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SFA



BILL ANALYSIS

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Senate Bills 513 and 514 (as introduced 4-15-99)
Sponsor: Senator Leon Stille
Committee: Local, Urban and State Affairs

Date Completed: 5-4-99

CONTENT

Senate Bill 513 would amend Article 26 (Real Estate Appraisers) of the Occupational Code to:

- Establish requirements for the licensure of a "certified residential real estate appraiser".
- Revise the licensure requirements for a State licensed real estate appraiser.
- Revise current education and experience licensing requirements that apply to a certified real estate appraiser and a real estate valuation specialist, and specify that these requirements would apply, instead, to a "certified general real estate appraiser" and a "limited real estate appraiser", respectively.
- Revise the membership of the Board of Real Estate Appraisers to include certified general and certified residential real estate appraisers.
- Increase the number of continuing education hours required for license renewals.
- Require that an appraisal indicate on every appraisal report the license number and level of licensure of the appraiser.
- Specify that a sanction by another state or jurisdiction against an appraiser licensed in Michigan could be grounds for disciplinary action in this State if the offense were similar to a violation under the Code.

Senate Bill 514 would amend the State License Fee Act to establish fees for a person licensed or seeking licensure as a certified residential real estate appraiser.

The bills are tie-barred to each other.

Senate Bill 513

Certified Residential Real Estate Appraiser

The DCIS would be required to license as a certified residential real estate appraiser a person who demonstrated, to the Department's satisfaction, that

he or she possessed at least 2,500 hours of experience meeting the Code's standards in appraising real property, including at least 2,000 hours in appraising residential real property, completed over 24 or more months. Acceptable experience would include, but would not be limited to, the following: fee and staff appraisal, ad valorem tax appraisal, technical review appraisal, appraisal analysis, real estate consulting, highest and best use analysis, feasibility analysis or study, condemnation appraisal, and market analysis.

The person also would have to demonstrate that he or she had completed at least 120 classroom hours of courses meeting the standards of the Code and emphasizing all types and values of residential real property appraisals. An applicant could apply the classroom hours used to obtain a prior real estate appraiser license toward the requirement of the 90 classroom hours used to obtain licensure as a certified residential real estate appraiser. The remaining classroom hours would have to relate to the appraisal of residential real property or address both residential and commercial real property. The courses would have to cover all of the following topics: influences on real estate value, legal considerations in appraisal, types of value, economic principles of appraisal, real estate markets and analysis, valuation process, property description, highest and best use analysis, appraisal math and statistics, sales comparison approach, site value, cost approach, income approach, valuation of partial interests, and the Uniform Standards of Professional Appraisal Practice and Ethics.

In addition, the person would have to demonstrate that he or she had passed an examination as required in the Code, was of good moral character, and was at least 18 years of age.

The bill would permit a person licensed as a certified residential real estate appraiser to perform the appraisal of residential real property and any other residential or nonresidential appraisal required for a federally related transaction for which a certified residential real estate appraiser was authorized under the Financial Institutions Reform, Recovery,

and Enforcement Act of 1989 and any nonfederally related transaction for which the licensee was qualified.

“Certified residential real estate appraiser” would mean a person who was licensed under the Code to appraise all types of residential real property involving Federally related transactions as authorized by the regulations of a Federal financial institution regulatory agency and resolution trust corporation as well as any nonresidential, non-Federally related transaction for which person was qualified.

Certified General Real Estate Appraiser

The Code establishes license requirements for a State certified real estate appraiser. Under the bill, the requirements would apply to a certified general real estate appraiser. The bill would increase from 2,000 to 3,000 the hours of required experience, and would require that at least 1,500 hours, instead of the current 1,000 hours, be in appraising nonresidential real property. The hours of experience would have to be completed over at least 30 months preceding application for licensure.

The bill also would revise specifications of acceptable experience to include technical review appraisal, real estate consulting, and condemnation appraisal. The bill would increase from 165 clock hours to 180 classroom hours required in courses emphasizing all types and values of real property appraisals. Currently, an applicant may apply 75 clock hours used to obtain licensure as a State licensed real estate appraiser toward the requirement of 165 clock hours. Under the bill, an applicant could apply 90 classroom hours used to obtain a prior appraiser license toward the 180 classroom hours required. In addition, a person seeking licensure would have to be of good moral character and would have to be at least 18 years of age.

“Certified general real estate appraiser” would mean a person who was licensed under the Code to appraise all types of real property, including nonresidential real property involving Federally related transactions.

State Licensed Real Estate Appraiser

Currently, an individual seeking licensure as a State licensed real estate appraiser must demonstrate the completion of at least 75 clock hours of classroom courses emphasizing the appraisal of residential real property, and possess at least 2,000 hours of experience in appraising residential real property. Under the bill, an individual would have to demonstrate that he or she had completed at least 90 classroom hours of courses emphasizing the appraisal of residential real property. The bill would retain the requirement of at least 2,000 hours of

experience, but would require that at least 1,500 of those hours be in appraising residential real property and be completed over 24 or more months.

The Code lists the categories of acceptable experience, which include review appraisal, real estate counseling, and teaching of appraisal courses. The bill would refer to technical review appraisal and real estate consulting, would delete teaching, and would include condemnation appraisal.

The bill also would require the individual to be at least 18 years of age.

Currently, an individual licensed as a State licensed real estate appraiser may perform the appraisal of residential real property and any other appraisal required for a Federally related transaction for which a State licensed real estate appraiser is authorized under Title 9 of the Financial Institutions Reform, Recovery, and Enforcement Act. The bill provides that an individual licensed as a State licensed real estate appraiser could independently perform the appraisal of residential real property and any other residential or nonresidential appraisal required for a Federally related transaction for which a State licensed real estate appraiser was authorized under the Federal Act, and any non-Federally related transaction for which the licensee was qualified.

Limited Real Estate Appraiser

The Code currently establishes licensing criteria for a real estate valuation specialist, including requirements that a person have at least 2,000 hours of experience in appraising real property and providing proof of having completed 40 clock hours of classroom courses related to developing and communicating appraisals of real property. The bill would provide, instead, for the licensure of a limited real estate appraiser and would require the person to be at least 18 years of age and provide proof of having completed at least 75 classroom hours of courses related to developing and communicating appraisals of real property. Beginning with the bill’s effective date, the Department could not accept an application for a real estate valuation specialist, and would have to convert licenses for real estate valuation specialists to limited real estate appraiser licenses upon the next license renewal cycle.

“Limited real estate appraiser” would mean a person licensed under the Code to perform appraisals of real property not involving Federally related transactions, or transactions for which the services of a certified general real estate appraiser, certified residential real estate appraiser, or State licensed real estate appraiser would not be required under the regulations of any Federal financial institution regulatory agency, and that would not be prohibited by provisions of Title 9 of the Federal Financial

Institutions Reform, Recovery, and Enforcement Act of 1989. "Real estate valuation specialist" currently means a person licensed under the Code to perform appraisals of real property not involving Federally related transactions. Under the bill, the term also would include a person licensed to perform transactions for which the services of a certified general real estate appraiser, certified residential real estate appraiser, or a State licensed real estate appraiser were not required under the regulations of any Federal financial institution regulatory agency and that were not prohibited by provisions of Title 9 of the Financial Institutions Reform, Recovery, and Enforcement Act.

Appraisers Board

The Code provides for the creation of the board of real estate appraisers, of which four of the members must be State certified real estate appraisers. Under the bill, three members would have to be certified general real estate appraisers and one would have to be a certified residential real estate appraiser. As currently provided, two would have to be State licensed real estate appraisers.

Under the Code, the board may supplement or adopt by reference amendments to the Uniform Standards of Professional Appraisal Practice. The bill would permit the Director of the DCIS to supplement or amend the standards.

Representation

The bill would prohibit a person from acting or offering to act as an appraiser unless licensed under Article 26 or exempt from licensure under Article 26.

The Code prohibits a person from representing himself or herself as a State licensed real estate appraiser, a State certified real estate appraiser, or a real estate valuation specialist unless he or she is licensed in the appropriate category. Under the bill, a person also could not represent himself or herself as a certified residential real estate appraiser or a limited real estate appraiser unless he or she were licensed as appropriate.

Educational Courses

The Code permits the Board of Real Estate Appraisers to promulgate rules regulating the offering of educational courses, and prescribes the number of clock hours required for various educational courses, and specifies that a clock hour is at least 50 minutes. The bill would permit the DCIS Director, instead, to promulgate rules regulating courses and would refer to courses in classroom hours, which would be at least 50 minutes in length.

Currently, courses may be offered by an institution of

higher education or a private school licensed by the Department of Education. The bill would add that a private school authorized to operate in any other state or jurisdiction could offer educational courses.

The bill would delete current provisions that prohibit prelicensure courses from being used to fulfill continuing education requirements and that prohibit continuing education courses from being used to fulfill prelicensure requirements. The bill states, instead, that courses taken to satisfy the qualifying education requirements should not be repetitive in nature and should represent a progression in which the appraiser's knowledge was increased, as determined by the Department and the Board.

Written Examination and Experience

The Code provides that a person seeking licensure as a State licensed or certified real estate appraiser must pass a written examination that is acceptable to the Board and the DCIS and covers subjects outlined in the Code. The bill would require a State licensed real estate appraiser, a certified general real estate appraiser, and a certified residential real estate appraiser to pass a uniform real estate appraiser examination or its equivalent as appropriate to the level of licensure sought, that was endorsed by the appraiser qualification board and acceptable to the DCIS and the Board of Real Estate Appraisers. The bill would delete the specific subjects to be covered in the exam. Examination scores would be considered valid for three years from the examination date.

The bill would delete the requirement that experience required of applicants for licensure be obtained at any time prior to sitting for the examination required of license applicants. Currently, the experience must consist of at least 2,000 hours of appraisal experience obtained over not less than two calendar years. Under the bill, the experience would have to consist of at least the required number of hours of appraisal experience obtained over the required number of months. The bill also would delete the requirement that the experience be obtained while the applicant was an appraiser, a manager of an appraisal firm or department, or an instructor of courses meeting the requirements for prelicensure courses under Article 26.

License Without Exam, Nonresidents

The Department is required to issue a State certified or State licensed real estate appraiser license without examination to a person who, at the time of application, is licensed, registered, certified, or otherwise regulated by another state at that level if the requirements of that state are at least equal to the Code's requirements. The bill would require the State to issue a certified general real estate appraiser license, a certified residential real estate appraiser license, or a State licensed real estate appraiser license, without exam, under the same circumstances.

Under the Code, a nonresident of the State may become licensed by conforming with Article 26. Under the bill, a temporary license, valid for 90 days, also could be issued to a nonresident of the State who held a valid license from another state or United States jurisdiction licensing appraisers. The application would have to be accompanied by proof of licensure in the other state or jurisdiction, a consent to service of process, and a written description of the nature of the temporary assignment. The holder of a temporary license could apply in writing for one extension of the temporary license for up to 90 days, and would not be required to complete continuing education.

License Renewal

Under the Code, as a condition for the renewal of licensure as a State certified real estate appraiser, a State licensed real estate appraiser, or a real estate valuation specialist, a licensee must complete 10 clock hours of continuing education for each year since his or her last renewal. The bill, instead, would require a certified general real estate appraiser, a certified residential real estate appraiser, a State licensed real estate appraiser, a real estate valuation specialist, or a limited real estate appraiser to complete 14 classroom hours of continuing education for each year since the expiration of his or her previous license.

Under the bill, a course covering the uniform standards of professional appraisal practice would have to be completed as part of the continuing education requirement every third licensing period.

The bill also would delete provisions specifying the focus of continuing education for licensed or certified residential and nonresidential real property appraisers. The bill also would delete provisions that prohibit continuing education requirements for license renewal from being applied to the requirements for initial licensure and that prohibit courses taken under the initial licensure requirements from being applied toward continuing education requirements.

A person who had completed continuing education for the renewal of an appraiser license in another state or jurisdiction could submit proof of the acceptance of that continuing education by that state as evidence of meeting the continuing education requirements in Michigan.

Appraisal Records

The Code requires a licensee, among other things, to maintain a system of books and records to show all appraisals undertaken by name of client and address or description of the property appraised. The bill also would require applicants for licensure as a State licensed real estate appraiser, a certified residential real estate appraiser, or a certified general real estate appraiser to provide an appraisal log that included, at a minimum, the following for each appraisal: type of property, date of report, address of appraised property, description of work performed, and number of work hours. The licensee would have to indicate on every appraisal report the license number and level of licensure.

Violations

Under the Code, a licensee who commits one or more specified violations is subject to penalties set forth in Article 6 (Violations and Penalties) of the Code. The bill would add the following to the violations: aiding or abetting another to commit a violation of the Code or the rules promulgated under it, and using the license of another person or knowingly allowing another person to use his or her license.

A sanction by another state or jurisdiction against a person licensed in Michigan under Article 26 could be grounds for disciplinary action in the State if the offense were substantially similar to a violation of the Code or rules promulgated under it. A licensee would have to report to the Department sanctions taken by another state or jurisdiction against his or her appraisal license issued by that other state within 30 days after the final order imposing disciplinary action.

Senate Bill 514

The bill would establish the following fees for a person licensed or seeking licensure as a certified residential real estate appraiser: \$25 for application processing; \$100 for examinations, if the DCIS conducted its own examination; \$100 for a yearly license fee; and, \$125 for a temporary license.

The Act specifies that the license fee for real estate appraisers includes a fee imposed by the Federal government under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, which cannot exceed \$50 per license and which the DCIS

collects and pays to the Federal government. The bill specifies that this fee would apply to certified general real estate appraisers, certified residential real estate appraisers, and State licensed real estate appraisers.

The bill also would refer to a limited real estate appraiser, instead of a real estate valuation specialist, and a certified general real estate appraiser, instead of a State certified real estate appraiser.

MCL 339.2601 et al. (S.B. 513)

MCL 338.2202 et al. (S.B. 514)

Legislative Analyst: L. Arasim

FISCAL IMPACT

The bills would have no fiscal impact on State or local government.

Fiscal Analyst: M. Tyszkiewicz

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.