and Board of the ASC have taken this opportunity to reflect on its mission and vision, and identified the five core values that will guide the agency over the next five years.

Leadership Acknowledgements

The ASC engaged in an independent organizational assessment and environmental scan to evaluate the agency's current state, identify strengths and areas for improvement, and assess its adjustment to changes in the appraisal industry. The results of the organizational assessment and environmental scan were used during a strategic planning workshop with agency senior staff.

A special thanks to all those that provided valuable information and insight into this plan, including current and former ASC Board members and staff.

Mission, Vision, and Values

MISSION

The mission of the Appraisal Subcommittee (ASC) is to ensure that the appraisal regulatory system promotes real estate appraisals that are conducted with accuracy, independence, and impartiality, in compliance with federal and State regulations. We work to promote excellence in appraisal regulation, support State appraiser regulatory programs, and protect consumers by enforcing the federal requirements State appraisal regulatory programs must follow as well as monitoring and reviewing the work of the Appraisal Foundation. Our goal is to maintain public trust in the appraisal profession by ensuring that appraisers are effectively regulated.

VISION

At the ASC, we envision a future where every State appraiser program is compliant with Title XI, every appraiser is highly skilled and ethical, and appraisals promote confidence in the nation's economy and financial services industry. We strive to be a leader in promoting excellence in real estate appraisal regulation and fostering collaboration between industry stakeholders. Our vision is to ensure that the public can trust in the accuracy and integrity of real estate appraisals and that the appraisal profession is valued for its competence, independence, objectivity, and diversity.

VALUES

The ASC is guided by the following core values:

- **Integrity**: We hold ourselves to the highest ethical standards and act with honesty, transparency, and accountability in all our interactions.
- **Excellence**: We strive for excellence in all aspects of our work, continually improving our processes and programs to achieve the best possible outcomes.
- **Collaboration**: We believe that collaboration is essential to achieving our mission, and we work to foster strong relationships with our stakeholders to promote mutual understanding, respect, and partnership.
- **Fairness**: We are committed to treating all individuals and organizations with fairness and respect, regardless of their background, identity, or beliefs.
- **Service**: We are dedicated to serving the public by promoting an effective appraisal regulatory system and a healthy and diverse appraisal industry.

These values guide our decisions and actions, and we are committed to upholding them in all our work.

Strategic Outlook

The ASC conducted an external environmental scan to identify key external factors beyond the ASC's control that may affect the achievement of its strategic goals and objectives.

- **Statutory and Regulatory Changes**: Any changes made by the legislative or executive branches, respectively, of the federal government, as well as by the 55 States and jurisdictions that fall under the purview of the ASC, may impact the agency's role, responsibilities, and achievement of this Strategic Plan. It may be required for the ASC to adopt new responsibilities or adjust its policies and procedures in response to any legislative or regulatory changes.
- **Economic Conditions**: ASC revenue relies on the National Registry of Appraisers and AMCs. The U.S. economy is experiencing higher interest rates than in the recent past which has decreased lending and appraisal activity and will impact ASC revenue.
- **Work Environment**: The ASC operates as a distributed workforce and has a strong organizational culture. These attributes contribute to the agency's ability to attract and retain a talented and diverse workforce.
- **Technological Advancements**: The ASC will continue upgrading its technology as cybersecurity risks continue to be a threat and opportunities to improve ASC staff training, operations and security expand. Other technological innovations may disrupt the appraisal industry and require changes to the ASC's policies and procedures to keep pace. For example, artificial intelligence (AI) algorithms may be used to automate valuations or offer enhanced risk management by helping to identify potential risks in the appraisal process, such as biased or otherwise inaccurate appraisals, and provide early warning signs to help prevent issues before they occur.
- **Mixed Opinions in Industry:** The stakeholders in the appraisal industry have varied opinions on the industry's future. For example, reactions to the PAVE Task Force recommendations and reports of bias in the appraisal industry ranged across the board, which may create challenges in identifying a common vision for the future of the industry. The ASC will need to participate in, and help guide, these industry-wide conversations to deliver on the agency's Mission and Vision.

Overview of Goals and Objectives

The ASC is an integral part of the appraisal industry, working closely with its partners and stakeholders to ensure that the public can trust in the accuracy and integrity of real estate appraisals and that the appraisal profession is valued for its critical role in supporting the financial services industry and protecting consumers. The Appraisal Subcommittee is particularly focused on its role in the U.S. to ensure everyone has equitable access to the intergenerational wealth home equity can build.

This Strategic Plan builds on the ASC's recent efforts to adapt to the changing economic conditions, to better understand and address the impact of appraisal bias, and to take advantage of technological advancements in ways that will improve its effectiveness and efficiency.

The ASC has identified three strategic goals for the next five years:

- Goal 1: Innovate and modernize our processes, technology, and operations.
- Goal 2: Support States' Ability to Maintain Compliance with Title XI and Strengthen Appraisal Foundation oversight.
- Goal 3: Increase Agency's Competencies, Skills, and Diversity.

Goal 1: Innovate and modernize our processes, technology, and operations.

There are several opportunities for the ASC to advance its technological capabilities and to increase its effectiveness and outreach in an increasingly digitized world. To remain efficient in its internal and public-facing processes, the ASC should make use of automated processes that can increase the agency's productivity, accessibility, and the speed of its services. Various tools and software have been or are being developed that can help improve the compliance review (CR) process, IT security, data management, and communication with stakeholders.

To realize this goal, the ASC will accomplish the following objectives:

Objective 1.1: Enhance the Board's ability to effectively advise and support the Agency on ways to improve processes, technology, and operations by:

- **Reviewing and revising Board Governance policies to clarify the roles and responsibilities of the Board and staff** to ensure better and more efficient collaboration. As the ASC has gained more responsibilities and more attention from the public, the amount of time and effort in communication with the Board has increased. Clarifying roles and responsibilities will help the ASC identify opportunities to create a more cohesive and efficient framework for decision-making.
- **Increasing Board members training and support to enhance understanding of the ASC, its role in the industry, its services, and the employees' roles and activities**, especially during the onboarding process, will support smoother transitions between Board members and the shared understanding of the Board's role within the ASC.

Objective 1.2: Increase efficiency and processes in financial and budget management by implementing improved technology and operations:

- **Converting all State regulatory agencies to the Automated Clearing House system (ACH) for collection of registry fee payments** to increase efficiency, reduce costs, and enhance the ASC's security.
- **Maintaining a one-year operating reserve** to provide financial stability and flexibility to cover any unexpected revenue shortfalls or unexpected expenses.
- **Creating a three- to five-year budget process** to reduce the time and resources spent on building the required annual budget, thereby improving the ASC's ability to conduct long-term planning, and allowing for better resource allocation.
- **Assessing the availability of cloud-based software systems** that will more efficiently manage resources, improve accuracy in reporting, and increase the effectiveness of financial and budget management.

Objective 1.3: Improve grants program operations through the use of technology and operations that supports best practices and a full grant management lifecycle by:

- **Supporting the operations of the Grants Program** with dedicated staff and sufficient training.

- **Measuring and monitoring grant performance to quantify effectiveness to State agencies and the Appraisal Foundation** to identify opportunities to innovate for improved performance, providing transparency and accountability to ASC's stakeholders. Additional benefits will include an increase in application submissions as the grant process is better understood and appreciated by potential grant recipients.
- **Awarding grants to 40% of States and Territorie**s to improve State compliance with Title XI, including improved access to appraisal services in underserved areas.
- **Making available grants to the Appraisal Foundation for the Appraisal Standards and Appraiser Qualifications Boards in support of their Title XI-related activities.**

Objective 1.4: Implement additional technology and processes to improve technical assistance and collaboration with stakeholders by:

- **Transitioning all 55 jurisdictions to use Application Programming Interfaces (API) for ASC's National Registries** to enable communications between State regulatory agencies and the ASC's software applications. This standardization across the 55 jurisdictions will reduce the manual effort involved in translating each registry submission into data formats and conventions needed on the ASC side of the transfer.
- **Implement Compliance Review software supporting the States' regulatory agencies throughout the entire Compliance Review lifecycle.** This project is in development and will enable ASC's Program Managers and their State contacts to communicate and file share on a secure platform. As this software continues through the development process, communications will be streamlined by moving the process out of the email medium and maintaining a record of communications within the platform. In addition to more effective communications, staff will save time and reduce errors that often result from manual data entry. The historical data saved will support new hires on the States' side as they can review the past compliance reviews to better understand the process and their responsibilities.
- **Continue implementation of the unique identifier for appraisers on the National Registry** to improve the accuracy of the data maintained in the National Registries. This will allow the ASC to ensure information about appraisers is identified and tracked accurately, and to avoid confusion that can result from similar or identical names. The unique identifier will also allow for better accountability in the event of any compliance or misconduct issues.
- **Maintaining National Registries security and their continued operations** to provide reliable and efficient access to appraiser and AMC credentialing information to ensure that appraisers and AMCs are eligible to perform appraisals for federally related transactions.
- **Identifying opportunities to provide training for stakeholders,** including State regulatory staff and potential grant recipients.

Objective 1.5: Increase use of technology and operational enhancements to streamline and standardize workflows and improve systems security by:

- **Developing and implementing policies and procedures to leverage technological capabilities of ASC's tools** to support internal adoption of the available tools for collaboration and communication. The ASC team will be able to streamline decision-making processes and increase productivity and create cost savings for the organization.

- **Improving agency tracking and reporting of operations and projects**, allowing staff to monitor progress through streamlined and automated methods, track budget usage, grant status, compliance review results, and report on key performance indicators. By reducing the manual effort currently involved in its workflows, the ASC will leverage standardized processes that are efficient and effective.
- **Continually review IT and data security** by leveraging assistance from federal partners and reviewing staffing to ensure the ASC has the proper technical assets.

Objective 1.6: Improve agency operations by building internal skills and capabilities of ASC staff to strengthen relationships within the Appraisal Industry by:

- **Developing employees' ability to collaborate with their industry partners and support Agency relationships throughout the industry** to leverage the frontline employees' contacts with stakeholders and to educate and receive input on ASC's responsibilities and activities.
- **Building employees' understanding of and ability to support Agency strategy through their day-to-day tasks**, which will enable more effective and strategic decision-making, and strengthen the ability of employees to think and act innovatively improving the efficiency and effectiveness of the agency.
- **Creating opportunities for cross-training and job shadowing for employees** will increase the Agency's capabilities and minimize the loss of historical knowledge as long-tenured staff retire.

Objective 1.7: Improve the Agency's public relations operations and processes by increasing the frequency and effectiveness of communications to its stakeholders by:

- **Developing and implementing a communications strategy to support the Agency Strategy** through engagement with the public, States, appraisers, and other stakeholder groups.
- **Monitoring registries and compliance review findings for trends and patterns in stakeholder challenges and** developing targeted communications for high-value topics.
- **Bolstering recurring use of social media as a dependable method of contact** with fellow agencies and interested stakeholders.
- **Identifying opportunities for the ASC to interact with the Appraisal Foundation to build relationships at all levels,** discuss joint initiatives, and find areas for improvement in monitoring and review of the Appraisal Foundation.
- **Providing easy-to-access data and analytics** to agency stakeholders, to support data-driven decision-making and oversight.

Goal 2: Support States' Ability to Maintain Compliance with Title XI and Provide Appraisal Foundation oversight.

Oversight and support of the State regulatory agencies and the Appraisal Foundation are important responsibilities of the ASC as directed in Title XI. The ASC should continue to promote and expand its grant program to the States and the Appraisal Foundation in ways that benefit those entities and other key stakeholders. The ASC also has opportunities to improve the compliance review process and how the Appraisal Foundation is monitored and reviewed. The overarching objective of this goal is to use the agency's authority to promote the use of competent appraisers and effective standards that protect federally related transactions.

To realize this goal, the ASC will accomplish the following objectives:

Objective 2.1: Enhance the ASC's support of State regulatory agencies to improve overall appraiser regulation and compliance with Title XI by:

- **Promoting grants and other opportunities to States** to allow States to better understand and effectively enforce Title XI requirements. Ultimately, this will lead to improved appraisals and better serve the public.
- **Conducting training for State regulatory staff** to provide targeted technical assistance and education on emerging trends and issues within the appraisal regulatory system. This training can serve as a platform to exchange knowledge and ideas, identify trends, and facilitate ongoing dialogue with State regulatory staff and the ASC, as well as across State boundaries. This will lead to more consistent and effective enforcement of Title XI.
- **Develop and enhance available training for State agencies as preparation for their Compliance Review** to provide them with easily digestible training materials, improving the quality of regulatory oversight among States. This will also increase transparency, consistency, and accuracy of appraisal practices among appraisers and regulatory agencies in the States.

Objective 2.2: Continually review the Compliance Review process for opportunities to improve State appraisal program compliance with Title XI and overall oversight by simplifying, streamlining and improving the process by:

- **Implementing Electronic Compliance Review software** to streamline the Compliance Review process and improve data collection and retention.
- **Regularly seeking feedback on the ASC's support, technology, and processes to identify areas for improvement** to simplify and streamline the States' level of effort in maintaining or improving their compliance.
- **Developing the ASC staff's ability to track the progress of compliance reviews**, which will allow the evaluation of Compliance Review processes, track productivity, and ensure transparency.
- **Improve public transparency and reporting** of State Compliance review results and trends.

Objective 2.3: Support States' ability to comply with Title XI and regulate appraisers by proactively identifying and remedying risks to their compliance by:

- **Increasing States' ability to train new staff** and reduce the risk of non-compliance through training and grant funding**.**
- **Amending internal policy statements, as needed,** to update the language to reflect adjustments made to enhance the ASC's support for States.

- **Communicating regularly with State Programs** to identify developing risks that may threaten compliance. More frequent communications will speed up the Agency's ability to track risks and proactively educate State regulators.
- **Hosting webinars and training sessions on risk management best practices and emerging compliance risks** to quickly share information more efficiently.

Objective 2.4: Monitor and review Appraisal Foundation practices, procedures, activities, and organizational structure to provide effective oversight and adherence to the goals of Title XI by:

- **Reviewing and providing feedback on proposed and existing standards and qualifications** established by the Appraisal Standards Board and Appraiser Qualifications Board to ensure they are understandable and enforceable.
- **Regularly communicating with the Appraisal Foundation boards and staff** on Title XI issues and their organizational structure.
- **Ensuring the appraisal standards and appraiser qualification criteria promote unbiased appraisals** and do not establish unnecessary or discriminatory barriers to enter the appraisal profession**.**
- **Attending public meetings** of the Appraisal Foundation Boards and private meetings when invited**.**
- **Partnering with the Appraisal Foundation** on projects that promote an effective appraisal regulatory system.

Goal 3: Increase Agency's Competencies, Skills, and Diversity

In order for the ASC to be effective in Goals 1 and 2 the agency must have the proper staff resources. Those resources include a sufficient number and competent staff with the skills and diversity needed to effectively execute the agency's mission, goals and objectives. The agency should continually review the staff and its structure for all of these factors.

To realize this goal, the ASC will accomplish the following objectives:

Objective 3.1: Enhance staffing structure that provides the resources needed to meet the legal requirements of a federal government agency by effectively managing and protecting the agency and allows for staff career advancement, succession planning, and improving skills by:

- **Employ a staffing model that includes the positions needed to effectively manage agency operational needs, including senior staff as well as entry- and mid-level positions** to build the ASC's bench strength, allowing mentoring and career planning within the agency, and allowing for succession planning at the leadership levels.
- **Building capable and skilled entry-level employees to allow leaders to delegate tactical tasks**, which will support the leadership's ability to operate at the strategic level, focus on the industry and environment, and ensure the agency is achieving its five-year strategic plan.
- **Creating more specialized positions** to improve agency effectiveness, compliance with legal and regulatory requirements, and overall staff competencies and capabilities.
- **Leveraging Federal Employee Viewpoint Survey (FEVS) results and conducting brainstorming workshops with employees and Board members to make improvements** to the overall organizational structure.

Objective 3.2: Continue building a competent, skilled, and diverse employee base by:

- **Conducting regular assessments of ASC staff to identify skills, abilities, and experience needed** to fill gaps and achieve its Mission.
- **Establish and assess progress against internal diversity, equity, inclusion, and accessibility (DEIA) goals,** stipulations and expectations, and identifying strategies and actions to bolster and promote diversity among the ASC's ranks, reflecting the diversity of the country.

Objective 3.3: Leverage and enhance the Agency's skills and competencies through an inclusive and achievement-oriented culture by:

- **Engaging employees in the refinement of ASC's values and desired culture** through surveys, one-on-one conversations, and recurring discussions.
- **Developing opportunities for employees to build trust, relationships, and collaboration** to strengthen the agency's work culture and increase intra-agency communication.
- **Maintaining overall job satisfaction at 75% on the annual FEVS**. Engaging employees in analyzing the FEVS results and in developing action plans will build better plans and more commitment from the staff.
- **Expanding employee appreciation or recognition programs to celebrate performance, customer service**, and other determined milestones.

Conclusion

The ASC is committed to promoting excellence in real estate appraisal regulation, fostering collaboration between industry stakeholders, and ensuring public trust in the appraisal profession. We recognize our approach must adapt to the changes we are facing in the financial services industry, evolving appraisal practices and client needs, technology, and society.

Our responsibilities to the American public are foremost in our work, and this strategic plan will guide us as we modernize our technology and operations, strengthen collaboration within the industry, continue to support the States' compliance, and continue to recruit a talented and inclusive workforce that represents the demographics of the American public.

Contact Information

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Kohtz, Tyler

From: Dave Bunton <news@appraisalfoundation.org>
Sent: Thursday, February 1, 2024 12:16 PM
To: Kohtz, Tyler
Subject: FEBRUARY NEWSLETTER: Applications for the BOT are OPEN

NEWSLETTER

The Appraisal FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Dear Tyler,

It's February, which means that applications for the Board of Trustees are now open! This year there are three public interest positions available. One term is a three-year term, and two terms are four years. All terms begin on January 1, 2025.

The Appraisal Foundation relies on a constant stream of new talent to ensure our boards can always fulfill their mission to uphold public trust in the appraisal profession. Starting this year the Trustee Nominating Committee is taking additional steps to ensure the Board of Trustees is truly representative of the Foundation by targeting key stakeholder groups that need additional representation on the Board.

We have seen the committee's efforts to improve their processes through blind scoring benefit the Board of Trustees over the past two years, and I look forward to seeing how this new initiative will further advance the Board of Trustees.

Applications for the Board of Trustees are open to any member of the public with an interest in valuation, but the Trustee Nominating Committee has specifically highlighted a need for representation from the following groups:

- Business Valuer
- Fair Housing Advocate
- International Valuer
- Personal Property Appraiser
- Residential Real Property Appraiser

The Board of Trustees provides financial support and oversight to the Foundation's two independent boards, the Appraiser Qualifications Board and the Appraisal Standards Board. The Board meets twice a year in person and more frequently virtually, and, while Trustees are reimbursed for travel expenses, they are not compensated for their time.

In This Newsletter

Calendar

Feb 1: CARE Meeting

Feb. 2: TAFAC Meeting

Feb. 15: ASB Public Meeting

Feb. 22: IAC Meeting

March 28: AQB Public Meeting

Contact Us

T 202-347-7722

info@appraisalfoundation.org

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The Board of Trustees includes individuals from all appraisal disciplines, users of appraisal services, former appraiser regulators, academics, business leaders and community advocates. The Appraisal Foundation believes that diversity enhances the quality of its boards. When evaluating candidates, the Trustee Nominating Committee will seek to choose qualified candidates who contribute to creating a diverse Board.

Click **here** to view the candidate fact sheet.

Click **here** to apply by **March 1, 2024**.

Please contact Board and Councils Program Manager Arika Cole at 202.624.3072 or via email at arika@appraisalfoundation.org with any questions about the application process.

Sincerely,

Dave Bunton
President

Coming Soon: Demographic Survey

The Appraisal Foundation will release its second demographic survey of the appraisal profession later this month. Keep an eye on your inbox to make sure you get the link and take the survey as soon as it is released.

This survey, done in conjunction with the Appraisal Institute, is a valuable tool in measuring the profession's growth and diversity through the years. We hope you will participate in this five-minute survey when it is made available in a few weeks!

Updates from the Board of Trustees

On January 30th the Board of Trustees held a virtual meeting and voted to approve 12 organizations as partners. You can read the full announcement, including the list of new partners, here.

Updates from the Appraisal Standards Board

Last month the Appraisal Standards Board released new Questions and Answers on artificial intelligence, demographics, and personal inspection. Read them all **here**.

Updates from the Appraiser Qualifications Board

Last month the Appraiser Qualifications Board released new Questions and Answers on the newly required fair housing and valuation bias course. Read them **here**.

Appraiser Talk

Stay up to date on Appraiser Talk!

www.appraisalfoundation.org

Follow Us

You can check out all episodes **here**. Click **here** to sign up to receive a notification each time a new episode is published.

You can subscribe to Appraiser Talk on Spotify, Apple Podcasts or wherever you get your podcasts. If you have a question you'd like to hear answered on the show, email it to Amy Timmerman at amy@appraisalfoundation.org.

About The Appraisal Foundation

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at www.appraisalfoundation.org.

Dave Bunton
The Appraisal Foundation
1155 15th Street NW STE 1111
Washington, DC 20005

Kohtz, Tyler

From: The Appraisal Foundation <news@appraisalfoundation.org>
Sent: Wednesday, January 24, 2024 8:52 AM
To: Kohtz, Tyler
Subject: Applications to join the Board of Trustees are now open

PRESS RELEASE

The Appraisal Foundation
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

The Appraisal Foundation Opens Call for Board of Trustees Members

The Appraisal Foundation announced today that it is seeking qualified candidates to fill three public interest positions on its Board of Trustees. One term is a three-year term, and two terms are four years. All terms begin on January 1, 2025.

“The Appraisal Foundation relies on a constant stream of new talent to ensue our boards can always fulfill their mission to uphold public trust in the appraisal profession,” said Foundation President Dave Bunton. “Starting this year, the Trustee Nominating Committee is taking additional steps to ensure the Board of Trustees is truly representative of the Foundation by targeting key stakeholder groups that need additional representation on the Board. We have seen the committee’s efforts to improve their processes through blind scoring benefit the Board of Trustees over the past two years, and I look forward to seeing how this new initiative will further advance the Board of Trustees.”

Applications for the Board of Trustees are open to any member of the public with an interest in valuation, but the Trustee Nominating Committee has specifically highlighted a need for representation from the following groups:

- Business Valuer
- Fair Housing Advocate
- International Valuer
- Personal Property Appraiser
- Residential Real Property Appraiser

The Board of Trustees provides financial support and oversight to the Foundation’s two independent boards, the Appraiser Qualifications Board and the Appraisal

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Standards Board. The Board meets twice a year, and, while Trustees are reimbursed for travel expenses, they are not compensated for their time.

The Board of Trustees includes individuals from all appraisal disciplines, users of appraisal services, former appraiser regulators, academics, business leaders and community advocates. The Appraisal Foundation believes that diversity enhances the quality of its boards. When evaluating candidates, the Trustee Nominating Committee will seek to choose qualified candidates who contribute to creating a diverse Board.

Completed applications for Board vacancies must be received by **March 1, 2024**. Please contact Board and Councils Program Manager Arika Cole at 202.624.3072 or via email at arika@appraisalfoundation.org with any questions about the application process.

Apply

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring that appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at www.appraisalfoundation.org.

Kohtz, Tyler

From: The Appraisal Foundation <news@appraisalfoundation.org>
Sent: Tuesday, January 30, 2024 11:47 AM
To: Kohtz, Tyler
Subject: Board of Trustees Votes to Approve 12 Partners

ANNOUNCEMENT

The Appraisal FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Board of Trustees Votes to Approve 12 Partners

The Board of Trustees voted in a public meeting today to approve 12 organizations to become Partners of The Appraisal Foundation.

Partners are organizations that have committed to work with The Appraisal Foundation to uphold public trust in the appraisal profession through communication and collaboration. Partner organizations have the ability to nominate individuals to become Partner Trustees on the Foundation Board of Trustees, but there is no direct appointment.

The 12 approved Partners are:

- American Society of Appraisers
- American Society of Farm Managers and Rural Appraisers
- Appraisal Institute
- Appraisers Association of America
- Canadian National Association of Real Estate Appraisers
- Farm Credit
- International Society of Appraisers
- International Right of Way Association
- Massachusetts Board of Real Estate Appraisers
- National Society of Real Estate Appraisers
- North Carolina Professional Appraisers Coalition
- Royal Institution of Chartered Surveyors

Visit our website to learn more about each of the Partners and how qualifying organizations can also apply for Partnership.

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Visit the Partners Webpage

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the Congressionally-authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring that appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at www.appraisalfoundation.org.

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The Appraisal FOUNDATION

Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD

Appraisal Qualifications Board (AQB) Real Property Appraiser Qualification Criteria Q&As

Effective January 30, 2024

The Appraiser Qualifications Board (AQB) of The Appraisal Foundation establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state license or certification. The AQB Q&As are a form of guidance issued by the AQB to respond to questions raised by appraisers, enforcement officials, users of appraisal services, and the public to illustrate the applicability of the Real Property Appraiser Qualification Criteria (Criteria) *and Interpretations of the Criteria in specific situations and to offer advice from the AQB for the resolution of appraisal issues and problems. The AQB Q&As may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. AQB Q&As do not establish new* Criteria*. AQB Q&As are not part of the* Criteria*. AQB Q&As are approved by the AQB without public exposure and comment.*

Table of Contents

Implementation of 2022 *Criteria*

Appraisers

I am a credentialed appraiser in State A, and am moving to State B. State A adopted the May 2018 *Criteria* but State B did not, and will not grant me a reciprocal credential. Does the AQB consider prior versions of the *Criteria* equal to or equivalent to the current version of the *Criteria*?

Over the years the *Real Property Appraiser Qualification Criteria (Criteria)* has changed many times. It is not the position of the AQB that a credential obtained under one version of the *Criteria* is different than one obtained under a different version. From the AQB's perspective, an individual holding a certain credential is equally qualified to another holding the same credential, regardless of when the credentials were issued and which version of the *Criteria* applied at the time. Therefore, the AQB encourages states to view all credentials issued for a classification as equivalent.

Will the changes to section III (Generic Education Criteria), effective January 1, 2022, impact me as an appraiser taking appraisal courses?

While these changes are largely directed at the requirements for how education providers have their courses approved, they will benefit appraisers by giving them more flexibility in obtaining CE credits. If you are interested in learning more, you can read the below section for education providers.

One of the changes involves removing the 50% limitation on experience gained for work completed without a traditional client and it now allows the appraiser to complete up to 100% of their experience work without having a traditional client.

What is an example of a "non-traditional" client?

Not having a client in the traditional sense, for example, means a client has not hired an appraiser for a business purpose.

In other words, an aspiring appraiser could ask people they know, "Could I appraise your home?" The people would have no business or personal reason to order the appraisal, but the individual would still be gaining experience. Of course, that experience would also have to comply with any additional state requirements, such as obtaining a supervisory signature, should such requirements exist.

Does removing the 50% limitation on experience gained for work completed without a traditional client mean I, a trainee, do not need a supervisor?

This new change for the 2022 *Criteria* does nothing to impact the existing trainee/supervisor model. If a state requires a supervisory signature on appraisal reports, the 2022 *Criteria* does not affect that requirement. Additionally, this change does not eliminate the occurrence of an appraiser making necessary property inspections, the appraiser completing any needed field work, or the appraiser having any necessary or required supervision.

In reviewing my experience hours needed to upgrade my credential, my state regulatory agency concluded I was a few hours short of what I needed. They will allow me to complete an "appraisal without a client" so I can reach the number of experience hours I need. What is an "appraisal without a client?"

The *Criteria*, and specifically section V.D. of the Criteria Applicable to All Appraiser Classifications states:

> *There need not be a client in a traditional sense (e.g., a client hiring an appraiser for a business purpose) in order for an appraisal to qualify for experience. Experience gained for work without a traditional client can meet any portion of the total experience requirement.*

In other words, you do not have to have a client contact you and ask you to perform an appraisal for their needs. Rather, you can perform an appraisal on a property, where the resulting appraisal report does not have a client who will use the report for any type of business purpose. The appraisal is comparable to a "demonstration report" where the goal is for the appraiser to demonstrate their competency.

While your state regulator concluded you would be able to obtain your few remaining hours of experience needed by following this section of the *Criteria*, the *Criteria* does allow for up to 100% of experience credit to be completed in this manner.

States

Did the AQB eliminate The International Distance Education Certification Center (IDECC) as a valid delivery mechanism approval entity?

No, according to the *Criteria* (Section III. D. 3.), AQB approved organizations for course delivery mechanism approval (including IDECC) remain valid delivery mechanism approval entities. The only change the Board made was to add the AQB (via The Appraisal Foundation) as an alternative delivery mechanism approval entity option.

Since the Foundation will now be a valid alternative to IDECC, what does the AQB/Foundation delivery mechanism entail?

The AQB and the Foundation are developing the process for the new delivery mechanism approval. It will be robust and will allow for course provider innovation and technological advancement. The AQB/Foundation is working with a panel of education providers and state regulators to ensure the program's success.

Can states implement any new *Criteria* prior to its official effective date?

It depends. Under the provisions of Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the Appraiser Qualifications Board (AQB) establishes the qualification criteria (minimum education, experience, and examination requirements) for real property appraisers to obtain a state license or certification. State appraiser regulatory agencies are required to implement real property appraiser licensing and certification requirements that are **no less stringent** than those issued by the AQB in the Criteria.

Therefore, if a new Criteria requirement **increases** a minimum qualification, a state can implement this new requirement(s) prior to the AQB identified effective date. If, however, a new requirement(s) in the *Criteria* will **decrease** a qualification requirement, a state must wait until the *Criteria's* new effective date to implement the new requirement(s).

Education Providers

Course Delivery Mechanism

Are classroom and synchronous courses equivalent under the 2022 *Criteria*?

Yes. The 2022 *Criteria* now states that because synchronous courses provide for instruction and interaction that are substantially the same as in-person classroom courses, synchronous courses no longer need to meet the approval requirements that are required for an asynchronous course.

The only remaining difference between a classroom course and a synchronous course is their definitions. In a synchronous course, the instructor and the students interact simultaneously online, and thus, a synchronous course falls under the definition of "distance education." However, even though a synchronous course is defined as distance education, the 2022 *Criteria* allows synchronous courses to undergo the same approval process as a classroom course.

Now, both classroom and synchronous course sessions must meet requirements specified in III.A. and III.B. of the 2022 *Criteria* (below).

A. *Class hour*
   1. *A class hour is defined as 60 minutes, of which at least 50 minutes are instruction attended by the student.*
   2. *The prescribed number of class hours includes time for examinations.*

B. *Credit for the class hour requirements may be obtained only from the following providers:*
   1. *Colleges or universities;*
   2. *Community or junior colleges;*

3. *Real estate appraisal or real estate-related organizations;*
4. *State or federal agencies or commissions;*
5. *Proprietary schools;*
6. *Providers approved by state certification/licensing agencies; or*
7. *The Appraisal Foundation or its Boards.*

Do synchronous courses still require delivery mechanism approval?

No. Under the 2022 *Criteria*, synchronous courses have the same requirements as classroom courses, with no delivery mechanism approval needed (e.g., IDECC or similar entities). However, state appraiser regulatory agencies (states) can still choose to require delivery mechanism approval for synchronous courses.

For synchronous courses, are the requirements in the 2022 *Criteria* the same as those presented in the ASC's Covid-19 relief letter dated September 25, 2020[1]?

No. During the Covid-19 relief (expiring December 31, 2021), the ASC allowed, with the AQB's recommendation, that approved classroom courses could be taught synchronously with no additional approval required for the course or delivery mechanism. This allowance was subject to multiple considerations that do not exist in the current *Criteria* including, for example, the requirement for the provider to verify the photo identification of each of the students.

In other words, the ASC's Covid-19 letter had slightly different requirements than were ultimately adopted into the 2022 *Criteria*.

Given that synchronous and classroom courses are now equivalent, will I need to continue submitting separate applications to the AQB's Course Approval Program (CAP) for these courses?

No. On January 1, 2022 (when the 2022 *Criteria* goes into effect), all classroom and synchronous courses will be submitted and approved as "classroom/synchronous" under CAP. This means the provider can submit one application and if the course is approved, the provider can choose to present that course either in the classroom and/or synchronously, subject to any additional state requirements

When a classroom and synchronous version of a course were, in the past, approved separately through Course Approval Program (CAP), and thus both have different expiration dates, which expiration date – the one for the classroom

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[1] https://www.asc.gov/Documents/OtherCorrespondence/MEMO%20to%20States%20COVID-19%20Relief%20-%20Addl%20Guidance%20for%20Educaton%20Delivery%2009.25.20.pdf

course or the one for the synchronous course – will be honored, given that the two formats are now considered equivalent?

CAP will honor the expiration date for the course which had the most recent “initial” approval.

Below is an example of a course (Basic Appraisal Principles) with different classroom and synchronous approvals and expiration dates. In this example, the classroom course has been renewed twice while the synchronous course is still on its initial approval. Even though the classroom expiration date is later than the synchronous expiration date, the synchronous course was *initially* approved more recently, so that expiration date will be honored.

Basic Appraisal Principles		
	Classroom Expiration	**Synchronous Expiration**
Initial Approval	December 31, 2018	October 1, 2022
First Renewal Approval	December 31, 2021	
Second Renewal Approval	December 31, 2024	

The course provider must use the most recently approved course’s materials.

I always had my asynchronous courses approved through The International Distance Education Certification Center (IDECC), but I now want to use the Appraisal Foundation, which is a new AQB approved entity for course delivery mechanism approval. What are the delivery mechanism specifications for asynchronous courses approved by the Foundation? For example, is there a specific number of learning objectives required, how many quiz questions are required per hour, etc.

The Appraisal Foundation (the Foundation) and the AQB are currently developing the policies, procedures, and requirements for asynchronous delivery mechanism approval. Once finalized, the Foundation will make an announcement through all its communication channels and post it on its website. Education providers will receive an email from the Foundation’s Publications Manager, with the new information.

Will the expiration dates of IDECC-approved asynchronous courses be honored for any course delivery mechanism approval? Or, when the courses expire, will all asynchronous courses need to be submitted for AQB course delivery mechanism approval?

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According to the *Criteria*, IDECC continues to be a valid delivery mechanism approval entity, and you can continue to use them to renew your courses. However, as an alternative to IDECC, the AQB has also approved the Foundation as a delivery mechanism approval entity. While you can choose to use either entity, please check with your state, as they may require you to have approval from IDECC (or from others) for distance education courses.

Will there be a certification requirement similar to IDECC's Certified Distance Education Instructor (CDEI) designation for either asynchronous or synchronous instructors?

No. Under the AQB/Foundation delivery mechanism approval entity, there will be no delivery type specific instructor certification required, however, states may have their own additional requirements. Be sure to verify what is required directly with the state.

Will states be required to follow the new education requirements within the *Criteria* (e.g., allowing alternatives to IDECC)?

States must follow the minimum requirements set forth in the *Criteria* but can exceed these minimums. For example, states could require IDECC for both synchronous *and* asynchronous courses as this is a requirement that is *above* the minimum requirements of the *Criteria*.

Do you have any guidance on how to incorporate and implement remote and/or biometric proctoring for distance education qualifying education courses?

The *Criteria* requirements related to exams for distance education state that exams must include a written, closed-book final examination and that the exam must either be proctored in person or remotely. Because there are various ways to ensure a closed book exam experience, the *Criteria* leaves the "how" open to providers and state regulatory agencies to decide the best method to use to comply with this *Criteria*.

USPAP

Now that the *Criteria* regards synchronous courses as substantially the same as on-site classroom courses, does it mean there is no exam requirement for synchronous USPAP courses?

The Appraiser Qualifications Board (AQB) and the Appraisal Standards Board (ASB) have developed exams that must be used by education providers for the 15-Hour USPAP Course and in states that require an exam with the 7-Hour USPAP Update Course. With the adoption of the 2022 *Criteria*, the Functional Specifications and Requirements for Gaining Equivalency Rating for Asynchronous Delivery document was updated, which resulted in removing any references to <u>synchronous</u> delivery. Therefore, there is no longer an exam requirement for 7-Hour USPAP synchronous courses.

Please contact AQB@appraisalfoundation.org to receive the current Functional Specifications document.

Are we allowed to provide USPAP courses synchronously (e.g., via Zoom) after December 31, 2021?

Yes. As mentioned above, the 2022 *Criteria*, does not require delivery mechanism approval for synchronous courses. However, a state may still require a synchronous course to have its delivery mechanism approved. Please check with the states in which you'll be offering these courses to confirm what requirements they have.

Hybrid Courses

What combination of delivery methods may I use to create a hybrid class?

According to the *Real Property Qualification Criteria*, Section IIII Criteria Applicable to All Appraiser Classifications, section III. D.*:*

> *Hybrid courses, also known as blended courses, are learning environments that* ***allow for*** *both in–person and online (synchronous, or asynchronous) interaction {bold added for emphasis}*

While the *Criteria* allows for both in-person and online interaction, it does not exclude a hybrid course from also consisting of other combinations of the three delivery method types (classroom, synchronous, and asynchronous). However, when deciding which delivery methods to use, education providers must follow section III. D. 4. in the *Criteria* which states:

> *Hybrid courses meet class hour requirements if each of its sessions meet the requirement for the delivery method employed:*
>
> a. *in-person course sessions must meet III.A. and III.B.*
> b. *synchronous course sessions must meet III.A. and III.B.*
> c. *asynchronous courses sessions must meet III.A., III.B., and III.*D.1-3

Implementation of 2026 *Criteria*

Implementation Dates of Valuation Bias and Fair Housing Laws and Regulations Course

Course Completion Date

My state has approved the 7-hour VB-FH course for both qualifying education (QE) and continuing education (CE) before the requirement to take the course goes into effect on January 1, 2026. If I take the course before that date, can that course count towards meeting that requirement when it becomes effective?

Yes. Based on the Criteria, any **approved** 7-hour course, plus a 1-hour exam for QE, or the 7-hour course for CE, successfully completed before the requirement goes into effect, meets the January 1, 2026, requirement. If you take an approved course at any time before it is required, then on January 1, 2026, you have satisfied the requirement to take the 7-hour course. If the state didn't approve the course, it won't fulfill the requirement, as is true for any other course.

Then, every two calendar years thereafter, (and each CE cycle thereafter), you will need to take an approved version of the course that is at least 4 hours in length.

However, check with your state for any additional requirements.

7-hour version

Do I need to take an exam if I take the 7-hour version of the course for continuing education (CE)?

You only need to take the 1-hour exam if you are using the 7-hour course to meet your Qualifying Education requirements.

Background/General

General Requirements

I would like to get a Certified General appraiser credential. I am from another country and have a student visa, but don't have a Social Security card or Taxpayer ID Number. If I fulfill the education and experience requirements, can I get a Certified General appraiser credential without possessing a Social Security card or similar document?

The *Criteria* does not specifically address residency, citizenship, or identification issues. However, be sure to check with the state appraiser regulatory agency in the jurisdiction where you plan to seek the credential to confirm the requirements for licensure, as states may have their own residency or citizenship requirements.

I am currently a real property appraiser seeking a credential in my jurisdiction. I do not have a high school diploma, but have obtained the other education requirements in the *Criteria*. Will I be able to obtain my real property credential without having a high school diploma?

Yes, the *Criteria* does not require a high school diploma or equivalent. However, please note that individual states or credentialing jurisdictions may adopt more stringent requirements. It is incumbent on candidates to check with the state appraiser regulatory agency in which they plan to seek a credential.

I have a degree from a university that was conferred prior to the university becoming accredited. Will I be able to use that degree to satisfy the college degree requirement in the *Criteria*?

No, the college or university must have been accredited at the time the degree was conferred.

Background Checks

I understand the *Criteria* requires applicants for new credentials to undergo a background check. Does this apply to credential holders from other states seeking reciprocal licensure and/or temporary practice permits in my state?

The *Criteria* encourages states to grant reciprocity and/or allow temporary practice to those who hold valid credentials in other states. As such, the *Criteria* does not require a state to examine the specifics of the original application in the credential holder's existing jurisdiction (e.g., what and/or how much education they completed and when, when the examination was completed, whether the applicant holds a college degree, what level of experience the applicant was required to complete, and/or whether the credential was issued with or without a background check).

However, as with all *Criteria*, a state may adopt more stringent requirements with regard to background checks.

It appears states are prohibited from issuing a credential to applicants that have convictions in certain areas. One of these areas includes an applicant's "general fitness" for licensure. What exactly does this mean?

Section VI(C) of the *Criteria* states:

> *An applicant shall not be eligible for a real property appraiser credential if, during at least the five (5) year period preceding the date of the application for licensing or certification, the applicant has been convicted of, or plead guilty or nolo contendere to a crime that would call into question the applicant's fitness for licensure.*

It is impractical, and likely impossible, to compile a list of every specific circumstance where an applicant must be denied a credential. Section VI(C) is intended to provide states with the ability to deny a credential based on “public trust.” States have latitude to determine, based on their own guidelines, whether or not an applicant falls into this category and should be denied a credential.

Are states also required to decline a credential when an applicant is found to have any of the background issues listed in Guide Note 9?

No. The language in Guide Note 9 is meant to offer guidance to jurisdictions.

Guide Note 9 provides information on the types of background issues a state appraiser regulatory agency might consider. This is not intended to be a comprehensive list; a state may consider other issues.

I am very interested in a career in real estate appraisal. However, I have one problem…I have a felony conviction on my criminal record. Can I still become a credentialed appraiser?

Depending upon the nature of your felony conviction, you may be prohibited from obtaining a real property appraiser credential. The *Criteria* states:

> *An applicant shall not be eligible for a real property appraiser credential if, during at least the five (5) year period immediately preceding the date of the application for licensing or certification, the applicant has been convicted of, or plead guilty or nolo contendre to a crime that would call into question the applicant’s fitness for licensure.*

Additionally, Guide Note 9 provides guidance to state regulatory agencies by indicating those offenses that might be considered objectionable, as well as guidance on possible evidence of rehabilitation. The Guide Note is intended to be guidance and you will need to check with your state agency to determine which offenses could prevent an applicant from obtaining a license or certification.

Scope Of Practice

I am a Certified Residential appraiser and I have been asked to appraise a home on 40 acres, which includes a “hobby farm” that is not used for commercial purposes. The zoning requires a minimum lot size of 40 acres, so the lot cannot be subdivided and used for other purposes. Does my Certified Residential credential permit me to appraise this property?

Yes, as long as you can do so in compliance with the COMPETENCY RULE and all other applicable provisions in USPAP.

I am a Certified Residential appraiser and I have been asked to appraise a home on 40 acres. The zoning requires a minimum lot size of 5 acres, and I have confirmed with the local planning department that the lot could be subdivided into eight 5-acre parcels. In addition, my preliminary research confirms the highest and best use of the property would be for an eight-lot subdivision. Does my Certified Residential credential permit me to appraise this property?

If the appraisal report will be utilized to support a real estate related financial transaction, then you may not appraise this property with your Certified Residential credential. Since the highest and best use of the site is for something greater than a 1-4 unit residential property, the appraisal must be prepared by (or, at a minimum, co-signed by) a Certified General appraiser. If the appraisal is not for a real estate related financial transaction, and you can do so in compliance with the COMPETENCY RULE and all other provisions of USPAP, then check with your state appraiser regulatory agency to see if the state permits you to value a property with these characteristics.

I am a Licensed Residential appraiser and I have been asked to appraise a home on 40 acres in a marketplace where there are no other home sites larger than 5 acres. The appraisal is being requested by a federally-regulated bank in order to evaluate the subject property as collateral for a $1.5 million mortgage loan. Does my Licensed Residential credential permit me to appraise this property?

No. The scope of practice for the Licensed Residential classification allows for appraisals of "complex" 1-4 unit residential properties up to a transaction value of $400,000, and it appears this assignment would qualify as "complex." However, even if it does not qualify as "complex," the Licensed Residential classification only allows for appraisals of "non-complex" 1-4 unit residential properties up to a transaction value of $1 million. Therefore, this property could not be appraised by a Licensed Residential appraiser to support a real estate related financial transaction. If this appraisal was not being performed for a real estate related financial transaction, and you could do so in compliance with the COMPETENCY RULE and all other provisions of USPAP, then check with your state appraiser regulatory agency to see if the state permits you to value a property with these characteristics.

I was asked to appraise a "condotel," which is defined as:

> ***A hotel in which an investor takes title to a specific hotel room (unit), which remains in the pool to be rented to transient guests whenever the investor is not using the unit.*[2]**

Is the appraisal of an individual condotel unit a residential or non-residential assignment?

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[2] *Dictionary of Real Estate Appraisal*, 6th ed. Chicago: Appraisal Institute, 2015.

If the marketplace recognizes the units individually as residential units, the appraisal would be considered a residential assignment. If the marketplace does not recognize the units individually but rather as a part of the overall hotel operation, then the assignment would be non-residential. In either case, appraisers performing such assignments must fully understand the ownership rights associated, as well as the interest(s) being appraised.

As with all assignments, appraisers must comply with USPAP, including the COMPETENCY RULE.

Education

Qualifying Education (QE)

I understand that as part of the *Required Core Curriculum* for either the 200 hours for a Certified Residential credential or the 300 hours for a Certified General credential, I am required to take Appraisal Subject Matter Electives. What courses qualify as Electives?

Any course approved as qualifying education by your state appraiser regulatory agency may be utilized as an Appraisal Subject Matter Elective, provided you have not already used the course toward licensure and certification requirements. As an example, a candidate seeking a Certified Residential credential could fulfill the Appraisal Subject Matter Elective requirement by taking one or more of the courses required for the Certified General credential, or vice versa. In addition, a course could be approved by a state for more than the minimum number of hours required in one of the *Required Core Curriculum* modules. If, for example, you took a 25-hour course on *Residential Appraiser Site Valuation and Cost Approach*, 15 of those hours would satisfy the Core Curriculum Requirement for that topic and the other 10 could be applied toward the Appraisal Subject Matter Elective module.

Refer to Guide Note 1 (GN-1) in the *Criteria* for a complete listing of qualifying education topics and subtopics under the *Required Core Curriculum*.

I was going to become a Certified Residential appraiser but after taking 45 hours of residential classes I decided to go for my Certified General credential instead. How many hours out of the 45 can be utilized in satisfying the 300-hour requirement?

You will be able to utilize at least 30 hours, and possibly all 45. Four courses totaling 90 hours are part of the *Required Core Curriculum* for both the Certified Residential and Certified General credentials: *Basic Appraisal Principles* (30 hours), *Basic Appraisal Procedures* (30 hours), the *15-Hour National USPAP Course* or its equivalent (15 hours) and *Statistics, Modeling and Finance* (15 Hours). If your 45 hours were earned among these four courses, all of your hours will apply towards the Certified General credential.

In addition to specific courses required for the Certified General credential, students are required to obtain 30 hours of Appraisal Subject Matter Electives. Thus, if the 45 hours you completed consist of other courses specific to the Certified Residential curriculum, then 30 of these hours can be utilized to satisfy the Appraisal Subject Matter Electives requirement of the Certified General credential.

I am interested in beginning an appraisal career. I found some real estate appraisal courses offered at a local community college, but discovered they are

not approved through the AQB's Course Approval Program (CAP). Is it true that the only courses I can take are AQB CAP-approved courses?

The *Criteria* does not mandate courses be CAP-approved to be eligible. CAP is a voluntary program to which educational providers may apply for approval of courses. CAP review and approval is designed to assist state appraiser regulatory agencies in approving courses by eliminating some of the administrative burden of course review; however, states have the final authority/responsibility with regard to approval of coursework. Check with your state appraiser regulatory agency to see whether the specific community college courses you are considering have been approved for qualifying education.

I received my Certified Residential appraiser credential 10 years ago, and now I would like to get my Certified General credential. According to my state appraiser regulatory agency, I am required to start from the beginning and complete all the qualifying education required for a Certified General credential. I am told this even includes the classes I originally took to get my Certified Residential credential (e.g. *Basic Appraisal Principles* and *Basic Appraisal Procedures*). Is this correct?

Per the *Criteria*, appraisers holding a valid Certified Residential appraiser credential may satisfy the educational requirements for the Certified General appraiser credential by completing the following additional educational hours: *General Appraiser Market Analysis and Highest and Best Use* (15 hours); *General Appraiser Sales Comparison Approach* (15 hours); *General Appraiser Site Valuation and Cost Approach* (15 hours); *General Appraiser Income Approach* (45 hours); and *General Appraiser Report Writing and Case Studies* (15 hours).

The noted 100 total hours of additional qualifying education is the minimum that must be completed. In addition, you will need to satisfy the college degree requirement, complete the additional hours of experience, and successfully complete the *National Uniform Licensing and Certification Exam* (*National Exam*) for the Certified General classification. As with all *Criteria* established by the AQB, states may create requirements that are greater than those established by the AQB. As a result, you will need to check with your state appraiser regulatory agency to determine the exact requirements to change your credential.

I was pursuing a Certified General credential and completed a 30-hour qualifying education course on *General Appraiser Market Analysis and Highest and Best Use* that was approved by my state. I decided to pursue a Certified Residential credential instead, which requires 15 hours of *Residential Market Analysis and Highest and Best Use*. Can I use the General Appraiser course to count as my qualifying education in this category?

The *Criteria* sets forth module names of the *Required Core Curriculum* areas which must be covered in a candidate's qualifying education for each appraiser classification sought. Furthermore, Guide Note 1 of the *Criteria* provides guidance on subtopic areas that should be covered under each of the modules of the *Required Core Curriculum*, in order to prepare the candidate to pass the *National Examinations* for the specific credential. However, coverage of all the subtopics under each module is not required in order for a course to be approved by your state appraiser regulatory agency as qualifying education.

Thus, given the commonality between the subtopics covered in the respective General and Residential Highest and Best Use courses, under the *Criteria* a state could approve the General course toward the *Required Core Curriculum* for the Residential classification. However, be sure to check with the specific state appraiser regulatory agency in the jurisdiction in which you are seeking a credential to verify their specific requirements and course approvals, which could be more specific.

I have an appraisal credential and am now seeking to obtain a credential in a new state where I will be relocating. My appraisal coursework was approved in my current state, but I am having difficulty getting my qualifying education approved in my new state. If one state approved my courses doesn't that mean they are automatically accepted by other states?

The *Criteria* states, "Existing credential holders (with the exception of Trainee Appraisers) in good standing in any jurisdiction shall be considered in compliance with current *Criteria* if they have passed an AQB-approved qualifying examination for that credential. This applies to reciprocity, temporary practice, renewals, and applications for the same credential (with the exception of Trainee Appraisers) in another jurisdiction."

However, while the above represents the position of the AQB, each state has the right to regulate commerce within its boundaries. Thus, their laws may require an applicant to "start from scratch" and fulfill all of the current requirements for licensure or certification.

Furthermore, each state has the responsibility to approve qualifying education courses for credit toward real property appraiser credentials. Individual course providers (e.g., colleges/universities, proprietary schools, designation organizations) must seek approval of their courses by individual states. As such, it is possible one state may have approved a course, while another has not.

I am a state regulator responsible for evaluating courses submitted for qualifying education for state appraiser licensure and certification. I recently received a submission of a course entitled *Advanced Residential Applications and Case Studies*. I reviewed Guide Note 1 of the *Criteria* and understand one of the subtopics for this course is "Advanced Case Studies." What qualifies a case study as "advanced?"

An *Advanced Residential Applications and Case Studies* course should serve to provide the student with practical instruction and demonstrate how to handle complex and high-value residential properties.

Guide Note 1 of the *Criteria* provides curriculum guidance that includes the following subtopics for this course:

A. Complex Property, Ownership and Market Conditions
B. Deriving and Supporting Adjustments
C. Residential Market Analysis
D. Advanced Case Studies

Thus, the case studies in this type of course should include issues dealing with complex and/or high-value residential properties such as:

- Atypical properties in a given market;
- Residences with unique architecture or historic properties;
- Properties which may be stigmatized due to internal or external circumstances; and/or
- Properties of such value and/or unusual characteristics that their competitive market may be regional as opposed to an immediate neighborhood.

Other advanced case study topics could include complex ownership situations, such as the appraisal of fractional interests in a property; material dealing with more complex market conditions such as declining neighborhoods within a generally improving market; properties affected by a government acquisition program; or properties within markets that may be impacted by foreclosure sales or tax sales.

Advanced case studies may involve advanced statistical analysis; appropriate handling of unusual sales concessions; atypical markets; and markets with scarce data.

Please be advised that the above is not meant to be an exhaustive list of possible topics for *Advanced Residential Applications and Case Studies*. Course developers are encouraged to explore a variety of topics relevant to complex residential issues to differentiate an *Advanced Residential Applications and Case Study* course from more basic level course topics.

I am a Trainee Appraiser preparing to get my Certified Residential credential. For my initial qualifying education to become a Trainee Appraiser, I completed 80 hours of *Basic Appraisal Principles and Procedures* from a proprietary school that no longer exists. My state appraiser regulatory agency said any courses taken before the current edition of the *Criteria* were no longer considered valid according to the AQB. Why can't these original hours count toward the qualifying education requirement for my Certified Residential credential?

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The *Criteria* does not contain any provision that invalidates qualifying education successfully completed. As with all *Criteria*, states may create requirements that are more restrictive; if so, you'll need to clarify this with your state. From the AQB's perspective, completed courses that were eligible for credit remain valid towards the current *Criteria*.

The only *Criteria* that places a "shelf life" on education is found in the following provision affecting *non-credentialed* candidates: "All qualifying education must be completed within the five (5) year period prior to the date of submission of a Trainee Appraiser application." In this case, an appraiser pursuing a Trainee Appraiser credential would not be able to use courses more than 5 years old at the time of submission of the application to become a Trainee Appraiser.

I see that the *Criteria* requires all Qualifying Education be taken within five (5) years prior to applying for a Trainee Appraiser credential. I am applying for a Certified Residential credential. Does this requirement apply to me?

No. The *Criteria* only requires that applicants for a Trainee Appraiser credential complete their education within five (5) years prior to application. This requirement does not apply to individuals applying for a Licensed Residential, Certified Residential or Certified General credential.

However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

I hold a real estate degree from a university whose degree program has been reviewed and approved by the AQB. As part of the required curriculum, I completed the required 30 hours in *Basic Appraisal Principles*, and 30 hours in *Basic Appraisal Procedures*. However, I received my degree over five years ago. I'm interested in becoming a licensed Trainee appraiser. I know the *Criteria* requires all qualifying education courses to be taken within the five (5) years immediately preceding the application for a Trainee License. Does this "5-year" requirement also apply to education obtained as part of a degree from an AQB-approved program? Will I have to retake the 60 hours of qualifying education?

The restriction on qualifying education for the Trainee credential applies to *when* the education was completed, not *where* it was completed. Therefore, even though you satisfied the *Basic Appraisal Principles* and *Basic Appraisal Procedures* courses as part of the curriculum in an AQB-approved degree program, because the courses were completed over five years before applying for the Trainee credential, they are no longer eligible.

It should be noted that the five-year requirement for qualifying education applies *only* to the Trainee credential. There is no such restriction for the Licensed Residential, Certified Residential, and Certified General classifications.

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I have been a commercial real estate professional for over 20 years, have my broker's license, and am a Certified Commercial Investment Member (CCIM). I am interested in pursuing a Certified General real property appraiser credential. I would prefer to do my education on my own time with an online educator. I have my Bachelor's degree in business from a state university. With my licensing, education, and experience, is there a way to "fast track" the required coursework?

Many qualifying education (QE) courses required under the *Criteria* are available online. Your state appraiser regulatory agency maintains a list of approved QE courses and providers. Also, it is possible your university may have sought and received QE approval from your state appraiser regulatory agency for some of the courses you took as part of your degree.

Alternatively, some of the education you completed for your other real estate credentials/designations might be approved by your state appraiser regulatory agency as real property appraiser QE. If so, you may already have some of the 300 hours of required QE for the Certified General credential completed.

I am currently in the process of taking the required Qualifying Education (QE) coursework before entering a PAREA program. I would like to eventually become a Certified General (CG) appraiser, but I will be taking PAREA for the Certified Residential (CR) credential. Do I need to take the QE for the CR credential, complete PAREA, then take the rest of the QE for the CG credential?

No. An aspiring appraiser completing all QE education taken for the CG credential satisfies QE education requirements for LR and CR.

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College Degree Requirement

I would like to become a Certified Residential appraiser, and noticed that one of the college-level education requirement options is to have an Associate's Degree in a field related to Business Administration, Accounting, Finance, Economics, or Real Estate. How do I know if my Associate's Degree falls into one of these broad categories?

The following fields of study may apply, but you will need to double check with your state appraiser regulatory agency as their requirements may differ or be more specific.

<u>Associate's Degrees in Business Administration</u>

Possible alternative degrees related to an Associate's Degree in Business Administration may include, but are not limited to:

- Administrative / Executive Assisting
- Bookkeeping
- Business Information / Office / Office Administration Systems
- Business / Construction / Hospitality / Restaurant / Human Resources / Information Systems / Operations / Project / Small Business / Supply Chain Management
- e-Business
- Economics
- Finance
- International Business
- Logistics
- Marketing / Sales
- Merchandising
- Public Service
- Taxation
- Technical Administration

<u>Associate's Degrees in Accounting</u>

Possible alternative degrees related to an Associate's Degree in Accounting may include, but are not limited to:

- Accounting Systems / Accounting Technology
- Applied Accounting
- Auditing
- Bookkeeping
- Computer Applications
- Financial Management / Financial Services
- Taxation / Tax Specialist

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Associate's Degrees in Finance

Possible alternative degrees related to an Associate's Degree in Finance may include, but are not limited to:

- Banking
- Credit Management
- Financial Planning
- International Finance
- Investments and Securities
- Real Estate Finance
- Statistical Methods

Associate's Degrees in Economics

Possible alternative degrees related to an Associate's Degree in Economics may include, but are not limited to:

- Applied / Business / Development / International / Managerial Economics
- Econometrics

Associate's Degrees in Real Estate

Possible alternative degrees related to an Associate's Degree in Real Estate may include, but are not limited to:

- Appraisal
- Property Management
- Real Estate Finance

May an applicant for the Certified Residential credential use courses classified by the college or university as non-college-level, such as developmental or remedial courses, to meet the *in-lieu-of degree* requirement?

No. College-level courses do *not* include courses such as those identified as developmental or remedial courses or those courses which do not count toward a degree requirement. You can check your college and their college catalog to determine whether a course is classifiable as a college-level course.

Section III. B. 3. of the Certified Residential Real Property Appraiser section of the *Criteria*, states:

3. *Successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:*
    a. *English Composition (3 semester hours);*
    b. *Microeconomics (3 semester hours);*
    c. *Macroeconomics (3 semester hours);*
    d. *Finance (3 semester hours);*

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e. *Algebra, Geometry, or higher mathematics (3 semester hours);*
f. *Statistics (3 semester hours);*
g. *Computer Science (3 semester hours);*
h. *Business or Real Estate Law (3 semester hours); and*
i. *Two elective courses in any of the topics listed above or in accounting, geography, agricultural economics, business management, or real estate (3 semester hours each).*

The *Criteria* provides for alternatives to the Bachelor's Degree requirement for a Certified Residential credential, which includes 30 semester hours of college education in specified topics. How do I know what college courses match these topics?

The AQB issued Guide Note (GN-10), which addresses this topic specifically. The topics listed in the Certified Residential *Criteria*, Section III.B.3., are very broad. State regulators can review GN-10 to assist them with determining what college course titles may match the requirements.

The *Criteria* contains a list of college-level courses that applicants may take in lieu of a college degree for the Certified Residential classification. Do I have to complete each of the courses in the list, or may I simply choose courses from among the list to satisfy the 30 semester credit hour requirements?

Applicants who do not possess the requisite college degree must complete college-level courses covering three semester hours in each of the topic areas listed to satisfy the in-lieu requirements for the Certified Residential classification. (Note: completion can be satisfied with a combination of topics in Section III.B.3. and III.B.4.).

***Criteria* requires a "Business or Real Estate Law" course (among other courses) in-lieu of a college degree as college education for the Certified Residential credential. Does this mean any course in "Business" or a course in "Real Estate Law" or does this mean a course in "Business Law" or a course in "Real Estate Law?"**

The in-lieu education must include successful completion of a course in "Business Law" or a course in "Real Estate Law" from an accredited degree-granting college or university for which you receive credit or successfully complete the CLEP examination "Introductory Business Law."

The *Criteria* allows for an Associate's Degree in Business Administration, in the field of "Hospitality." How is this pertinent for appraisers?

There are appraisers who specialize in the valuation of hotels and motels. A degree with an emphasis in how these facilities operate could be a foundational basis when performing assignments of this type.

What information do I need to submit to my state to help them evaluate the college courses I took to meet the Certified Residential college education requirements or the qualifying education required toward all classification levels?

Your state may require copies of your college transcript, syllabi, and course materials used in your college courses. Additionally, the AQB has developed a Guide for How to Apply University/College Courses to the AQB's Real Property Appraiser Core Curriculum Matrix, which is available for download **here**.

Please double check with your state appraiser regulatory agency as their requirements may differ or be more specific.

In May 2018, changes to the *Criteria* became effective which allowed candidates for the Certified Residential classification to satisfy the college-level education requirements using various options. One option remains possessing a Bachelor's Degree from an accredited college or university. Because the language does not specifically state, "A Bachelor's Degree (or higher) …" as stated under the Certified General classification, is it accurate to conclude a graduate degree (e.g., Masters, PhD) does not satisfy the requirement?

No. The requirements in the *Criteria* are minimums; an individual possessing a postgraduate degree (e.g., Masters, PhD) from an accredited college or university satisfies the requirement for a Bachelor's Degree because prior to enrolling in a postgraduate degree program, students need to hold a Bachelor's Degree.

Alternative Track to Qualify for a Certified Residential Credential from a Licensed Residential Credential.

I've held a Licensed Residential credential for five years and plan to upgrade to a Certified Residential credential. What do I need to do to get a Certified Residential credential?

Provided you have held a Licensed Residential credential for a minimum of five (5) years and have not had any adverse, final and non-appealable adjudicated disciplinary action affecting your legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential credential, you would need to document the following:

- An additional 50 hours of qualifying education, including the following courses: Statistics, Modeling & Finance (15 hours), Advanced Residential Applications and Case Studies (15 hours) and Appraisal Subject Matter Electives (20 hours);
- One thousand five hundred (1,500) hours of experience in no fewer than twelve (12) months (experience used to obtain your Licensed Residential credential may apply to this requirement);
- Successful completion of the Certified Residential Real Property Appraiser examination.

If you have not held a Licensed Residential credential according to the requirements stated above, in addition to the above requirements, you must also have:

1. Possession of a Bachelor's Degree in any field of study; or
2. Possession of an Associate's Degree in a field of study related to:
    - Business Administration;
    - Accounting;
    - Finance;
    - Economics; or
    - Real Estate

or

3. Successful completion of 30 semester hours of college-level courses that cover each of the following specific topic areas and hours:
    - English Composition (3 semester hours);
    - Micro Economics (3 semester hours);
    - Macro Economics (3 semester hours);
    - Finance (3 semester hours);
    - Algebra, Geometry, or higher mathematics (3 semester hours);
    - Statistics (3 semester hours);
    - Computer Science (3 semester hours);
    - Business or Real Estate Law (3 semester hours); and
    - Two elective courses in any of the topics listed above or in accounting, geography, agricultural economics, business management, or real estate (3 semester hours each)

or

4. Successful completion of at least 30 semester hours of College Level Examination Program® (CLEP®) examinations from each of the following subject matter areas:
    - College Algebra (3 semester hours);
    - College Composition (6 semester hours);
    - College Composition Modular (3 semester hours);
    - College Mathematics (6 semester hours);
    - Principles of Macroeconomics (3 semester hours);

- Principles of Microeconomics (3 semester hours);
- Introductory Business Law (3 semester hours); and
- Information Systems (3 semester hours).

or

5. Any combination of option 3 and 4 above that includes all of the topics identified that ensures coverage of all topics identified in option #3.

As some states may have requirements that exceed *Criteria*, it is important to check with the state regulatory agencies to determine what their requirements are.

What is a final and non-appealable adjudicated disciplinary action?

A final and non-appealable adjudicated disciplinary action is one in which all appeals available under due process have been exhausted, or which the time period in which to request an appeal has expired.

I have been a Licensed Residential appraiser for more than five years, but my state has placed a restriction on my credential, which limits the types of assignments I am allowed to appraise. Is this considered a sanction that restricts my "legal eligibility to engage in appraisal practice" and therefore disqualifies me for the alternative track to become a Certified Residential appraiser?

Yes. An appraiser would not be able qualify for the alternative track to become a Certified Residential until five years after the date the restriction is lifted.

The *Criteria* that went into effect on May 1, 2018, allow an AQB compliant Licensed Residential Appraiser to change to a Certified Residential Appraiser credential without possessing a college degree. Does this apply to all Licensed Residential credential holders or just those that held the Licensed Residential credential prior to the *Criteria* effective date of May 1, 2018?

Per Section III.C. of the Certified Residential Criteria, this applies to any individual who holds (or has held) a Licensed Residential credential for a minimum of five (5) years with no record of any adverse, final, and non-appealable disciplinary action that affected their legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application *may* be eligible to obtain a Certified Residential credential without a college degree (regardless of when they obtained a Licensed Residential credential).

In addition to satisfying the requirements outlined in Section III.C., the applicant would also need to obtain an additional fifty (50) hours of qualifying education, document 1,500 hours of experience in no fewer than twelve (12) months, and successfully pass the Certified Residential Examination. As some states may have requirements that

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exceed *Criteria*, it is important to check with the state regulatory agencies to determine what their requirements are.

I have held a Licensed Residential credential for 20 years; however, my credential is currently inactive, and has been for four years. I have completed 14 hours of continuing education during each year the credential has been inactive.

The *Criteria* states that individuals who have held an AQB compliant Licensed Residential credential for a minimum of five (5) years with no record of any adverse, final, and non-appealable disciplinary action affecting the appraisers' legal eligibility to engage in appraisal practice within the five (5) years immediately preceding the date of application for a Certified Residential credential may qualify for a Certified Residential credential by:

- **Successfully completing fifty (50) additional specified hours of qualifying education;**
- **Documenting proof of completing 1,500 hours of experience in no fewer than twelve (12) months; and**
- **Successfully passing the Certified Residential National Examination**

Will the fact that my credential is currently inactive prevent me from qualifying for a Certified Residential credential via the alternative pathway outlined above?

No, provided you possessed an active Licensed Residential credential that allowed you to legally engage in appraisal practice for a total period of at least five (5) years and have legal authority to reinstate your inactive credential, the *Criteria* does not prohibit you from qualifying for a Certified Residential credential (please note you must also meet the requirements noted above per Section III.C. in the Certified Residential *Criteria*). However, some states may have requirements that exceed *Criteria*, so it is important to check with your state regulatory agency.

The *Criteria* requires successful completion of three items: education, experience, and examination. The revised *Criteria* now recognizes an appraiser who has held the Licensed Residential credential for five (5) years without any disciplinary action affecting the appraiser's legal eligibility to practice may obtain a Certified Residential credential by completing 50-additional hours of specified qualifying education and successful completion of the national examination.

Does an applicant in the above scenario need to provide a log to document 1,500 experience hours?

A Licensed Residential appraiser will have to document proof of completion of 1,500 hours in no fewer than twelve (12) months. (Note: some of the experience used to qualify for the Licensed Residential credential may apply towards this requirement).

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Supervisory Appraiser / Trainee Appraiser Education

Trainees

I am currently a credentialed Trainee Appraiser. Am I required to take a Supervisory Appraiser/Trainee Appraiser course?

If you were a credentialed Trainee Appraiser prior to January 1, 2015, the AQB encourages you to take the course; however, the *Criteria* would not require you to do so. Nonetheless, check with your state appraiser regulatory agency, since it may adopt more stringent requirements.

For individuals who have sought a new Supervisory Appraiser after January 1, 2015 you must fulfill all of the current *Criteria* requirements, which includes taking the Supervisory Appraiser/Trainee Appraiser Course.

The *Criteria* requires that I take a *Supervisory Appraiser/Trainee Appraiser Course* prior to obtaining my Trainee credential. Do I need to take this course in each jurisdiction where I am seeking a Trainee credential?

The *Criteria* does not require that you take this course in each jurisdiction. However, you must check with the state(s) in which you are seeking a Trainee credential, as state requirements vary and can be more stringent than minimum *Criteria*.

Supervisors

I began supervising a credentialed Trainee Appraiser prior to January 1, 2015. Am I required to take the Supervisory Appraiser/Trainee Appraiser Course?

If you began supervising a credentialed Trainee Appraiser prior to January 1, 2015, the AQB encourages you to take the course; however, the *Criteria* would not require you to do so. Nonetheless, check with your state appraiser regulatory agency, since it may adopt more stringent requirements.

If you have sought to serve as a Supervisory Appraiser of any additional Trainee Appraiser(s) after January 1, 2015, you must fulfill all of the current *Criteria* requirements, which includes taking the Supervisory Appraiser/Trainee Appraiser Course.

I am a Supervisory Appraiser who has recently upgraded from Certified Residential to Certified General and plan on employing Trainee Appraisers. Do I have to take the Supervisor/Trainee course or am I grandfathered because I had trainees prior to January 1, 2015?

Yes. If you have not already taken the AQB-required Supervisor/Trainee course, you will be required to take the Supervisor/Trainee course if you are going to supervise any new/additional Trainee Appraisers.

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States

I am a state appraiser regulatory official and I have reviewed the AQB course content outline for the required Supervisory Appraiser/Trainee Appraiser Course. Does the AQB require a minimum or maximum length for this course?

The AQB has not established a minimum or maximum time frame for this course offering. The intent of the course is to cover areas of general applicability to all Supervisory Appraiser/Trainee Appraiser relationships, and to allow each state to consider including material specific to the local jurisdiction regarding state law and/or areas of practice eliciting the highest number of disciplinary actions/complaints.

If an education provider is seeking continuing education credit for the course, it must be a minimum of two classroom hours, per the *Criteria* requirements.

I am a state appraiser regulatory official. A course provider submitted a Supervisory Appraiser/Trainee Appraiser course for Continuing Education (CE) approval. Does the AQB allow this course to be utilized for appraiser CE?

Yes, upon review and approval by the state appraiser regulatory agency, a Supervisory Appraiser/Trainee Appraiser course may be utilized for CE for existing credential holders, provided the course meets the other requirements for a CE course as specified in the *Criteria*. However, the *Criteria* prohibits the course from being counted toward Qualifying Education (QE).

I am a state appraiser regulatory official and I was recently reviewing the AQB's Supervisory Appraiser/Trainee Appraiser Course Objectives and Outline document. I note that item III.C.1 requires an "Overview of a jurisdiction's role in issuing appraiser credentials and disciplining appraisers," while it is optional to include item III.C.2, "Specific information regarding the regulatory structure of the individual jurisdiction."

In addition, item IV.B.1 requires an "Overview explaining how AQB sets minimum qualifications, but states may have qualifications that exceed *Criteria*," and item IV.B.2 requires the course to "Outline and explain the specific steps/requirements to becoming licensed or certified in the particular jurisdiction in which the course is being provided."

Our jurisdiction does not require anything more than the *Criteria*; therefore, must we include jurisdiction-specific requirements, given that they are the same as the *Criteria*?

Yes. Even if a jurisdiction does not have any requirements greater than the *Criteria*, the course must include material addressing all of the required topic areas as identified in the Supervisory Appraiser/Trainee Appraiser Course Objectives and Outline document. Any items identified as optional are not required.

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If a jurisdiction's requirements are identical to those established by the AQB, course developers must include that criteria under the jurisdiction-specific portions of the course.

Education Providers

I am an education provider and noticed that the majority of the course content in Section III of the Supervisory Appraiser/Trainee Appraiser Course Outline, Individual State or Territory Credentialing Entities, is currently contained within the first section of The Appraisal Foundation's *15-Hour National USPAP Course*.

If I incorporate a large portion of the *15-Hour National USPAP Course* material into my Supervisor Appraiser/Trainee Appraiser Course, am I violating any USPAP course copyright?

No, provided proper attribution to the *15-Hour National USPAP Course* is provided in the Supervisory Appraiser/Trainee Appraiser Course, there is not a problem incorporating material from the *15-Hour National USPAP Course* into the Supervisory Appraiser/Trainee Appraiser Course.

I am an education provider planning to create a course that meets the minimum requirements in the Criteria for the Supervisory Appraiser/Trainee Appraiser Course. I would like to submit the base course (that includes the national minimum requirements, not the state rules/regulations) to the AQB's Course Approval Program (CAP for approval for use in multiple jurisdictions), and then allow states to write add-on modules covering any state-specific requirements. I have three questions:

1. **Will the AQB, through its Course Approval Program, review and approve the above scenario as meeting the minimum base requirements?**
2. **In prior Q&As on this topic, the AQB affirmed there is no minimum or maximum course length for the Supervisory Appraiser/Trainee Appraiser Course. If my base course is approved through CAP for 6 hours, and I offer the course in a state that has adopted a 3-hour course requirement, can my course be presented in a 3-hour format in that state?**
3. **Are education providers required to submit Supervisory Appraiser/Trainee Appraiser courses to CAP for approval?**

1. Yes, the AQB recognizes that a Supervisory Appraiser/Trainee Appraiser Course must cover the required elements of the Course Content Outline. As such, a course that earns CAP approval will have an additional statement to this effect.
2. No, not if you utilize CAP approval. CAP approval requires a course to be presented as submitted; therefore, material cannot be added or omitted from the presentation of the course. In this case, you would have to create a 3-hour course for that particular state and seek separate approval from CAP or approval from that state appraiser regulatory agency.

3. No, states can approve courses directly, provided the state verifies the course includes all of the required elements of the course content outline developed by the AQB.

Continuing Education (CE)

I am a state-certified appraiser and was told by my state appraiser regulatory agency the *15-Hour National USPAP Course* would not satisfy my continuing education requirement to complete the *7-Hour National USPAP Update Course.* Why can't I take the 15-Hour course in lieu of the 7-Hour course?

The *Criteria* requires the *7-Hour National USPAP Update Course* be taken for continuing education (CE) every two calendar years. The *7-Hour National USPAP Update Course* focuses on the most recent changes to USPAP, common problem areas, and application of USPAP to real world situations. This course is appropriate for practicing appraisers who already have a baseline understanding of USPAP, but need to be apprised of recent developments and updates affecting their appraisal practice.

The *15-Hour National USPAP Course* is geared to the beginning appraiser who has a limited understanding of USPAP. The coverage and treatment of changes or emerging issues is not the focus of this course; thus, it does not meet the educational objectives of the 7-Hour course.

I took some courses as qualifying education in order to obtain my appraiser credential. Am I allowed to re-take these same courses again for continuing education (CE) purposes now that I'm credentialed?

If a course is approved by your state appraiser regulatory agency as CE you should be able to receive CE credit for taking the course, regardless of whether you previously took the course as qualifying education. However, some states prohibit re-taking the same course for CE purposes. Confirm with your state appraiser regulatory agency whether the course is eligible for CE.

I am a state regulator charged with reviewing and approving courses for continuing education (CE). An education provider submitted CE courses for review that are designed to prepare candidates for the *National Examinations*. Can the state approve an "exam prep" course for CE?

Nothing would prohibit a state from approving a course that prepares individuals for the *National Examinations*, provided the course adheres to the CE requirements as outlined in the *Criteria* (i.e., the course covers applicable appraisal-related topics and is a minimum of 2 hours in length).

I am certified in multiple states. If I attend and successfully complete a continuing education (CE) course in one state, can I use it to count toward my recertification in another state?

In the event the course, provider and delivery mechanism (classroom or distance education) are approved in both states, then each state may grant you CE credit for taking the one course. However, each state has a unique method of approving courses. Thus, be sure to check with the specific state appraiser regulatory agency in the jurisdictions in which you are seeking to renew your credentials to verify their requirements.

The *Criteria* requires that I take the *7-Hour National USPAP Update Course* every two calendar years. If I do not take the course until 18 months after the new version of USPAP goes into effect, does that mean I can continue to follow the prior version of USPAP until I take the update course?

No. You are responsible to comply with the version of USPAP as of the date it becomes effective, regardless of when you complete the *7-Hour National USPAP Update Course*. For this reason, the AQB encourages all credential holders to complete the course as soon as possible to ensure proper understanding of any revisions made to USPAP.

I am an AQB Certified USPAP Instructor and I recently taught the *7-Hour National USPAP Update Course*. Can I be granted continuing education credit toward my credential renewal for successfully completing the *7-Hour National USPAP Update Course* during my current renewal cycle?

Per the *Criteria,* a state appraiser regulatory agency may allow you to receive credit for successfully completing the *7-Hour National USPAP Update Course* in this case, provided that you do not receive credit for more than half of your total required continuing education during any one continuing education (CE) cycle by teaching or in any other manner, other than as a student in a CE course. However, check with your state appraiser regulatory agency to confirm whether any additional restrictions may apply.

I am an instructor of courses approved for qualifying education (QE) and/or continuing education (CE) in the state in which I hold an appraiser credential. Can I obtain CE credit for time I spend preparing to teach courses?

No, *preparing to instruct* does not qualify for CE credit. However, in addition to actual course instruction, a jurisdiction may award up to one-half of your required continuing education credit in a CE cycle for your activities during the cycle as a *program or course developer* or for *authorship of an appraisal textbook*.

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I am a certified appraiser in a state with a 2-year licensure cycle. As such, I am required to complete 28 hours of approved continuing education (CE) in order to renew my certification. If I complete more than the required 28 hours, can I carryover the extra hours to my next certification renewal?

No. The *Criteria* does not provide for any carryover of CE hours from one renewal period to the next. Specifically, under *Section F. Criteria Specific to Continuing Education, Item 11* states that the instruction for which CE is sought for each year must take place "…during the period preceding the renewal…."

I am a certified appraiser and my certification does not need to be renewed until next year. The edition of USPAP just came out and I have not yet taken the latest *7-Hour National USPAP Update Course*. Does this mean that my credential is invalid until I complete the course?

When a new edition of the *Uniform Standards of Professional Appraisal Practice* (USPAP) goes into effect, you are responsible for understanding and complying with that current version of USPAP, whether or not you have taken the required 7-Hour course yet or not. Under the *Criteria*, you are required to successfully complete the 7-Hour course every two calendar years. The *Criteria* does not otherwise define the timeframe during which you must complete the course. However, please check with your state appraiser regulatory agency as states may implement more stringent requirements.

My appraiser license renewal date is coming up soon. Is continuing education (CE) I completed in two years ago too old? Where can I find the timeframe during which my CE must be completed?

Your state appraiser regulatory agency determines the continuing education cycle for credentials within the state. The *Criteria* does not allow carryover of any CE hours from one renewal period to the next.

Does the AQB require successful completion of a final exam in order to receive continuing education (CE) credit for an online asynchronous appraisal course?

The *Criteria* requires course providers of asynchronous continuing education courses to track students' attendance and measure their comprehension of the material. One way this can be accomplished is via a proctored, final examination. The other, more common method is for the CE course to include embedded quizzes or other exercises to be completed by the student during the course offering.

Please note that some states may have adopted an exam requirement for all continuing education distance learning courses. If you are located in one of these states, you are required to comply with the state's examination requirement in order to obtain your CE credit.

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In addition, all synchronous USPAP courses require a proctored final examination.

I understand that to be eligible for continuing education to renew a real property appraiser credential, a course or seminar must be a minimum of two (2) hours in length. However, some courses include material that is not real property-related. For example, if one hour of a two-hour course were designed for personal property appraisers, would the course still be eligible for two hours of continuing education credit for real property appraisers? If not, would the course be eligible for one hour of credit for real property appraisers?

Only the real property appraisal-related portion of a continuing education offering is valid towards the renewal of a real property appraiser credential. In the example cited, the two-hour course would not be valid for two hours of continuing education credit, since it did not address real property appraisal-related topics for the entire two hours.

Further, this particular course would not be eligible for *any* real property appraiser continuing education credit, since the real property appraisal-related portion of the course did not constitute a minimum of two hours in duration. If, alternatively, a three-hour course included two hours devoted to real property appraisal-related topics, that course would be eligible for two hours of continuing education credit.

Exams

I am a state regulator responsible for approving asynchronous distance education courses for qualifying education purposes. Can an education provider utilize a remote proctoring service to electronically monitor an individual taking a final examination?

The *Criteria* specifies the examination must be “proctored in person or remotely by an official approved by the college or university or by the sponsoring organization. Bio-metric proctoring is acceptable.” The Policies and Procedures of the AQB’s Course Approval Program (CAP) (a voluntary program that may be utilized by state regulatory agencies) states that proctoring an examination could “take many forms including but not limited to the physical presence of a proctor, video observation or electronic monitoring.” It is important to note that the AQB does not maintain a list of acceptable proctors.

Do you have any guidance on how to incorporate and implement remote and/or biometric proctoring for distance education qualifying education courses?

The *Criteria* requirements related to exams for distance education state that exams must include a written, closed-book final examination and that the exam must either be proctored in person or remotely. Because there are various ways to ensure a closed book exam experience, the *Criteria* leaves the “how” open to providers and state regulatory agencies to decide the best method to use to comply with this *Criteria*.

I am a state regulator responsible for approving distance education to be utilized as qualifying education under the *Criteria*. The *Criteria* requires a written, proctored examination. Can an examination be proctored by the staff at an electronic testing service office?

The *Criteria* specifies the examination must be "proctored in person or remotely by an official approved by the college or university or by the sponsoring organization. Bio-metric proctoring is acceptable." The AQB does not maintain a list of acceptable proctors. However, a testing service, such as one that delivers the National Uniform Licensure and Certification Examinations and/or examinations for other professions, with staff approved by the course deliverer, would likely be an acceptable means for an examination to be proctored.

What are the qualifications of an acceptable proctor for an examination required under the *Criteria*?

The *Criteria* specifies a the examination must be "proctored in person or remotely by an official approved by the college or university or by the sponsoring organization. Bio-metric proctoring is acceptable.". The AQB does not maintain a list of qualifications or requirements to approve acceptable proctors. Each state may adopt specific requirements for an individual to serve as a proctor.

Experience

General

I am pursuing a Certified General credential. The firm I work with has a diverse appraisal practice including the valuation of real property and the valuation of personal property. Can I claim experience for personal property appraisal assignments where I am not appraising the real property interest?

No. The *Criteria* requires that experience must be gained in the performance of acceptable **real property** appraisal practice. Specifically, an applicant's experience must be in appraisal work conforming to Standards 1, 2, 3, 4, 5 and/or 6.

STANDARD 1 (the Real Property Appraisal Development Standard) allows for the valuation of personal property a*s a part of a real property valuation assignment*. Thus, a state may accept personal property valuations that are part of a real property appraisal, such as the valuation of furniture, fixtures, and equipment (personal property) as part of a hotel going concern valuation. However, always be sure to check with the specific state appraiser regulatory agency in the jurisdiction in which you are seeking a credential to verify their requirements, which could be more restrictive.

Is there an assumption that a typical residential appraisal takes "X" hours to develop and report? If someone submits a log to the state and says they have acquired 3,000 hours of experience by doing ten "URAR" form reports, would they be believed? Or, is there a range that makes sense, like between four and twelve hours for a "typical" assignment?

The *Criteria* does not specify an amount of experience hours which may be claimed per assignment. The state appraiser regulatory agency in the jurisdiction where you are seeking a credential is responsible for examining your experience log and must be satisfied there is a reasonable relationship between the amounts of time you claim to have spent on an assignment and your description of work performed. Some states have established typical hours for specific types of appraisal assignments, which they use as a benchmark to identify potentially excessive experience claims. Be sure to check with your Supervisory Appraiser (if applicable) and your state appraiser regulatory agency to make sure you comply with the hourly requirements when claiming experience.

I am employed by a county appraisal district where we value properties for ad valorem tax purposes. My job requirements include valuing real property using the sales comparison approach, performing on-site inspections of properties, using mass appraisal tools to assign real property values, analyzing sales on an annual basis, etc. Our state requires appraisal experience for state licensure or certification to comply with the *Criteria* for acceptable experience. Does my

position as a Residential Appraiser at the appraisal district meet the *Criteria* for acceptable experience?

Just by serving in a municipal appraisal position, you are not automatically granted credit. Per the *Criteria,* the quantitative experience requirements must be satisfied by time spent on the appraisal process: analyzing factors that affect value; defining the problem; gathering and analyzing data; applying the appropriate analysis and methodology; and arriving at an opinion and correctly reporting the opinion in compliance with USPAP. Based upon the minimum criteria set forth by the AQB, a state could, after review of your work log and work samples, grant you experience credit for work completed in ad valorem, mass appraisal assignments. However, check with the specific state appraiser regulatory agency in the jurisdiction in which you are seeking a credential to verify its requirements, which may exceed the requirements set forth in the RPAQC.

I am a practicing real estate appraiser and develop my appraisals in compliance with USPAP STANDARD 1. However, I am not required to report the results of my appraisals in compliance with USPAP STANDARD 2. Can I still receive credit for experience for the hours I spent in the development process of the appraisals?

No. There is no allowance for an appraisal that is prepared in compliance with STANDARD 1 but not reported in accordance with STANDARD 2. The term “partially USPAP compliant” does not exist in the *Criteria*. In order to earn experience credit, appraisals must be prepared and reported in compliance with STANDARDS 1 and 2, as well as the additional requirements in USPAP.

I am a practicing real estate appraiser and my jurisdiction allows me to perform appraisals as an unregistered appraiser. If my appraisals are prepared in conformance with USPAP, will I be able to obtain experience credit?

Generally speaking, yes. The *Criteria* does not require an individual to possess a credential in order to obtain eligible experience credit. However, some states require an individual to possess at least a Trainee (or Associate) credential to obtain creditable experience. If that is the case, an individual who is not legally able to obtain experience would not be able to use that time to satisfy the experience requirements even if the reports were USPAP-compliant. In addition, some states do not allow experience obtained outside their state boundaries; therefore, it’s critical to check with your specific state.

Is there any requirement within the *Criteria* that would prohibit an appraiser from counting commercial experience toward obtaining a Certified Residential credential?

No. The *Criteria* does not specify that the experience hours required for the Certified Residential credential must all be obtained in the appraisal of 1-4 unit residential properties. As a result, experience obtained in the appraisal of non-residential (including 5+ unit residential) properties for use toward a Certified Residential credential is not prohibited by the AQB.

However, as with all *Criteria*, states may establish requirements that are greater than, or more restrictive, than what the AQB requires. As a result, you will need to confirm with your state appraiser regulatory agency whether it has such a requirement.

The Certified General credential requires 3,000 hours of experience *in no fewer than 18 months*. In the type of appraisals I perform, some assignments may be commenced in one month and completed in another; thus, the log might not reflect "experience" in one or more specific months. Does my log of appraisal experience have to show appraisals completed in 18 different months? Or does it just have to span a total of 18 months?

The *Criteria* does not require that experience be obtained in 18 *different* months, but rather over a period of no fewer than 18 months. However, state regulatory agencies can be more restrictive, therefore it is recommended to check with your state for details.

I work at an assessor's office and am working towards earning a real property appraiser credential, does the *Criteria* require my appraisal experience log, which will contain only experience gained by completing mass appraisal work, to include the signature of a supervising appraiser?

While the *Criteria* allows experience completed in compliance with USPAP Standards 5 and 6 to qualify as verifiable experience, the *Criteria* does not require all appraisal experience logs to have a supervisory signature. The *Criteria* requires a Supervisory Appraiser's signature in an appraisal experience log when an individual has a state-issued trainee credential (and thus is, as defined in the *Criteria*, a "Trainee Appraiser") and that trainee has met the requirement to complete their work under the direct supervision of one (or more) Supervisory Appraiser(s). Thus, if you are **not** a Trainee Appraiser with a Supervisory Appraiser, the supervising appraiser signature requirement under V.H.6. does not apply to you (bold added for emphasis):

Criteria Applicable to all Appraiser Classifications - V. Generic Experience Criteria

H. The verification for experience credit claimed by an applicant shall be on forms prescribed by the state certification/licensing agency, which shall include:

1. *Type of property;*
2. *Date of report;*
3. *Address of appraised property;*
4. *Description of work performed by the trainee/applicant and scope of the review and supervision of the supervising appraiser;*
5. *Number of actual work hours by the trainee/applicant on the assignment; and*

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6. *The **signature** and state certification number of the **supervising appraiser,** if applicable. Separate appraisal logs shall be maintained for each supervising appraiser, if applicable.*

As some states may have requirements that exceed AQB *Criteria*, it is important to check with your state appraiser regulatory agency.

Trainees

I am a Trainee Appraiser accumulating experience under a Certified Residential Supervisory Appraiser. I understand that for my experience to be eligible for credit it must be performed with a certified appraiser; however, we occasionally receive assignments that I do not intend to use for experience credit. In assignments where I don't intend to claim experience credit, can I perform the assignment under the direction of a Licensed Residential appraiser, or even on my own without a Supervisory Appraiser?

No. Regardless of whether an assignment is being claimed for experience credit, a Trainee Appraiser must work under the direct supervision of a Certified Residential or Certified General appraiser. The *Criteria* states, in part:

> *The scope of practice for the Trainee Appraiser Classification is the appraisal of those properties which the **supervising Certified appraiser** is permitted by his/her current credential and that the supervising appraiser is qualified to appraise.* (Bold added for emphasis.)

I have been a Licensed Real Estate Salesperson for several years and also a Trainee Appraiser for over one year. I have a Supervisory Appraiser for whom I perform appraisals and I also get paid by a bank to perform Broker Price Opinions (BPOs) that require very similar information as an appraisal (including providing six comps). I act as a completely unbiased person doing these BPOs and have no interest in the properties. Can these BPOs be counted on my appraisal experience log?

If the BPOs do not comply with USPAP, regardless of the level of detail or the scope of work performed, they are ineligible for experience credit. (Refer to USPAP for further information on not misrepresenting your role when acting as an appraiser versus a broker/salesperson/mortgage broker.)

If, however, the development and reporting of the BPO complies with USPAP, and your Supervisory Appraiser provides direct supervision over your preparation thereof and reviews and signs your work product, it is possible a state appraiser regulatory agency might count these as appraisal experience. However, be sure to check with the specific state appraiser regulatory agency in the jurisdiction in which you are seeking a credential to verify its requirements, which may be more restrictive.

I am a licensed forester and a Trainee Appraiser. My Supervisory Appraiser is a forester and a Certified General appraiser. As a part of my company's forestry practice, I often perform timber inventory and valuation reports (timber cruises) to estimate the value of timber. Can I utilize my timber cruise experience to satisfy the 3,000 hours of required real property appraisal experience toward earning a Certified General credential?

Solely developing a timber cruise (timber inventory and valuation report) does not qualify for real property valuation experience. However, if you develop a timber inventory and valuation report and appropriately utilize this information in an appraisal of real property, it may qualify for real property valuation experience provided the appraisal complies with USPAP. Furthermore, as with other types of appraisal assignments, an individual providing significant real property appraisal assistance in the appraisal may receive credit for these assignments, provided the individual is duly acknowledged in the certification of the report as having provided significant real property appraisal assistance and the description of their assistance is included in the appraisal report. Be sure to check with the specific state appraiser regulatory agency in the jurisdiction in which you are seeking a credential to verify its requirements, which may be more restrictive.

I am a Trainee Appraiser working towards my license. If I do not sign an appraisal report due to my company's policies or a client's assignment conditions, what verbiage is required in the report in order for the time I spent on the appraisal to count toward the experience requirements in the *Criteria*?

If you provide significant real property appraisal assistance to a Supervisory Appraiser but do not sign the report certification, your Supervisory Appraiser **must** disclose that you provided significant real property appraisal assistance within the certification of the report. In addition, the Supervisory Appraiser must describe the extent of your assistance in the report (refer to the *Uniform Standards of Professional Appraisal Practice* (USPAP), Standards Rules 2-2 and 2-3, as well as Advisory Opinion 31, *Assignments Involving More Than One Appraiser*, for additional details).

Furthermore, the experience log you submit to your state appraiser regulatory agency must describe the work you performed in support of the hours of experience you claim for each assignment. Documentation in the form of reports, certifications, file memoranda, or other evidence that the time you spent on the appraisal process is compliant with USPAP must be provided as part of the state experience verification process to support the experience claimed.

Can a Trainee Appraiser inspect a property without a Supervisory Appraiser?

Yes; however, the Trainee Appraiser must be competent to do so. The *Criteria* requires Supervisory Appraisers to personally inspect properties along with Trainees until the

Trainee is competent to do so without supervision. The *Criteria* mandates such supervision to include:

> *Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.*

Competency to inspect without supervision will vary from assignment-to-assignment. For example, after numerous assignments a supervisor may deem a Trainee competent to inspect single-unit residential tract-type homes. However, that does not mean the Trainee is competent to perform inspections without supervision for large custom homes, condominiums, 2-4 unit residential properties, or atypical/complex property types or assignments. Competency to inspect a property is determined by the Supervisory Appraiser on an individual assignment basis.

Can a Trainee Appraiser sign an appraisal report?

The Criteria neither prohibits nor requires an individual with a Trainee credential to sign any part of a written appraisal report. Please check with your state for any prohibitions or requirements relates to Trainee Appraiser signatures in appraisal reports.

I am a Trainee Appraiser and originally had Supervisory Appraiser A, who co-signed my appraisal reports. However, I also performed appraisals that were co-signed by a Certified appraiser who was not my designated Supervisory Appraiser. Can I count experience obtained under a Certified appraiser who is not my designated Supervisory Appraiser?

No. The *Criteria* states in the Supervisory Appraiser Requirement section I(A)(2): "Supervisory Appraisers shall be responsible for the training, guidance, and direct supervision of the Trainee Appraiser by…reviewing and signing the Trainee Appraiser reports." Therefore, for experience credit to be awarded, the appraisal must be signed by the Supervisory Appraiser.

Supervisors

I am a Supervisory Appraiser and hold a Certified General credential in two states: State A and State B. One of my Trainees has a Trainee Appraiser's credential in State A only. I have an assignment in State B, and plan to take my Trainee with me to work on the assignment. Will State A grant experience to my Trainee Appraiser for work performed in State B?

The *Criteria* specifies experience must be gained under the supervision of the Supervisory Appraiser and the work must comply with USPAP. Thus, the *Criteria* would not prohibit State A from granting the Trainee Appraiser credit in this case. However, be sure to check with the state appraiser regulatory agency in State A to confirm the state's requirements, which could be more restrictive. Additionally, the Trainee should check with State B to determine if State B requires the Trainee to be credentialed in State B in order to work with the Supervisory Appraiser.

I currently have two unlicensed trainees who have been working for me for a number of years. I have not required them to obtain a Trainee Appraiser credential, even though they have taken all of the required courses. Are they required to obtain a Trainee Appraiser credential in order to continue to obtain experience credits toward their Certified General credential?

No. The *Criteria* does not require an individual to possess a Trainee Appraiser credential in order to obtain experience credit. However, because individual states may implement criteria more stringent than the AQB, it is important to check with your state appraiser regulatory agency.

Types of Sanctions

There are many types of sanctions that could be imposed by state appraiser regulatory agencies against an appraiser. Since the *Criteria* prohibits supervision of Trainees for three years after a qualifying sanction, what are examples of such sanctions that would result in a three-year prohibition against supervision?

To trigger the three-year prohibition against supervision after the completion of a disciplinary sanction, the sanction must have affected the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Examples include:

- **Revocation** (termination of an individual's status as a credentialed appraiser)
- **Suspension** (temporary termination of an individual's status as a credentialed appraiser, often for a fixed period of time).
- **Restriction** (a sanction limiting or restricting a credentialed appraiser's scope of practice)
- **Voluntary surrender** in lieu of discipline

I am a state-certified real property appraiser and I am supervising a Trainee Appraiser. I notice the *Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Can you provide examples of disciplinary actions that *would* affect my legal eligibility to engage in appraisal practice?

The AQB has interpreted a disciplinary action to mean any adverse, final, and non-appealable decision by a state regulatory, administrative, or judicial authority of competent jurisdiction, which affects an individual's ability to practice. Sanctions imposed may vary between jurisdictions **and** may consist of those that do and do not affect an appraiser's legal eligibility to practice.

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Sanctions that **would** affect an appraiser's legal eligibility to engage in appraisal practice may include, but are not limited to:

- Any limitation preventing or restricting an appraiser from engaging in appraisal practice until a specified condition has been met.
- Any limitation preventing or restricting an appraiser from engaging in appraisal practice of specific property types for any duration of time.
- Suspension of a Certified General or Certified Residential credential in any jurisdiction.
- Revocation of a Certified General or Certified Residential credential in any jurisdiction.

However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Eligible

Can you provide examples of disciplinary actions that *would not* affect my legal eligibility to engage in appraisal practice?

Sanctions that **would not** affect an appraiser's legal eligibility to engage in appraisal practice may include, but are not limited to:

- A monetary fine or penalty (without additional sanctions limiting the appraiser's legal eligibility to engage in appraisal practice).
- A letter of warning or reprimand.
- An educational requirement.

However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

I understand that a state may issue a probated (or stayed) suspension, where the suspension does not take effect as long as the appraiser complies with certain terms. Would a probated (or stayed) suspension constitute a disciplinary sanction prohibiting a Supervisory Appraiser from supervising Trainees for three years after the completion of the sanction?

No. Assuming the appraiser met the conditions of the sanction and the suspension never became effective, such an action did not affect the Supervisory Appraiser's legal eligibility to practice. Therefore, this would not trigger the prohibition against supervision for three years after the sanction.

I am a certified appraiser who has recently obtained a reciprocal license in another state. I have taken the required course for Supervisory Appraisers/Trainee Appraisers and have been certified for more than three years.

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Can I supervise Trainee Appraisers in the state where I recently obtained my reciprocal license?

Yes, provided you have been certified for a period of at least three years and are in good standing.

I am a state-certified appraiser who is also a Supervisory Appraiser. My state appraiser regulatory agency has levied a fine against me and required me to take additional education. Is this considered a sanction that restricts the Supervisory Appraiser's "legal eligibility to engage in appraisal practice?"

No. As long as the fine is paid and remedial education is completed and no further action is taken (suspension), the Supervisory Appraiser could continue to supervise Trainee Appraisers. However, please check with your state appraiser regulatory agency, since it may adopt more stringent requirements.

I have been a Certified Residential appraiser for the past five (5) years. Last month, I was issued a Certified General credential in the same jurisdiction. Am I able to supervise a Trainee Appraiser working on commercial properties?

The *Criteria* states Supervisory Appraisers shall be state-certified and in "good standing" for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. The *Criteria* does not specify that a Supervisory Appraiser possess a specified Certified Residential or Certified General credential, so you may be eligible to supervise a Trainee Appraiser performing commercial appraisals. However, the Supervisory Appraiser must comply with the COMPETENCY RULE of USPAP for the property type and geographic location in which the Trainee Appraiser is being supervised.

I am a state-certified real property appraiser and I am supervising a Trainee Appraiser. I was recently investigated by my state board for an alleged violation of USPAP. The case was subsequently dismissed without merit and no violations were substantiated. Does an investigation by a state board or other duly authorized entity preclude my continued supervision of the Trainee Appraiser?

No, the *Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's **legal eligibility** to engage in appraisal practice. Although an investigation has occurred in your case, there has been no disciplinary action taken that would preclude your continued supervision of your Trainee Appraiser. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

I am a Supervisory Appraiser who has recently upgraded from Certified Residential to Certified General. Am I allowed to continue to supervise my Trainee

Appraisers or do I need to wait until I have held the Certified General credential for three years?

Yes. You are allowed to continue to supervise your current Trainee Appraisers. However, you must be competent in the property type and the geographic location of your practice. You may supervise the Trainee Appraiser in both residential and non-residential assignments that you are competent to appraise.

I am a state-certified real property appraiser and I am supervising a Trainee Appraiser. I also carry a designation issued by a professional appraiser organization. I was recently investigated by my organization for an alleged violation of the organization's professional ethics requirements, and subsequently, my professional designation was revoked. Does a revocation of my designation by the professional organization preclude my continued supervision of the Trainee Appraiser?

No, the *Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's *legal eligibility* to engage in appraisal practice. Although your appraiser organization has imposed a disciplinary sanction by revoking your designation, this action does not, in and of itself, affect your legal eligibility to engage in appraisal practice in your credentialing jurisdiction. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

I am a practicing real property appraiser and I was disciplined by my state regulatory agency five (5) years ago. I am currently in good standing in that jurisdiction and want to know if I am eligible to become a supervisor or supervise a new Trainee Appraiser.

If an individual wishes to either become a supervisor or supervise a new Trainee, the *Criteria* requires a state to review the three-year period immediately preceding the individual's application/request to become a supervisor. The *Criteria* requires Supervisory Appraisers to be "state-certified and in 'good standing' for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory appraiser's legal eligibility to engage in appraisal practice. A Supervisory Appraiser subject to a disciplinary action would be considered to be in 'good standing' three (3) years after the successful completion/termination of the sanction imposed against the appraiser."

Example: An individual wishes to become a Supervisory Appraiser (or supervise a new Trainee) on July 1, 2017. However, this individual had a 60-day suspension, ending on March 31, 2016. This individual would not be able to become a Supervisory Appraiser

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(or supervise a new Trainee) until March 31, 2019 (three years after the end date of the disciplinary action).

An individual who is already a supervisor but receives a disciplinary sanction prior to January 1, 2015, would not automatically lose his or her ability to supervise the Trainee(s). However, if a jurisdiction precludes an individual from supervising due to the sanction (that affects the appraiser's legal eligibility to appraise), the individual would have to comply with all Supervisory Appraiser criteria.

If a state issues a sanction that is essentially a "lifetime" action, that individual would be precluded from being a supervisor for any new Trainees.

Please note that individual states or credentialing jurisdictions may adopt more stringent requirements. It is incumbent on candidates to check with the state appraiser regulatory agency in which they plan to supervise a trainee.

I am a state-certified appraiser and am considering supervising a Trainee Appraiser. I was recently suspended from the HUD appraisal roster but have not been sanctioned by my state appraiser regulatory agency. Am I considered to be "in good standing" under the *Criteria* and therefore eligible to supervise a Trainee Appraiser?

Yes. The *Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action within any jurisdiction within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Although HUD has suspended you from their approved panel, this action does not, in and of itself, affect your legal eligibility to engage in appraisal practice in your credentialing jurisdiction. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

Is a Supervisory Appraiser's eligibility to supervise Trainee Appraisers only evaluated when they initially become a Supervisory Appraiser, or is the Supervisory Appraiser's eligibility evaluated on an ongoing basis?

The Supervisory Appraiser's eligibility is evaluated on an ongoing basis. Thus, if any sanction is levied against a Supervisory Appraiser during the term of supervision that affects the Supervisory Appraiser's eligibility to practice, the Supervisory Appraiser would immediately lose the right to supervise Trainee Appraisers for the length of the sanction, plus an additional three years beyond the date the sanction is lifted.

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Not Eligible

I am a state-certified appraiser who is also a Supervisory Appraiser. My appraiser credential has been suspended. Is this considered a sanction that restricts the Supervisory Appraiser's "legal eligibility to engage in appraisal practice?"

Yes. An appraiser would not be able to act as a Supervisory Appraiser for the length of the suspension plus an additional three years beyond the date the suspension is lifted.

I am a Certified Residential appraiser who also functions as a Supervisory Appraiser. Recently, I received a disciplinary sanction from my state appraiser regulatory agency, which includes a period of probation. During this probationary period, I cannot engage in the appraisal supervision of Trainees. Is this considered a sanction that restricts my "legal eligibility" to engage in appraisal practice as stipulated in the Supervisory Appraiser Requirements of the *Criteria*?

The *Criteria* states, in part:

> *Supervisory Appraisers shall not have been subject to any disciplinary action—within any jurisdiction—within the last three (3) years that affected the Supervisory Appraiser's legal eligibility to engage in appraisal practice.*

In this case, your state appraiser regulatory agency believes that you should not be training others for a period of time.

It is important to understand the scope of appraisal practice identified in the *Criteria* for a Certified Residential credential. As stated in the *Criteria*, the scope of practice for a Certified Residential credential is as follows:

> *The Certified Residential Real Property Appraiser classification qualifies the appraiser to appraise one-to-four residential units without regard to value or complexity.*
>
> 1. *The classification includes the appraisal of vacant or unimproved land that is utilized for one-to-four residential unit purposes or for which the highest and best use is for one-to-four residential units.*
> 2. *The classification does not include the appraisal of subdivisions for which a development analysis/appraisal is necessary.*

It is the position of the AQB that unless a disciplinary sanction limits or restricts an appraiser's scope of practice as identified above, such a sanction does not affect the individual's legal eligibility to practice. Since acting as a supervisory appraiser is not specifically identified in the scope of practice, it is not part of an individual's appraisal practice. As such, any prohibitions precluding an individual from acting as a supervisory appraiser for a stipulated period of time would not affect the individual's legal eligibility to practice and, therefore, would not be subject to the additional three-year prohibition against supervision as outlined in the *Criteria*.

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I am a state-certified appraiser who is also a Supervisory Appraiser. My state has placed a restriction on my credential, limiting the types of assignments they will allow me to appraise. Is this considered a sanction that restricts the Supervisory Appraiser's "legal eligibility to engage in appraisal practice?"

Yes. An appraiser would not be able to act as a Supervisory Appraiser for the length of the "probation" plus an additional three years beyond the date the "probation" is lifted.

I am a state-certified real property appraiser in States A and B. I am also supervising a Trainee Appraiser in State A. I was recently investigated by the state board in State B for an alleged violation of USPAP and it was determined a violation was found to exist. Subsequently, State B suspended my appraiser certification for a period of one (1) year. Does this action preclude my continued supervision of the Trainee Appraiser in State A?

Yes, the *Criteria* specifies Supervisory Appraisers shall not have been subject to any disciplinary action **within any jurisdiction** within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice. Although you may currently be in "good standing" in State A, your legal eligibility to engage in appraisal practice in State B has been suspended and you are no longer able to act as a Supervisory Appraiser in any jurisdiction until a minimum of three (3) years after the successful completion/termination of the sanction imposed against you. However, be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

I am a Trainee Appraiser seeking a Supervisory Appraiser. I live in a state where appraisers are not required to be state-licensed or certified for appraisal assignments that do not involve federally related transactions. I have found an appraiser that is willing to supervise my work and sign my appraisal experience log, but he does not possess a state license or certification. Would this individual qualify as my Supervisory Appraiser?

No, the *Criteria* specifies Supervisory Appraisers shall be state-certified and in "good standing" for a period of at least three (3) years prior to being eligible to become a Supervisory Appraiser. The fact this individual is not a state-certified appraiser precludes this appraiser from acting as your Supervisory Appraiser and signing your appraisal experience log. Be sure to check with your state appraiser regulatory agency to confirm the state's requirements, which could be more restrictive.

I have been a Licensed Appraiser for five years and am interested in becoming a Supervisory Appraiser. Am I eligible to become a Supervisory Appraiser at this time?

An individual with only a Licensed Residential credential is not eligible to become a Supervisory Appraiser. According to the *Criteria*, one of the requirements for a

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Supervisory Appraiser is they "shall be state-certified and in 'good standing' for a period of at least (3) years prior to being eligible..." Therefore, the appraiser must be "state-certified," meaning credentialed as a Certified Residential or Certified General for a period of three years before supervising.

Maximum of Three Trainee Appraisers "At One Time"

The *Criteria* restricts supervisory appraisers to a maximum of three trainee appraisers "at one time" (unless the state has a program that would allow for more under the *Criteria*). The phrase "at one time" can be somewhat ambiguous. In what context is the phrase intended in this application?

It is the intent of the *Criteria* for supervisory appraisers to have no more than three trainee appraisers under his or her direct control and supervision at any specific time. For example, if a supervisory appraiser wished to bring on a fourth trainee appraiser, the supervisory appraiser would have to discontinue the supervision of at least one of the three trainee appraisers currently being supervised.

It is not the intention of the *Criteria* for supervisory appraisers to "supervise" only on a daily, or assignment-by-assignment basis. Supervision is intended to be more long-term, and ongoing. However, there are appraisal firms that perform assignments for a wide variety of property types and intended uses, and may employ different appraisers who specialize in these differing property types. In such cases, it's possible that the "lead appraiser" for a particular assignment might not be the trainee appraiser's identified supervisory appraiser. This is permissible as long as the trainee appraiser continues to work under the overall supervision of the assigned supervisory appraiser, and the supervisory appraiser complies with the requirements set forth in the *Criteria*.

It's important to remember that to be eligible for experience credit, the supervisory appraiser must sign the trainee appraiser's USPAP-compliant appraisal report, taking full responsibility for its contents. In addition, if the trainee appraiser does not sign the appraisal report, the supervisory appraiser must identify the trainee appraiser in the appraisal report's certification, and the tasks performed by the trainee must be stated within the appraisal report (as also required by USPAP).

The supervisory appraiser is also responsible, along with the trainee appraiser, to maintain a log of the trainee appraiser's assignments as specified in the *Criteria*.

I'm a state certified appraiser and I'm considering supervising one or more Trainee Appraisers. I know the AQB revised requirements for Supervisory Appraisers on July 1, 2016, but I have a few questions:

1. **Is a Supervisory Appraiser required to have three years' experience *immediately prior* to taking on a Trainee Appraiser?**

2. **Does a Supervisory Appraiser have to be state certified in the same state as the Trainee Appraiser?**
3. **Must a Supervisory Appraiser accompany the Trainee Appraiser on <u>all</u> physical inspections of properties?**

On July 1, 2016, the AQB removed the requirement for a state-certified appraiser to be credentialed for three years *in a specific jurisdiction* prior to acting as a Supervisory Appraiser. Supervisory Appraisers are still required to be state-certified for a minimum of three years, and must also be credentialed in the jurisdiction where the Trainee Appraiser practices. With that background, the responses to the questions are:

1. No. The AQB does not specify that an individual be state-certified for the three years immediately preceding acting as a Supervisory Appraiser. State-certified appraisers cannot have been the subject of any disciplinary action in any jurisdiction affecting their legal eligibility to practice within the immediate three years preceding acting as a Supervisory Appraiser, but the requirement to be state- certified for three years could have been satisfied at any time.

2. Yes. In the *Criteria*, Section V.E. in the Trainee Real Property Appraiser classification states:

    a. *The state-certified Supervisory Appraiser shall be in good standing in the training jurisdiction and not subject to any disciplinary action within the last three (3) years that affects the Supervisory Appraiser's legal eligibility to engage in appraisal practice.*

3. No. In the *Criteria*, Section V.B.3. in the Trainee Real Property Appraiser classification requires the Supervisory Appraiser to be responsible for the training, guidance, and direct control and supervision of the Trainee Appraiser by:

    Personally inspecting each appraised property with the Trainee Appraiser until the Supervisory Appraiser determines the Trainee Appraiser is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type.

    It is important to note that although the AQB does not mandate a minimum number of assignments or period of time for a Supervisory Appraiser to accompany a Trainee Appraiser on physical inspections of properties, some states do have such additional requirements. Therefore, the AQB strongly suggests all potential Supervisory Appraisers check with the applicable jurisdiction(s).

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"Supervision" of Licensed and Certified Residential Appraisers

I am currently a Licensed Residential Appraiser pursuing a Certified General appraiser credential. I work for a Certified General appraiser who mentors me, and reviews and signs my commercial and complex residential work. Do we have to attend a Supervisory Appraiser/Trainee Appraiser course and do I need to keep a Trainee Appraiser log (and does my boss need to keep a Supervisory Appraiser log) for my experience to count toward earning the Certified General credential?

The *Criteria* only requires a formal Supervisory Appraiser for Trainee Appraisers. Even though you may be "supervised" in the generic sense of the word, because you hold a Licensed Residential credential, the *Criteria* would NOT require a Supervisory Appraiser in this case. A state appraiser regulatory agency may require the use of the Trainee Appraiser log and/or a similar log in order to demonstrate experience gained toward the Certified Residential or Certified General credential. Please check with your state appraiser regulatory agency, since it may adopt more stringent requirements than those outlined in the *Criteria*.

I hold a Certified Residential credential and am pursuing a Certified General credential in the same jurisdiction. Does the AQB require any supervised experience to upgrade from a Certified Residential appraiser to a Certified General appraiser?

The *Criteria* does not specifically address a formal Supervisory Appraiser relationship for Certified or Licensed appraisers seeking an upgrade to their credential. However, you must comply with the COMPETENCY RULE of USPAP when you obtain your non-residential property experience, which may require that you work with an existing Certified General appraiser who is competent in the property type and geographic area. Be sure to check with the state appraiser regulatory agency in the state where you plan to seek the credential to confirm the state's requirements, as states may implement more stringent requirements.

Upgrading a Credential

I am a Certified Residential appraiser and am pursuing a change to Certified General. I realize a Trainee who applies to become Certified General is required to accumulate 3,000 hours of experience (with at least 1,500 being non-residential). However, does this mean that a Certified Residential appraiser would only have to accumulate 1,500 hours of commercial experience to satisfy the experience requirement?

The *Criteria* requires 3,000 hours of experience accumulated in no fewer than 18 months, of which 1,500 hours must be non-residential. Under the *Criteria*, experience gained in pursuit of a credential is not exclusive to that specific credential. Thus, based upon the minimum criteria set forth by the AQB, a state appraiser regulatory agency could, after review, count the experience earned toward your Certified Residential credential along with additional experience earned toward the 3,000-hour requirement for the Certified General credential. However, be sure to check with the specific state appraiser regulatory agency in the jurisdiction in which you are seeking a credential to verify its requirements, which may be more restrictive.

I am an appraiser in an assessor's office. I participate in mass appraisal assignments. I also perform complete appraisal assignments on individual properties in response to assessment appeals. I wish to obtain a Certified Residential appraiser credential, but my state appraiser regulatory office informed me that my experience working for the assessor does not qualify.

When I told my state I understood the AQB allows experience obtained working in an assessor's office, they elaborated that the experience is not eligible because I do not perform USPAP-compliant reports. My appraisals are performed in accordance with assessment standards that, for the most part, are consistent with USPAP. The only difference is in the reporting of our findings: our reports are not in full conformance with STANDARD 2 of USPAP. Does the AQB allow experience working for an assessor? Is there some manner in which I can receive credit for this experience?

Yes, the *Criteria* allows experience obtained working for an assessor. However, under "Criteria Applicable to All Classifications" in the *Criteria*, Section V.D. states, in part:

> *An applicant's experience must be in appraisal work conforming to Standards 1, 2, 3, 4, 5, and/or 6, where the appraiser demonstrates proficiency in appraisal principles, methodology, procedures (development), and reporting conclusions.*

Therefore, in order for your appraisals to qualify for experience credit, the individual real property appraisals must comply with STANDARDS 1 and 2, while the mass appraisal assignments would need to comply with STANDARDS 5 and 6. If one of your appraisal assignments on an individual property has been completed in compliance with STANDARD 1 of USPAP but fails to fully comply with STANDARD 2, the assignment is not eligible for experience credit.

In addition, the appraisals performed would need to be individually entered on an experience verification log, be subject to verification, and available for review by the state appraiser regulatory agency. No exceptions to these requirements are permitted.

It is important to note that not all States accept experience from work complying with STANDARDS 5 and 6.

States

I am a state appraiser regulatory official who has received an application from a Trainee Appraiser seeking to become a Certified General appraiser. The

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candidate meets the college degree and qualifying education requirements. The candidate relocated to my state one year ago and some of the experience on the experience log submitted was completed while the candidate was a resident of a neighboring state. What responsibility do I have to ensure experience earned in another state meets the Supervisory Appraiser/Trainee Appraiser requirements of that state?

As the jurisdiction evaluating the Trainee Appraiser's experience, it would be incumbent upon you to obtain sufficient evidence to support that the experience sought from work done in the neighboring state was earned in accordance with appraiser licensing/certification rules of the other state in effect at the time the experience was earned.

I am a state regulator reviewing experience logs from multiple Trainee Appraisers. Supervisory Appraiser C had three Trainees working with her during a specific time period. A fourth Trainee was added during that same time period. May all four of the Trainees in question use the experience gained while working for the Supervisory Appraiser, since she had more than three Trainees and my state does not have a monitoring system in place?

The *Criteria* explicitly states that a "Supervisory [Appraiser] may not supervise more than three (3) Trainee Appraisers at one time, *unless a state program in the credentialing jurisdiction provides for progress monitoring, supervisory certified appraiser qualifications, and supervision and oversight requirements for Supervisory Appraisers."* (emphasis added)

Therefore, because the state did not have a monitoring system in place, the experience gained by all of the Trainees would be ineligible for credit during the period of time the Supervisory Appraiser supervised more than three Trainees.

PAREA

State Regulators

What is PAREA?

PAREA stands for the Practical Applications of Real Estate Appraisal. It is an alternative to the traditional Supervisor and Trainee model.

Why is there a need for PAREA?

Over the years, the Appraiser Qualifications Board (AQB) has received complaints on the shortage of Supervisory Appraisers willing to take on Trainees. The AQB adopted the concept of PAREA, as an alternative method to the traditional Supervisor and Trainee model, in hopes that it will alleviate any unnecessary barriers to entry into the appraisal profession.

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How do I know that a PAREA Program will be high-quality without seeing it?

Providers must follow the *Criteria*, PAREA Implementation Policies, and be sure they meet the PAREA Minimum Content Requirements for Licensed Residential and/or Certified Residential Classifications. The AQB will personally be reviewing each program to ensure that minimum standards are met.

Prior to the adoption of PAREA on January 1, 2021, every trainee was required to locate someone who was willing to supervise them. Given that the PAREA programs will have "mentors" instead of "supervisors", will that mean a PAREA participant will be required to locate someone who is willing to serve as their mentor?

No. Because every PAREA program is required to have mentors, it will be the responsibility of the PAREA provider to make certain a mentor(s) is available to any PAREA participant.

What education must participants have before PAREA?

PAREA participants must complete all Qualifying Education prior to beginning the program. Thus, they enter the program fully prepared to apply their knowledge.

How much experience credit can be gained by PAREA alone?

Certification Type	Education	Experience	Exam
Licensed Residential	150 hours	1000 hours under a Supervisor in 6 months **OR** PAREA can replace up to 100% of the required experience hours	Yes
Certified Residential	200 hours	1500 Hours under a Supervisor in 12 months **OR** PAREA can replace up to 100% of the required experience hours	Yes
Certified General	300 hours	3000 Hours under a Supervisor in 18 months **OR** PAREA can replace up to 50% of the required experience hours	Yes

What happens for participants after PAREA?

Participants who complete a PAREA program (and pass the national exam) will be considered to have minimally qualified experience. They will understand how to perform the appraisal process.

Do participants still have to get traditional hours?

The AQB will approve PAREA programs, but it is up to each individual state to accept the PAREA program experience, the aspiring appraiser gains through the program, in lieu of the traditional hours.

Do states need to approve PAREA programs themselves?

The AQB will approve PAREA programs, but it is up to each individual state to adopt PAREA as an alternative pathway, and to accept the AQB's approval of PAREA programs.

How will the PAREA program benefit states?

- Having participants go through a structured, AQB-approved program assures consistent and accurate training (something that is not always the result of some individual supervisor/trainee arrangements).
- With a state's full acceptance of PAREA experience, the need to review appraisal logs and appraisal work samples could be eliminated.
- Ensures the participant has experience writing USPAP compliant appraisal reports.
- Ensures the USPAP-compliant appraisals demonstrate the participants own work product skills, rather than their supervisors.
- Participants are required to demonstrate mastery of each topic area before moving forward in the program. Thus, the emphasis is proficiency, not hours.
- PAREA will provide the participant opportunities to apply the complete appraisal process in the development of an appraisal report.
- The program is specifically designed to NOT provide competency for all types of specific appraisal problems. This is true of the existing licensing system today. As receiving an appraisal credential does not make one competent to perform all types of assignments. Just as it is now, all credentialed appraisers can *gain* competency before completing assignments, but they do not have to demonstrate competency before they are issued a credential.

The Appraisal Experience Log and Successful Completion of a PAREA Program

As a state regulator, we are preparing to process an application for an individual who has a certificate indicating the successful completion of the Certified Residential Module of an AQB approved PAREA program. Our state allows PAREA to account for 100% of the experience requirement for the Certified Residential credential. However, the applicant has not submitted an appraisal

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experience log to be reviewed. Does the *Criteria* require the applicant to submit an appraisal experience log?

If your state allows the successful completion of PAREA to account for 100% of the experience credit for the Certified Residential credential, then there is no additional requirement in the *Real Property Qualification Criteria* where the applicant would need to submit an experience log. An appraisal experience log is a requirement only when experience is obtained under Section V. “Generic Experience Criteria.” If the experience is acquired under PAREA, then only Section VI “Practical Applications of Real Estate Appraisal” is applicable.

Currently, the *Criteria* allows a certification of completion of PAREA to account for 100% of the experience requirement for both the Licensed Residential (LR) and the Certified Residential (CR) credential. If the applicant is applying for Certified General (CG), or if your state does not allow PAREA for 100% experience, applicants may have logs for any experience obtained under a supervisor.

How do the appraisal reports completed in PAREA compare to an appraisal report prepared for a lender client, for example?

The appraisal reports a PAREA participant produces are substantively similar to demonstration appraisal reports. The appraisal reports have no business purpose, rather, they are intended to demonstrate the participant’s knowledge and mastery of the PAREA required content.

Is the only way to “ensure program participants produce appraisal reports that comply with USPAP” to have them reviewed by a certified appraiser whose credential is valid in the state the PAREA applicant plans to apply to become an appraiser?

No. The *Criteria* does not require the appraisal reports produced by the PAREA participant to undergo a USPAP Standard 3 and 4 review, nor does the *Criteria* require the reports undergo an appraisal review (as defined by USPAP). The *Criteria* allows the PAREA provider to determine the best way to ensure the appraisal reports produced by the participant comply with USPAP.

Geographical Competency

I am a state regulator who is interested in understanding the goals of the PAREA program. When an appraiser successfully completes the program, will they be geographically competent to appraise in every area in my state?

Geographic competency and the more general concept of “competency” itself, is a concept that is expressed in USPAP, and not in the *Real Property Qualification Criteria*. Rather, the *Criteria* has always focused on requiring an appraiser to be minimally qualified to complete appraisal related work.

Competency, including geographic competency, is something the appraiser gains continually over time as they work in a variety of different market areas and appraise different types of properties.

Once a state issues a credential to an appraiser, the credential allows the appraiser to complete appraisals across the entire state. The appraiser still has an obligation under USPAP to meet competency requirements, but those are separate issues which are outside of the *Criteria*.

Partial PAREA Adoption and Experience Requirements

I am a state regulator in a state that partially adopted the Practical Applications of Real Estate Appraisals (PAREA) for up to 50% experience for the Licensed Residential credential. How does this affect the experience requirements for the remaining 50% experience? Specifically, the *Criteria* states the following for the Licensed Residential (LR) credential.

> ***The prerequisites for taking the AQB-approved examination are completion of:***
>
> 1. ***One hundred fifty (150) creditable class hours as specified in the Required Core Curriculum; and***
> 2. ***One thousand (1,000) hours of qualifying experience in no fewer than six (6) months.***

So, does the applicant need to complete the remaining 500 hours of qualifying experience in no fewer than (3) months?

The Appraiser Qualifications Board (AQB) recommends approving PAREA programs for the following credit:

a. *For participants completing an approved Licensed Residential program:*
   i. *Licensed Residential classification: up to 100 percent of the required experience hours.*
   ii. *Certified Residential classification: up to 67 percent of the required experience hours.*
   iii. *Certified General classification: up to 33 percent of the total required experience, none of which is eligible towards the required non-residential hours.*

b. *For participants completing an approved Certified Residential program:*
   i. *Licensed Residential classification: up to 100 percent of the required experience hours.*
   ii. *Certified Residential classification: up to 100 percent of the required experience hours.*
   iii. *Certified General classification: up to 50 percent of the total required experience, none of which is eligible towards the required non-residential hours.*

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If a participant successfully completes PAREA, the *Criteria* deems the experience requirements satisfied, regardless in which state the participant is seeking a license. However, for partial approval of experience credit given to PAREA participants, it is up to states to determine how the rest of the experience credit should be given.

Will the credentialing candidate be required to submit appraisal reports to the state regulatory board for review?

No. The participant will receive a certificate indicating successful completion of a PAREA program.

The PAREA participant must produce the required three minimum appraisal reports. Since these appraisal reports are completed while the participant is engaged in the program, the *Criteria* does not require retention or sharing of these reports with any party outside of the PAREA program provider.

While the *Criteria* does not require submission of appraisal reports to entities external to the PAREA providers, the Policy Statements of the Appraisal Subcommittee may have more specificity. The Policy Statements are created and enforced by the Appraisal Subcommittee and are not subject to the jurisdiction of the AQB. Please contact the Appraisal Subcommittee directly for more information.

What can a state do if they want to see more evidence of a credentialing candidate's work?

There is no need for additional evidence of experience. Successful completion of a PAREA program ensures the graduate has acquired the experience to be minimally qualified. AQB approves PAREA programs.

Verifying Qualifying Education after the Successful Completion of a PAREA Program

As a state regulator we are preparing to process an application for an individual who has a certificate indicating the successful completion of the Licensed Residential Module of a PAREA program. According to *Criteria* guidelines, the applicant must have specific prerequisites for Qualifying Education (QE) prior to commencement of the PAREA program. In this instance, after we reviewed all the QE courses ourselves, we noted one of the QE courses the PAREA provider accepted as a prerequisite, was not approved in our state as a QE course.

Should the PAREA completion be invalidated for credentialing purposes?

While the *Real Property Qualification Criteria* does not directly address this situation, if there is a deficiency in a component, the applicant should be given the opportunity to correct it. In this case, to satisfy the QE deficiency, the applicant must successfully complete the missing QE course. This component deficiency should not invalidate the entire experience.

According to Criteria Applicable to All Appraiser Classifications in section VI. in the *Criteria*, AQB-approved PAREA programs shall:

> 2. *Require participants to possess the following prerequisites prior to commencement of training.*
>   a. *For the Licensed Residential Module: 150 hours of qualifying education as specified in the Required Core Curriculum for the Licensed Residential Real Property Appraiser classification.*
>   b. *For the Certified Residential Module: 200 hours of qualifying education as specified in the Required Core Curriculum for the Certified Residential Real Property Appraiser classification; and*
>   i. *Possession of a valid Licensed Residential Real Property Appraiser credential; or*
>   ii. *Successful completion of an AQB-approved PAREA program for the Licensed Residential Real Property Appraiser classification;*

Therefore, it is the responsibility of the PAREA provider to ensure PAREA participants possess the prerequisite QE education prior to beginning a PAREA program. If this situation occurs, it is important you contact the PAREA provider and The Appraisal Foundation and alert them of this occurrence.

The PAREA provider will need to correct this issue. According to the PAREA Implementation Policies:

> *Complaints concerning the PAREA program content or the Providers of the program will be investigated by the AQB.*

PAREA & State Specific Certificate

As a state regulator, we are preparing to process an application for an individual who has a certificate indicating the successful completion of the Licensed Residential Module of an AQB approved PAREA program. The applicant's certificate is nationwide and not state specific. Should I request a state specific certificate of completion from the PAREA provider?

The state may choose to request a state specific certificate of completion, however the *Criteria* deems the experience requirements satisfied with a completion of PAREA, regardless in which state the participant is seeking a license.

PAREA fulfills the intent of the *Criteria* to produce minimally qualified appraisers who can complete appraisals in a variety of settings. Please see the Geographical Competency Q&A on PAREA for more guidance on this topic.

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PAREA Providers

Basics and Logistics

Who can create a PAREA program?

Any organization, company, institution, individual, or collaboration is eligible to apply to be an Appraiser Qualifications Board (AQB) approved PAREA provider if the applicant can demonstrate its program will meet all of the PAREA *Criteria* as adopted using reliable technology delivery methods.

Why would I want to create a PAREA program?

Real estate appraisal training opportunities are lacking in many markets. It is often difficult for aspiring trainees to find Supervisory Appraisers. Under the traditional experience path, Trainees who want to become appraisers need to find a Supervisory Appraiser to obtain their experience hours. By creating a PAREA program, you would be satisfying a need in the market to provide an alternative path of obtaining real estate appraisal experience.

What should I do before I start creating my PAREA program?

While working to create a PAREA program, we suggest you have a draft of your preliminary concept submitted for review by the AQB. By doing so, you will make sure your program concept addresses all PAREA requirements.

How much will it cost to create a PAREA program?

Development costs depend on the delivery methods and techniques needed to effectively present each of the required content areas as identified in the *Criteria* section of PAREA. PAREA program delivery could utilize a variety of educational methods. Please refer to Guide Note 11 in the *Criteria* for suggested delivery methods that could be used in the development of exercises, examples, simulations, case studies, and applications.

What platform do I need to use?

PAREA providers are not required to use any specific technology, platform, or content delivery method. However, the use of a variety of technology is encouraged for the most engaging, effective, and interactive user experience.

Do I need to have the delivery mechanisms approved by the AQB or an AQB-approved organization? Will I need to have each specific delivery mechanism used in my PAREA program individually approved by the AQB?

No. PAREA programs are not required to have the program delivery mechanisms *themselves* approved. Rather, the delivery mechanisms will be approved as a part of the overall PAREA program.

How long does the program need to be?

PAREA providers are not required to meet any start to finish time requirements in their programs. However, they must ensure the content outline requirements are covered in their entirety.

What can I charge for the program?

PAREA providers determine the price charged to the participant for their program. However, you must make sure the potential participant knows the total cost of the program prior to becoming a program participant.

How many Mentors must I provide?

There is no required mentor to participant ratio, but you must provide an adequate number of Mentors to ensure timely and competent mentoring for all program participants.

How many participants are permitted per cohort in a PAREA program?

There is no minimum or maximum number of participants required in a PAREA program. However, the Provider must have sufficient technical assistance and Mentors available to ensure each participant's experience is robust and meaningful. PAREA Providers may have multiple participants, or groups of participants, proceeding through their program at any given time.

Once I create my PAREA program concept, what happens next?

- You will be able to submit your program concept for review by the AQB prior to full program development and submittal for approval.
- You will need to provide examples of each delivery method from your program to be reviewed by the AQB prior to receiving approval.
- The AQB will review and provide feedback on your PAREA program concept.
- You can use the AQB feedback to modify your PAREA program concept and start building your PAREA program.
- Once you build your PAREA program, you will submit it to AQB for final review/approval.
- You will receive an approval/denial/need for modification notice from the AQB.

How long is PAREA program approval good for?

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A program is deemed approved/active if the below requirements are met:

- Any changes to the PAREA content outline and the *Uniform Standards for Professional Appraisal Practice* (USPAP) are incorporated into the program;
- All PAREA content outline is covered in the program;
- Any reporting requirements established by the AQB are completed, which may include:
    - Number of participants
    - Number of mentors
    - Participant success in becoming state licensed or certified
    - Program or mentor complaints received and/or investigated; and
- Any complaints investigated by the AQB for failing to meet the PAREA requirements or policies are absolved.

Providers & States

Do states accept PAREA as an alternative method of experience?

PAREA providers must ensure their programs are accepted in the state in which their prospective participant intends to be credentialed before accepting the participant into their program. Likewise, PAREA participants should be instructed to verify with their state regulatory board or authority to ensure their PAREA program experience will be acceptable and if there are any additional state-specific experience requirements the participant will be required to satisfy.

Must PAREA participants who have successfully completed a PAREA program submit USPAP-compliant work products (appraisal reports) to their state with their application for a Licensed or Certified Residential credential?

While an individual state may choose to require sample appraisal reports as part of the application process, this is not an AQB requirement.

Participants

How do I find PAREA participants to take my PAREA program?

Your PAREA program will be added to the registry of approved providers on the Foundation's website. You must provide a customer service and inquiry mechanism for program participants or those considering your program. You may want to contact appraisal organizations, local appraisal chapters, and/or state appraiser regulatory programs for a list of aspiring appraisers.

Is there anything that my PAREA participants should know?

- PAREA providers may establish time completion requirements for their program participants (e.g. a program must be completed within 3 years.)

- PAREA participants must complete the PAREA program in its entirety before earning the completion certificate.
- PAREA participants may not start a program with one approved Provider and finish with another Provider.
- If a PAREA participant leaves a program without completing it per the Provider's requirements, the participant must start over with another PAREA provider or gain their experience under the traditional supervisor/trainee experience requirements set forth in the *Criteria.*
- The experience credit gained by a participant in an approved PAREA program does not expire.

What happens with complaints against the provider?

Complaints against your PAREA *program* (e.g., issues with mentors, platform function) will be handled by the PAREA provider.

Complaints against the PAREA program *provider*, will be investigated by AQB

- Complaints concerning the PAREA program content, or the Providers of the program will be investigated by the AQB.
    - Such complaints will be limited to failure to deliver appropriate PAREA content.
- PAREA program providers will provide necessary access to their programs to investigate any complaints brought before the AQB.

Program

When creating a PAREA Program, can the sequence of topics presented in the *Criteria* under the minimum content requirements be rearranged?

Yes. You do not have to follow the same sequence the topics are presented in within the *Criteria*. Section VI. 1. of the Criteria Applicable to all Appraiser Classifications, states that AQB-approved PAREA programs shall:

> *Contain, at a minimum, the content specified in the Practical Applications of Real Estate Appraisal section of this Criteria.*

Furthermore, the PAREA section of the *Criteria* which lists the minimum content requirements you refer to states:

> *The goal of the following [minimum content requirements] is to outline necessary Content Criteria that must be included in the development of exercises, examples, simulations, case studies, and applications as are appropriate to recreate the practical experience expected to be gained by an appraiser seeking a license credential.*

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Therefore, the AQB requires all topics listed within the minimum content requirements to be covered in the PAREA program, but the provider has flexibility when determining the order in which their program will present the material. However, the sequencing must be logical (as approved by the AQB) and have the Review by Mentor sections occurring at reasonable points within the program.

In the *Criteria,* it states the following:

> ***5. Ensure program participants produce appraisal reports that comply with USPAP, and meet or exceed the following requirements:***
>
> ***a. Licensed Residential***
>
> ***i. No fewer than three (3) appraisal reports;***
>
> ***ii. Reports must represent a variety of assignment types and property types that are consistent with the Licensed Residential program content; and***
>
> ***iii. Reports must comply with the edition of USPAP that is in effect at the time.***
>
> ***b. Certified Residential***
>
> ***i. No fewer than three (3) appraisal reports;***
>
> ***ii. Reports must represent a variety of assignment types and property types that are consistent with the Certified Residential program content; and***
>
> ***iii. Reports must comply with the edition of USPAP that is in effect at the time; and***

Could our PAREA program be approved if we only require the participant to complete three reports?

Yes, a provider could be approved if only three reports are required. However, three appraisal reports is the *minimum*. And while the minimum requirement is to have the participant produce three complete appraisal reports, the participant will likely need to work through many different scenarios, assignments, or parts of assignments to gain mastery. Some providers may solve the issue of teaching mastery by only working through three detailed assignments which result in only three appraisal reports, while another provider may choose to design their program in such a way that results in ten, fifteen or even more appraisal reports. The goal is mastery and providers can accomplish that in many ways.

The PAREA program outline and Guide Note 11 encourage the provider to exceed the minimum requirements in the *Criteria*, which may distinguish competitors' programs by the extent of experience gained beyond creation of three (3) appraisal reports. Some PAREA program participants may see the added value in and ultimately select a program with more assignments versus a program with just three, to gain experience in a wider variety of assignment types and property types they may encounter in their market area.

The PAREA program requirements within the *Criteria* are much less prescriptive than those given in Guide Note 11. Which requirements should be followed?

PAREA program requirements listed within the *Criteria* itself must be followed. Guide Note 11 contains additional suggested guidance (non-binding) for the delivery of PAREA training.

Under the minimum content requirements for the licensed residential or certified residential classifications, there are specific items listed. For instance, under licensed residential classification, there is the following:

I. Introduction

A. General Considerations and Responsibilities

1. Discuss respecting the public trust

2. Review and comment on appraiser independence

3. Review and comment on the responsibilities to clients regarding reconsideration of value requests and other communication

Does each topic need to be contained in the program?

Yes. Each topic and subtopic must be covered in the program as minimum content.

Does this mean that each content requirement listed needs to have an assignment specific to that requirement (e.g., in the example above, do we need to have an assignment related to "discuss respecting the public trust?")

No. As long as all content requirements specified in the *Criteria* are covered in the program, the provider does *not* need to have specific assignments on each topic.

What constitutes sufficient/minimum coverage of a PAREA program?

For minimum coverage of a PAREA program, the content requirements in the *Criteria*, along with the specific minimum content requirements, must be covered at least once in the program.

However, section reviews with the Mentor may reveal a participant needs additional content to gain the required experience. Therefore, limiting content development to just once may prevent appropriate participant remediation.

See the sections titled "Review Sections…with Mentors". Here is one example from the *Criteria*, Number III. on Review Sections I and II with Mentor:

III. Review Sections I and II with Mentor

A. Ensure the problem identification process was performed properly leading to an appropriate scope of work.

B. Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.

In the minimum content requirements, there are portions that note directives such as "demonstrate how competency issues are identified and will be resolved." How many times must a PAREA participant demonstrate this? Just once in the program?

This depends on the individual PAREA participant. Just once, might not be enough. See the above answer to question 22.

With most content listed in the minimum content requirements we can provide a range of instructional options from simply requiring a participant to answer a multiple-choice question to requiring the participant to successfully complete a simulated experience as part of one of the practice assignments. With the many content items in PAREA, a provider may need to decide the number of resources to devote to each one. How can we go about making these decisions?

All minimum content requirements are intentionally stated in a fashion which gives the content provider latitude in developing methods and techniques to meet the content requirements. Simulations and practice assignments are what PAREA is intended to provide; as they are more robust and immersive, and provide for better experiential learning than requiring a participant to simply answer a multiple-choice question. Guide Note 11 contains guidance for the delivery of PAREA training and has suggestions for each content area identified in the *Criteria.*

If a section of a minimum content requirement is present, integrated, and well explained within other parts of the PAREA program, do we need to have a separate section, or will the presence of the material be sufficient?

Items in one section may be completed individually or in combination with other parts of the provider's program. Providers have latitude in how their programs are developed, as long as PAREA minimum content requirements are met. More information can be found above in the Sequencing Order for PAREA Modules Q&A.

For the appraisal reports a PAREA participant will produce, must there be an actual subject property located in the state in which the participant plans to submit an application for a credential?

No. While there is no restriction in the *Criteria* prohibiting a PAREA program from including subject properties that physically exist, having such subject properties exceeds the minimum requirements to meet the goals of a PAREA program. For a participant to become minimally qualified, there is no need for a PAREA program to have actual subject properties, and certainly not to have subject properties specifically located in each state that accepts PAREA for experience requirements.

Mentors

Role

What is the role of the Mentor?

The role of the Mentor is to provide guidance and counseling as the program participant performs specific tasks. For example, the required tasks the Mentor will perform for the Licensed Residential Classification are as follows:

- **For Problem identification**:
    - Ensure the problem identification process was performed properly leading to an appropriate scope of work
- **For the Inspection Process:**
    - Ensure all elements of the inspection process have been performed properly, including neighborhood, site, and improvements
- **For Problem identification:**
    - Review research performed to evaluate suitability and that the quantity of information will be satisfactory for later development and analysis.
- **For Market Analysis and Highest and Best Use:**
    - Ensure key analytical issues related to market conditions and highest and best use are effectively addressed.
- **For Sales Analysis:**
    - Ensure all necessary steps in highest and best use analyses and market analysis were performed properly.
- **For Sales Analysis:**
    - Review data source material to ensure sufficient information has been identified for further application
- **For Valuation Approaches and Techniques**
    - Ensure all approaches to value were adequately considered and completed in supportable fashion (including cost and/or income approaches if performed)
- **For Final Reconciliation:**
    - Ensure final reconciliation was performed properly and determine appropriate reporting.
- **For Appraisal Report Development and Delivery:**
    - Ensure the key components of an appraisal report and report formats are appropriate for assignment(s)
- **For the Communication of Assignment Results:**
    - Ensure understanding of effective appraisal report presentation and required content.

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- Ensure compliance with Standards Rule 2-2.

Mentors will also ensure, by approving the work of individual program participants, that all required components of PAREA training have been successfully completed.

A Mentor is serving in the same capacity as an **advisor**: someone who directly interacts with the participant at various times, to ensure the participant is completing the assigned work correctly. The assigned work can consist of exercises, examples, simulations, case studies and applications as are appropriate to create the practical experience to be gained by the program participant.

Note: A Mentor is not required to perform a Standard 3 and 4 review of any appraisal reports produced by a PAREA participant.

Is a Mentor required to act as a reviewer, as defined in USPAP, for the appraisal reports the participant produces in a PAREA program?

No. The *Criteria* does not require a Mentor to perform an appraisal review, as defined in USPAP, of any reports completed by the PAREA program participant.

> Section VI.5 (page number 14 of the *Criteria*) states in part:
>
> > *To qualify as creditable experience, AQB-approved PAREA programs shall **ensure** program participants produce appraisal reports that comply with USPAP {bold and underline added for emphasis]…*

Thus, the *Criteria* neither mandates who will ensure the appraisal reports comply with USPAP, nor the specific steps to follow to ensure such compliance. Therefore, a mentor and person(s) who ascertain the appraisal reports are USPAP compliant, are not necessarily the same given the two roles are unique.

Does a Mentor provide significant real property appraisal assistance to the PAREA participants?

No. To meet the minimum requirements of PAREA, the program participant, not the Mentor, must successfully complete all of the exercises, case studies, etc. Therefore, the Mentor would not be providing significant real property appraisal assistance to the participant.

Will a Mentor sign the appraisal reports?

No, this is not a requirement of the PAREA program. A USPAP compliant appraisal report only requires the appraiser (and in the case of PAREA, the appraiser is the PAREA program participant) to sign a certification. Mentors are not completing the PAREA program and thus, not producing appraisal reports.

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Qualifications

What are the required qualifications of a program Mentor?

A PAREA Program Mentor must meet or exceed the following qualifications:

- A Mentor shall be a state-certified appraiser.
- A Mentor shall be in "good standing" for a period of at least three (3) years prior to being eligible to become a Mentor.
- A Mentor shall not have been subject to any disciplinary action (within any jurisdiction) within the last three (3) years that affected the Mentor's eligibility to engage in appraisal practice, or to act as a Supervisory Appraiser.
    - A Mentor subject to a disciplinary action would be considered to be in "good standing" three (3) years after the successful completion/termination of the imposed sanction.

Do Mentors need to be licensed in individual states?

No. There is not a geographical competency requirement within PAREA, so Mentors do not need to be licensed in the states where they are mentoring participants.

How do Mentor requirements compare to the Supervisor requirements?

A Supervisor Appraiser must meet all the above requirements noted for a Mentor, and other requirements. While the Mentor requirements are fewer in number than the Supervisory requirements, the additional requirements for a Supervisory Appraiser relate to circumstances that **do not exist** in the PAREA content requirements, such as experience logs, the limit on the number of trainees the Supervisory Appraiser can have, etc.

Does a Mentor have to complete a Supervisory course?

No. A PAREA Mentor is not required to complete the Supervisory Appraiser/Trainee Appraiser Course.

Does a mentor need to be a USPAP instructor?

No, this is not a requirement of the PAREA program.

Practicum

As an appraisal company and a course provider seeking to submit a practicum course for approval to the AQB's Course Approval Program (CAP), instead of submitting the exact assignments the course will cover, can I use the work I receive from clients as the assignments I will give to the practicum students as the course content?

No. A practicum course, like any other course submitted to CAP for review, must have the exact final content submitted for review. A practicum course is not the same as or a replacement of the Supervisory Appraiser/Trainee Appraiser model where the student provides significant appraisal assistance to appraisal reports, and where the Supervisory Appraiser is signing a certification in the report. Rather, for a practicum course, the student will complete each appraisal assignment where the intended user is the course provider. The appraisals completed in the class are not used for any business purpose.

A practicum course can be used for any portion of the experience requirement, up to 100%. This means it can be used in combination with the Supervisor/Trainee experience model. The only way work completed for traditional/outside clients can cover any portion of the experience requirement is through the Supervisor/Trainee model.

I am an aspiring appraiser gaining my required experience through traditional client work with a Supervisory Appraiser. Can I use hours from a practicum course to meet the remaining required hours for my credential?

Yes, a practicum course can be used for any portion of the experience requirement, up to 100%. This means it can be used in combination with the Supervisor/Trainee experience model. The only way work completed for traditional/outside clients can cover any portion of the experience requirement is through the Supervisor/Trainee model.

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National Uniform Licensing And Certification Examinations

Is there a study guide for the Licensed Residential, Certified Residential, or Certified General examinations?

The Appraisal Foundation does not publish a study guide for the *National Examinations*. The questions on the examinations are based upon the body of knowledge covered in the *Required Core Curriculum* as noted in Guide Note 1 (GN-1) of the *Criteria*. Sample questions are available on National Uniform Licensing and Certification Examination webpage.

I hold a Certified Residential credential and now I plan to pursue a Certified General credential. The *Criteria* indicates I am required to successfully complete 100 additional hours of qualifying education. Will these additional hours enable me to pass the *National Examinations* for the Certified General classification?

The *National Examination* for the Certified General classification is based upon the 300 hours of *Required Core Curriculum* coursework as outlined in the *Criteria*. Depending upon when you completed your original education and the nature of your practice, you may be able to pass the Certified General exam. However, the AQB urges you to examine the *Required Core Curriculum* to identify any possible areas of perceived weakness in your education, and prepare yourself by taking additional qualifying education courses in those areas.

I understand that all education and experience must be completed and approved prior to taking the *National Examinations*. Once I pass the examination, within what time period must I submit the application for my credential?

Examination results are valid for 24 months. If your state appraiser regulatory agency has a separate post-examination application (i.e., you are not awarded the credential "automatically" by virtue of successfully passing the examination) you would need to submit your complete application within 24 months of successful completion of the exam. You should be sure to check with your state appraiser regulatory agency to determine when your application must be submitted.

I am registered to take the National Appraiser Examinations. Can I use my own calculator to take the exam?

Yes, you can bring a calculator to take the examination provided it is not an alpha programmable calculator. Additionally, you must bring the written instructional manual that came with the calculator, or instructions downloaded from the manufacturer's

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website, so that examination personnel can ensure that all numeric programs previously stored in the calculator are cleared prior to taking the examination.

I took an "old exam" as outlined in the previous *Criteria* but did not pass. Does that mean my application for a credential is no longer valid? Will I now have to meet the current *Criteria* requirements?
If you did not pass the examination when the previous *Criteria* was active, you must comply with all of the requirements outlined in the current *Criteria*.

I received a notification from my state regulatory agency that allowed me up to 12 months to successfully pass the exam. If I take the examination before the effective date of a new *Criteria*, will I be able to obtain my certification after the effective date without having to meet all of the other requirements that become effective as of the new *Criteria*?

No. Any applicant for a credential on or after the effective date of a new *Criteria* must meet all the new *Criteria*.

I was told that my exam results would be posted on the website of The Appraisal Foundation. Is this correct?

No. Exam results are immediately available after completion of the exam from the company that administered your examination. Exam scores are not posted on the website of The Appraisal Foundation.

Are the USPAP questions that appear on the *National Uniform Licensing and Certification Examinations (National Exam)* based on the current edition of USPAP?

Yes. The *National Examinations* are updated to reflect changes in USPAP with each new edition. Therefore, they incorporate the current edition of USPAP just as previous examinations did whenever a new edition of USPAP was published.

Are the pass/fail statistics for the examinations?

Yes, they can be found on The Appraisal Foundation's National Uniform Licensing and Certification Examination webpage. The statistics are updated annually.

Are there any approved study guides for the exams?
Neither the Appraiser Qualifications Board nor The Appraisal Foundation have reviewed or endorsed any study guides and/or "exam prep courses" relative to the *National Examinations*.

Although we've heard anecdotally of some books and courses that claim to prepare candidates for these exams, we cannot speak to their quality or ability to adequately prepare an individual for the exam. Prior to purchasing any material or service designed to assist in preparing for the exams, we strongly recommend you request the company in question to provide you with numerous references of individuals who have used their service(s) and successfully passed the exam.

What is the best way to study for the exams?

The exams may include questions from all of the topics and subtopics shown in the Criteria under Guide Note 1. The exams are “practice-based,” meaning they test a candidate’s ability to *apply* the knowledge he or she has learned. The best way to study for the exams is to thoroughly review all of the educational content listed in Guide Note 1, and be able to demonstrate proper application of each of the educational topics.

Is there a specific exam for my state?

No, the exams are the same for all states. Your state contracts with an examination company who will administer the exam after you have made application and are approved to take the exam. Some states may require supplemental state-specific questions but these are not a part of the *National Examination*.

How do I find an exam site?
Your state will provide you a list of sites for the exam administrator they have chosen.

Were the exams written by appraisers or by professional exam writers?
The *National Examination* are developed by appraisers. Three teams of 8-10 appraisers from across the United States, representing all of the real property appraisal disciplines (including residential, commercial, industrial and agricultural) work with the AQB annually on the examinations. The SME panels include fee appraisers, institutional appraisers, governmental appraisers and review appraisers.

The Appraisal FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications
APPRAISAL STANDARDS BOARD

USPAP Q&As

2024 USPAP Q&A **Issue Date: January 16, 2024**

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

***2024-01*: Demographics**

Question:

Does demographic information relating to race (such as Census data) constitute "information relating to" a protected characteristic?

Answer:

Yes. Demographic data about a protected characteristic, such as Census data providing the racial composition of a neighborhood or of a defined geographic area, constitutes information relating to a protected characteristic.
Using or relying upon such demographic data in the context of a residential real property assignment is prohibited, unless it falls under an explicit exception in the FHAct and any other applicable laws or regulations.

For guidance related to this topic, see Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments* in the Guidance and Reference Manual (GRM).

Question:
An appraiser often completes appraisals in two contiguous census tracts: Census Tract A and Census Tract B. The appraiser collects demographic data and knows that the demographic data for Census Tract A indicates the population is 85% Native American and Census Tract B's population is 90% Asian. The demographic information also contains information on crime rates. Per the data, the crime rates for both census tracts are essentially the same.

The appraiser completes an assignment in Census Tract A and an assignment in Census Tract B on the same day. In the appraisal report for the subject property in Census Tract A, the appraisal report includes lengthy information related to crime statistics, and the stated conclusion that these facts indicate this is a "high crime area." There is no such reference in the report for Census Tract B. In fact, the appraiser rarely mentions crime in appraisal reports for properties in Census Tract B.

What facts about this scenario indicate a possible violation of USPAP?

Answer:
The inclusion of crime-related information in the appraisal report for the subject property in Census Tract A, compared to the omission of such information from the appraisal report in Census Tract B, suggests that the appraiser has used crime as a pretext for the consideration of race. The fact that the appraiser rarely mentions crime in appraisal reports for properties in Census Tract B supports this conclusion, especially because the crime rates are not meaningfully different, and thus, are not likely to have a meaningfully different effect on values. Although crime rates are not a protected characteristic, it is a violation of USPAP to use or rely upon a nonprotected characteristic as a pretext for using or relying upon race. It is also a legal violation to base an opinion of value for a home in whole or in part on race.

Additionally, a description of a location as in a "high-crime area" is often a code word or phrase that is used to signal race or ethnicity. This is especially true if it is not supported by relevant crime statistics and information that properly explains and contextualizes the use of the word "high" in the phrase "high-crime" area.

It is important to note that this same reasoning would apply even if the census tracts were not contiguous. The fundamental issue is not the proximity of the two geographic areas, but rather the reference to crime. The conclusion that the appraiser has based their opinion on race, but has pretextually referred to crime, would be even stronger if it turned out that the appraiser referred to crime more frequently in appraisals for properties in Census Tract A than in Census Tract B as an overall matter, and/or referred to crime more frequently in other areas with significant Native American populations compared to those without.

2024-02 **Artificial Intelligence (AI)**
Question:
What is an appraiser's USPAP obligations when using artificial intelligence (AI) in an appraisal assignment?

Answer:
Artificial Intelligence (AI) involves replicating human-like intelligence within machines and computer systems. AI can function either independently or in conjunction with another tool to assist an appraiser with developing their opinions and conclusions (e.g., spreadsheets, analytic software) or to communicate assignment results (e.g., chatbots).

When these tools are used for their analytical functions, such as to generate some type of output that is used in developing an assignment result, the tool does not serve as a substitute for an appraiser's judgment. When using a computer assisted valuation tool, an appraiser must not simply rely on the output of technology without an understanding that the output is credible. Reliance on this data without understanding the output could place credibility of assignment results in doubt. Even when incorporating AI, developing credible assignment results requires the professional judgment of the appraiser.

An appraiser must also comply with USPAP when using artificial intelligence in the form of a chatbot that can write responses to inquiries with human like precision, and image recognition software which can "assign" condition and quality conclusions. Regarding, for example, chatbot tools, the usage of a chatbot tool may create potential concerns beyond the need to understand if the output is credible. For example:

- The Confidentiality section of the ETHICS RULE prohibits appraisers from disclosing confidential information or assignment results except to anyone other than the client, parties specifically authorized by the client, state appraiser regulatory agencies, third parties as may be authorized by due process of law; or a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.
    - An appraiser must not share confidential information with unauthorized parties. Although an AI chatbot is not a person, creating an inquiry with a chatbot that includes confidential information may allow the chatbot to capture that information for responses to inquiries by other human users, or the chatbot developers.
- The COMPETENCY RULE requires an appraiser to perform an assignment in recognition of and compliance with laws and regulations that apply to the appraiser or to the assignment.
    - An appraiser may violate laws or regulations, such as sharing information protected under law or regulation that a chatbot collected. Responses by the chatbot may include potentially sensitive, confidential, or copyrighted information and the chatbot may not know that sharing that information is inappropriate.

- The Nondiscrimination section of the ETHICS RULE prohibits appraisers from acting in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.
    - An appraiser may violate the Nondiscrimination section of the ETHICS RULE if they use or rely on discriminatory information provided by a chatbot. An output created by a chatbot may incorporate bias or the results of an inquiry may reflect a bias in the algorithm that created the response.

Additional guidance can be found in Advisory Opinion 18, *Use of an Automated Valuation Model (AVM)* and Advisory Opinion 37, *Computer Assisted Valuation Tools* in the Guidance and Reference Manual (GRM).

_2024-03_: Personal Inspection

Question:

I recently completed an appraisal on a residential dwelling for Lender A that sells loans to Fannie Mae and Freddie Mac and the report was completed on a GSE form. Lender A decided not to grant the loan and the borrower then engaged Lender B to obtain financing. Lender B engaged me to perform a new appraisal assignment on the same property. Lender B indicated there was no need for me to re-inspect the home, since my previous inspection date was only a few days earlier.

I informed the client that I would not be able to certify that I made a personal inspection of the property as part of the scope of work for the new assignment for Lender B, because the inspection was part of the scope of work for the previous assignment (for Lender A.) The client indicated that they must have the new report include a certification indicating that I made a personal inspection of the subject property. May I follow Lender B's instructions and sign the certification indicating that I made a personal inspection of the subject property that is outside of the scope of work decision for the new assignment?

Answer:

No. USPAP defines personal inspection as:

> ***PERSONAL INSPECTION:*** *(for an appraisal assignment) the appraiser's in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer's in-person observation of the subject of the work under review,* ***performed as part of the scope of work****.* (Bold added for emphasis.)

USPAP defines scope of work as:

> ***SCOPE OF WORK:*** *the type and extent of research and analyses in an appraisal or appraisal review* ***assignment****.* (Bold added for emphasis.)

The USPAP definition of PERSONAL INSPECTION is distinguished as an inspection the appraiser performs *as part of the scope of work* for an appraisal or an appraisal review assignment. A prior inspection that occurred before the agreement to perform an assignment is not part of the appraiser's scope of work for the new assignment.

See Advisory Opinion 2, *Inspection of Subject Property* in the Guidance and Reference Manual (GRM).

USPAP Q&As are posted on The Appraisal Foundation website (www.appraisalfoundation.org).

For further information regarding *USPAP Q&A,* please contact:
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ASB Public Meeting September 26, 2024 - VIRTUAL

The Appraisal Standards Board will hold a virtual Public Meeting on September 26, 2024.

Location
Virtually

Date/Time
Thursday, September 26, 2024
1:00 p.m. – 2:00 p.m. ET

Registration
Register using this link:
(https://us02web.zoom.us/webinar/register/WN_wKavJ94UTxKyFocOydYB8w)https://us02web.zoom.us/webinar/register/WN_XzQWEneDTvyrBV7WrgiWsQ
(https://us02web.zoom.us/webinar/register/WN_XzQWEneDTvyrBV7WrgiWsQ)

Handouts
TBD

When 9/26/2024

Q.144

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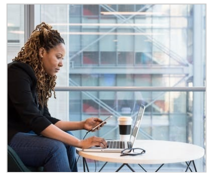
AQB Public Meeting - November 7, 2024 - VIRTUAL



The Appraiser Qualifications Board will hold a Public Meeting virtually on November 7, 2024 from 1:00 pm - 3:00 pm ET to discuss current projects.

Location

Virtually

Date/Time

Thursday, November 7, 2024
1:00 p.m. – 3:00 p.m. ET

Registration

You can register to attend this meeting via the link provided below.
click here: https://us02web.zoom.us/webinar/register/WN_sI_QQZxdR6Wyuv0-gjAYEg (https://us02web.zoom.us/webinar/register/WN_sI_QQZxdR6Wyuv0-gjAYEg)

Handouts

TBD

When 11/7/2024 1:00 PM - 3:00 PM

Q.145