Removing Barriers to Entry into the Residential Valuations Profession

Solutions for Educating, Training and Regulating the Next Generation of Appraisers
Regulations and shifting market conditions have left the residential valuations industry in a constant state of change—a situation that is only exasperated by the rising ‘average age’ of existing home appraisers and the expectations that experienced valuations professionals over the age of 50 will retire within the next decade.

As experienced appraisers exit the profession, the ranks of newly certified residential appraisers continues to decline, creating the potential for a supply-demand imbalance that may eventually result in longer turnaround times and steeper costs for consumers and lenders during the appraisal process.

The National Appraisal Congress (NAC), a Five Star Institute membership group comprised of appraisal management companies and professional appraisers, developed the following white paper after studying numerical data and existing state laws that currently govern the training and certification of local appraisers.

NAC reached the conclusion that regulatory burdens at the state level and a failure to create a streamlined training module for new appraisers to test competency is to blame for the continued decline in new certified appraisers.

The following white paper, commissioned by the National Appraisal Congress, highlights a strategy for attracting new appraisers into the profession. NAC specifically recommends the creation of a core professional competency test, the development of an alternative track to training and revisions to state rules governing the training process.

In summation, the goal of this report is to advocate for a cost-effective and commonsense approach to training the next generation of appraisers, while maintaining the integrity of the profession through the development of an objective test that can evaluate a trainee’s abilities in the field.

Kerri Panchuk
Executive Director
National Appraisal Congress
OVERVIEW

The U.S. residential valuations industry faces a potential shortage of appraisers, as the high cost of training apprentice appraisers and barriers to entry prevent supervisory appraisers and their trainees from creating the next generation of valuation professionals.

One of the premier appraisal industry organizations, the National Appraisal Congress has been working intently with industry partners to eliminate barriers to entry that exist within the residential appraisal profession.

The following paper is the official proposal of the National Appraisal Congress (NAC), a FIVE STAR INSTITUTE membership group, designed to advocate on behalf of the residential valuations industry. This paper proposes key modifications to the existing process for training new appraisers as well as highlighting needed changes in applicable regulatory structure and investor overlay requirements.

The goal is to enhance apprentice training and streamline the candidacy process in ways that will serve as a catalyst for growing the next generation of residential appraiser trainees.

THE PROBLEM

As a result of a combination of market conditions, state and federal regulations, investor overlays, and lender perception, the residential appraisal industry has experienced unprecedented attrition in the past several years. The Appraisal Subcommittee Annual Reports provides data annually on the population of appraisers based on information obtained from the National Registry of Appraisers.

<table>
<thead>
<tr>
<th>National Appraiser Credential Statistics (Source: ASC Annual Reports)</th>
<th>Extrapolated Data for Residential Appraisers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Appraiser Registry Credentials—Year-End 2004-2014</strong></td>
<td><strong>Combined Residential (Cert Res &amp; Licensed)</strong></td>
</tr>
<tr>
<td><strong>Year-End</strong></td>
<td><strong>Certified General</strong></td>
</tr>
<tr>
<td>2004</td>
<td>33,725</td>
</tr>
<tr>
<td>2005</td>
<td>34,074</td>
</tr>
<tr>
<td>2006</td>
<td>34,812</td>
</tr>
<tr>
<td>2007</td>
<td>36,881</td>
</tr>
<tr>
<td>2008</td>
<td>37,851</td>
</tr>
<tr>
<td>2009</td>
<td>38,061</td>
</tr>
<tr>
<td>2010</td>
<td>37,807</td>
</tr>
<tr>
<td>2011</td>
<td>38,016</td>
</tr>
<tr>
<td>2012</td>
<td>37,834</td>
</tr>
<tr>
<td>2013</td>
<td>38,332</td>
</tr>
<tr>
<td>2014</td>
<td>38,777</td>
</tr>
</tbody>
</table>
The combination of Certified Residential and Licensed appraiser categories provides the most direct reflection of residential appraisers. The numbers as reported above have decreased from the peak of 84,463 in 2007 down to 60,747 in 2014. That is a 28% reduction in force, continuing downward over the 7 years examined, without realizing any semblance of stabilization in the foreseeable future. In fact, the ASC in its annual budgetary process has projected a further decline in the number of appraiser credentials for 2016.

While this decrease in the number of residential appraisers is, in part, due to the decreased mortgage activity over the period, the cause of the reductions go well beyond a simple reaction to supply and demand elements.

Looking ahead, several factors will make increasingly important contributions to the coming shortage of available service providers. Two of the most notable will be the advanced average age of residential appraisers, who will be leaving the industry through retirement or other causes, and the scarcity of any new entrants to replace them. There are no authoritative industry wide sources for the age breakdown of appraisers. However, Clearbox® (a service for appraisers, lenders and AMCs which collects such information from those residential appraisers who use the service) indicates that the average age of appraisers is approximately 55 years old.

That points to the very real potential that over the next 10 years there is likely to be a large segment of the currently practicing residential appraiser population that will retire or become semi-retired, thus further decreasing the supply of appraisers.

At the same time, mortgage volume which has been at reduced levels over the past several years, is expected to begin to increase again. A recent study released by the Mortgage Bankers Association (MBA) projects significant growth in Household Formation for the next 10 years (2014-2024). By 2024, the MBA predicts demographic and economic changes “will bring what could be one of the largest expansions” in the history of the U.S. housing market. “Averaging 1.6 million additional households per year, housing market growth over the next decade would be among the strongest the U.S. has ever seen.” A portion of that increase will be in renter households.

The increase in owner households is projected to equate to an additional 12.7 million owner households over the 10 years or almost 1.3 million new owner households per year. That large growth in owner households will drive an equally large growth in new mortgages. Even without further attrition, the current population of residential appraisers will be inadequate to fulfill that growing mortgage demand.

This growth in the market is coming. The question is “How will the appraisal industry respond to meet the projected growth in demand?”

Although many areas of the country have enough appraisers to meet the demand at today’s historically low levels there are a growing number of markets around the country that are experiencing real shortages of appraisers.

As attrition continues due to the aging population of appraisers and increasing mortgage lending volume, additional areas will be adversely impacted.

When the current restrictions and roadblocks facing potential new appraiser
candidates are compounded by the growing demand for appraisal services, these factors will combine to create a shortage of appraisers with no ability for the current system to generate newly trained appraisers in a timely manner to meet that growing demand.

The resulting shortage of appraisers will lead to increasing fees, extended delivery times, and appraisers being asked to expand their coverage areas beyond their knowledge and expertise. In the end those factors will result in significant negative impacts on lenders and on consumers who rely on appraisal services.

**BACKGROUND:**

**KEY ISSUES**

**EXPERIENCE CREDITS:**

The current Standards have been established by the Appraiser Qualifications Board (AQB) in their “Real Property Appraiser Qualification Criteria” for the education and training of Trainees to become Certified Residential Appraisers. It involves a series of Qualifying Education Courses totaling 200 class hours, 2,500 hours of appraisal experience, and successful completion of the AQB approved Certified Residential Examination. That process takes time, but can work to provide well qualified new appraisers.

A significant challenge created by the Criteria is gaining the 2,500 hours of experience. The AQB has recently exposed for public comment a Concept Paper to explore alternatives for achieving the experience requirements. The NAC encourages that investigation into alternatives for meeting the experience requirements. Along with any new options that might be developed, we believe that the present mentor/ trainee model could offer a viable path to Certification if some important modifications can be accomplished.

**DIRECT SUPERVISION:**

Several states currently follow a strict interpretation of direct supervision, including the requirement for a supervisory appraiser to accompany a trainee on each property inspection through all or a major percentage of the certification process. (See Appendix B)

This is inconsistent with the AQB Minimum Qualification Criteria, which states the Supervisor shall be responsible for the training, guidance, and direct 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.”

Requiring the supervisor to inspect each property for the full training period creates an economic disincentive for a supervisory appraiser to take on trainees because
it eliminates the ability of the trainee to become a force multiplier for the mentor. Prior to these recent restrictions, once a trainee could demonstrate competency to independently perform portions of the appraisal development process, including the property inspection without the direct presence of the supervisory appraiser, the trainee could work independently while under the continued supervision of the mentor. That competency-based training model was successful for decades, enabling thousands of mentors and trainees to share in a training program that was economically beneficial to both parties.

**ROOT CAUSES**

In addition to those regulatory restrictions, many lenders and investors have also taken steps to control their risks related to using trainees, by imposing similar assignment conditions that specify the Supervisor must always inspect both the subject and the comparable properties personally, and not rely on the work of the trainee alone.

In the same way that Certified Public Accountants (CPAs) inform decisions related to the financial health of businesses, the opinions of residential appraisers allow lenders, communities and consumers to maintain the integrity of home valuations by ensuring third parties - with the appropriate training and knowledge - are available to make an independent and well-informed decision about a home’s value potential. But unlike appraisers, public accountants have more leverage in allowing new CPAs the opportunity to work under their guidance, without having to work on individual projects with them or oversee every step of the new CPA’s process.

Supervisory Appraisers training apprentices are not as fortunate. Not only do they have to sign off on all work completed, they are required to visit the site with the apprentice and oversee every step of the appraisal, making the training process costly and often not worth the risks and expenses associated with the commitment required when mentoring trainees.

The end result is a shrinking force of mid-career appraisers with very few new trainee appraisers involved — a situation that is already creating shortages in several states and one that will eventually lead to a decrease in the supply of appraisers countrywide.

This requirement for the Supervisor to personally inspect all properties the Trainee works on for the full term of their training is a huge roadblock in the path to developing new appraisers. All that, stems from a lack of confidence in whether the Trainee will have the competency to properly complete the inspection as a basis for a well-developed appraisal.

**PROPOSED SOLUTION**

This paper offers the residential appraisal industry, users of appraisal services, and the regulators overseeing this segment of the real estate market, a possible road map to follow in resolving this key barrier to entry within the valuations profession.

In 2011, a select group of industry participants collaborated on a paper titled “Training the Next Generation of Appraisers”. In that paper they outlined what they called the S.T.A.R.T. Program (Standards To Assure Responsible Training).
This white paper by the NAC and the START Program share the same objectives:

1. Provide a structure and process that affords the delivery of appraisals, prepared in compliance with the program, that will provide the same level of integrity and credibility as if the appraisal was completed solely by the supervising appraiser; and

2. Provide a system that allows trainees to be utilized within the appraisal process in a manner that is financially feasible for both the trainee and the employing entity/Supervisor.

It is important that the appraisal industry, much like accountancy, maintains a gold standard for qualifying and testing new appraisers, while also creating a structure that prevents the process from becoming cost prohibitive, redundant and a barrier to entry that prevents the admission of newly qualified appraisers. This solution builds on the recommendations of the START Program but goes further in designing a streamlined standard that allows apprentice appraisers to contribute value to their mentors, while also maintaining a training structure designed to hold both new and veteran appraisers to a standard of excellence in the passing of appraisal intelligence, professionalism and ethical standards.

The key to success is to create a system whereby the users of appraisal services can be confident that a Trainee will be competent to perform the property inspections on their own without the Supervisor being physically present. One of the current weaknesses in the training regime for new appraisers is a lack of instruction regarding the elements of residential construction and the steps necessary to competently perform an inspection of the subject and comparable properties.

Addressing these key elements form the foundation of this proposal.

As it was expressed in the START Program: “It is widely acknowledged that to implement these changes it will necessitate the cooperation and joint efforts of many entities, organizations, and individuals. An open minded approach to solving the very real problem before us will provide for assurances that the appraisal professional, the banking industry, and the public will be served by well educated, well trained, and highly competent professional appraisers.”

ADDRESSING THE NEEDS

The process is designed to address the needs of all three constituents in the appraisal: the Trainee, the Supervisor/Mentor, and the Client.

The Trainee:

- Will receive education focused on developing competency in residential appraisal inspections early in their training
- Will be given a series of assignments while under direct supervision of their supervisor that provide the trainee necessary experience with guidance in the inspection of properties
- Will be allowed to progress throughout the training period to increasingly higher levels of performing an assignment with independence
- Will have the opportunity for economic incentive to come into the profession
The Supervisor/Mentor
• Will be able to leverage an organized program to provide their trainee with training on the property inspection process
• Will provide the supervisor with a well-planned series of introductory experiences for their trainee to build base competency in property inspection
• Will add their technical competency to the training and apply their skills to train and mentor
• Will have an economic incentive to take on a trainee

The Client
• Will be assured the assignment is completed competently and credibly
• Will not face any economic disincentive when allowing the use of a trainee

TRAINEE ACCREDITATION PROGRAM KEY ELEMENTS
Prior to beginning the program the trainees will be required to have successfully completed the minimum 75 hours of Qualifying Education including the 15 Hour USPAP class. With that base to build upon, this process can move ahead to additional steps.

The accreditation program will outline and affirm the supervisor’s responsibilities to their trainee for the full period of the trainee’s apprenticeship.

Before embarking on the process, Clients must agree to accept reports completed by trainees enrolled in the Program and agree that the trainee will be able to perform all areas of the assignment “on their own while under supervision”, when the supervisor has deemed the trainee competent as evidenced by field training and testing.

The heart of the (Optional) Trainee Accreditation Program is an enhanced training and experience process. This will involve:

1. 30-Hour Qualifying Education Course in Residential Construction and Property Inspection
   a. Require both supervisor and trainee to complete an additional formal education course on residential construction, property inspection, and proper mentoring.
   b. This 30 hour course could also be utilized to fulfill the 20 hour elective course called for in the AQB Criteria for Qualifying Education for Certified Residential Appraisers.
   c. Supervisor and Trainee will both acknowledge the expectations and responsibilities of each party.
   d. Will provide a training manual that will focus on implementing field experiences that complement and enhance the classroom education. That process will be flexible enough to allow the trainee to move through at a pace that is reasonable for their level of experience, individual aptitudes and the availability of assignments.
   e. Supervisor and Trainee agree to be audited, at any time throughout the program, for compliance with program standards.
   f. See the proposed course outline in Appendix A of this white paper.

2. Structured Experience Program for Initial 30 Supervised Property Inspections
   a. Require a structured 90-day residency period that would include a side-by-side inspection program for an initial set of 30 (as a minimum) residential...
inspections for the trainee with their supervisor and collaboratively completing the appraisals.

b. As the trainee passes periodic testing to ensure mastery of skills, allow the trainee to begin performing that portion of the assignment on their own – with oversight/review by the Supervisor but may not require direct supervision in the form of presence of the supervisor. In that way, trainees can begin inspecting properties on their own, for properties the Supervisor judges them to have achieved competency for, following successful completion of the residency period.

c. Implement a special addendum form for trainees to document in the appraisal report the work performed, the hours of experience earned and the level of supervision provided.

d. See Appendix B

3. Conclude the initial residency period with a “final exam” to demonstrate the trainee’s competency in residential construction and the appraisal inspection process.

   a. Before the trainee is considered “Qualified” under the program, to the extent possible given market dynamics, the trainee will be expected to have been trained on and completed progressively more complex assignments, such as but not limited to condominiums, 2 to 4 unit properties, and atypical housing styles.

   b. The Supervisor will continue to co-sign and take full responsibility for all aspects of the appraisal.

By completing this process, Trainees will have demonstrated competency in property inspection while continuing to benefit from the support of an active mentor for the remaining experience development period, prior to becoming a Certified Appraiser. This will provide clients and regulators with assurances in the Trainee’s competency to perform inspections on their own, while strengthening the Trainee’s overall preparation for certification.

**STEPS TO IMPLEMENTATION**

1. The Trainee Accreditation Program will not require additional legislation or regulatory structure to establish. This could be established as a Qualifying Education course with the final accreditation awarded based on successful completion of the program. That would require successfully completing the course and examination portions along with evidence that the trainee had completed the Structured Experience element, via documentation attesting to that from the Supervisory Appraiser. The state regulatory agencies would already have oversight capabilities through their course approval mechanisms.

2. Market acceptance of the program will be needed to reconsider and modify their assignment conditions and policies regarding the use of trainees. Lenders, investors, secondary market participants, and the Appraisal Management Companies who represent them will need to allow Accredited Trainees to begin inspection of properties on their own with the supervisors involved and overseeing the appraisal process. That would mean those users of appraisal services would need to make revisions to their internal policies to allow the increased involvement by the trainees.

3. Federal and state laws and regulations must be examined to identify any
provisions that would prevent implementation of the program. For example, in some states there are legislative and/or regulatory impediments to implementation. In those situations, the law or regulation, that in present form would not allow the Trainee Accreditation Program to be utilized effectively, would need to undergo the necessary modifications. Specific action will be necessary in those jurisdictions to make it possible to utilize the program and open the doors to more residential appraiser trainees.

A selection of states with such current limitations on Trainees can be found attached here in Appendix C along with suggested modifications to enable Trainees in those states to benefit from this program.

ABOUT THE NATIONAL APPRAISAL CONGRESS

The National Appraisal Congress (NAC) is a non-partisan Five Star Institute member organization, established as a vehicle to positively impact the residential valuation and appraisal industry. This organization was created to serve the needs of valuation professionals and the clients they serve by facilitating problem solving, policymaking, education and advocacy.

Members of the National Appraisal Congress contributing to the development of this white paper include Jordan Petkovski, Vice President and Chief Appraiser at TSI Appraisal; Frank O’Neill, Chief Appraiser at Stewart Lender Services; Greg Stephens, Chief Appraiser/SVP of Compliance at Metro-West Appraisal; Alan Hummel, SVP and Chief Appraiser at Forsythe Appraisal; Ernie Durbin, Chief Valuation Officer at Valuation Vision; Danny Wiley, Chief Appraiser at ServiceLink, a Black Knight Financial Services Co.; William Fall, President at William Fall Group; Helge Hukari, Chief Administrative Officer/General Counsel at Clear Capital; Erik Richard, CEO at Landmark; Kristine Hughes, Chief Collateral Officer at Title Source.

ABOUT THE START PROGRAM

The paper entitled “Training the Next Generation of Appraisers” was written in 2011 by a group of prominent individuals in the appraisal industry including Tony Pistilli, Alan Hummel, Tim Forsythe, John Forsythe, Tim O’Brien, Deb Nikodym, and Dan Hackman. The paper was published in the Appraisal Buzz the same year. The members of the National Appraisal Congress thank the individuals and the organizations they represent(ed) for their willingness to allow some of that original material to be leveraged here in this updated look at the continuing challenges related to bringing new trainees into the appraisal industry.
APPENDIX A

THE COURSE SYLLABUS
NATIONAL APPRAISAL CONGRESS

APPRAISAL PROPERTY INSPECTION TRAINING
INTRODUCTORY COURSE FOR RESIDENTIAL REAL PROPERTY APPRAISERS

COURSE OVERVIEW
Credit Hours: 30 Hours

Audience: Both New and Experienced Residential Real Property Appraisers

Summary:
This seminar is designed to provide students a sound basis for developing competency in the property inspection phase of the appraisal. This seminar will examine the steps needed to competently complete a property inspection for a variety of residential property types to form the basis for a sound, well-developed appraisal of the property.

SEMINAR OBJECTIVES:

• Provide an overview of the types of residential properties
• Examine the different residential styles and construction elements
• Discuss the positive and negative impacts of quality and condition
• Review methods and appraisal practices that can be used to identify key factors that impact value and marketability
• Present alternative tactics that may be employed to improve the overall quality of inspections while improving overall efficiency
• Promote awareness of the importance of the property inspection in the appraisal process to support impartial and objective appraisals that build confidence and public trust.

COURSE SYLLABUS

COURSE TITLE
APPRAISAL PROPERTY INSPECTION TRAINING

INTRODUCTORY COURSE FOR RESIDENTIAL REAL PROPERTY APPRAISERS

COURSE CREDIT APPLIED FOR:
30 Hours of Appraisal Qualifying Education, Including Exam

COURSE DESCRIPTION
The Appraisal Industry needs to enlist new appraisers into appraisal practice. This seminar will offer supervisory appraisers and new associate appraisers a basis to demonstrate a level of competency in appraisal property inspection to justify client confidence.
EDUCATIONAL OBJECTIVES
This Seminar Will Offer Attendees the Opportunity to:
1. Understand the varying types of residential properties and methods of construction
2. Gain a better understanding for the important factors that will impact value and marketability
3. Consider use of technological tools that will improve quality and efficiency
4. Discuss tactics and tools aimed at improving client confidence in appraiser property inspections
5. Learn how to apply the basics of residential property inspection for use across the spectrum of different property types from Detached to Attached to Mfg Housing to 2-4 Family and more.
6. Understand the important role a sound property inspection plays in the development of a quality appraisal.

COURSE HANDOUT AND MATERIALS
Attendees will receive a student handbook that outlines the course material.

COURSE SCHEDULE
The seminar will typically be presented in three consecutive days.

ATTENDANCE POLICY
Students must attend a minimum of 100% of the class hours to qualify for credit.

APPRAISAL PROPERTY INSPECTION TRAINING
(Required for New Appraisers to earn recognition as a Qualified Residential Appraiser, and their Supervisory Appraisers)

30 Hours

PROGRAM OVERVIEW
Responsibilities of the Trainee and the Supervisor
Structured Experience Program

OVERVIEW

TYPICAL RESIDENTIAL PROPERTY TYPES
• Single Family Residential – Detached
• Single Family Residential – Attached
• Condo, Co-op, PUD
• Manufactured Housing
• Atypical Residential Property Types
• New Construction
• Detached Single Family Residential Interior/Exterior Inspection
• Assignment Conditions and Scope of Inspection (GSE/FHA/Etc)
• Identifying Residential Styles
• Recognizing Types of Residential Construction
• Noting and Evaluating Exterior Elements
• Identifying Mechanical Systems and Features
• Sketching and Evaluating Interior Layout
• Taking Inventory of Interior Finish Elements
• Observing Quality and Condition
• Actual Age versus Observed Effective Age
• Measuring and Calculation of Gross Living Area
• Photography of Subject Property
• Personal Property NOT Included
• Interviewing Property Owner/Representative
• New Construction Considerations
• Identifying Energy Efficient Property Characteristics
• Site and Site Improvements
• Viewing Site Topography and Soils
• Identifying Types of Water Supply and Sewage Systems
• Availability of Public Utilities
• Notation and Inspection of Site Improvements
• Observing Site Access
• Identifying External Influences
• Defining and Inspecting the Neighborhood
• Observing Neighborhood Characteristics
• Age, Quality, Condition, Occupancy Factors
• Proximity to Services
• Identifying External Influences Affecting the Neighborhood
• Using Internet Mapping Tools for Aerial Views, Etc.
• Exterior Inspection of Comparable Properties
• Noting Exterior Quality, Features, and Condition Observable from the Street
• Identifying External Influences Affecting Comparables
• Photographs of Comparable Properties
• Technology Available for Property Inspections
• Electronic Cameras
• Tablet Based Report Writing / Note Taking / Sketching Technology
• Electronic Measurement Devices
• Attached Single Family Residential Interior/Exterior Inspection
• Identifying Styles of Attached Housing
• Recognizing Types of Construction Common for Attached Residential Units
• Noting and Evaluating Exterior Elements
• Identifying Mechanical Systems and Features
• Taking Inventory of Interior Finish Elements
• Observing Quality and Condition
• Measuring and Calculation of Gross Living Area
• Common Elements vs. Limited Common Elements
• Interviewing the Property Owner/Representative
• Attached Single Family Site Considerations
• Sites Supporting Multi-Unit Residential Complexes
• Shared Amenities
• Interviewing Ownership Associations / Management Companies
• Special Considerations for Manufactured Housing Units
• Constructed to Conform with the Federal Manufactured Home Construction & Safety Standards
• Look for the HUD Data Plate and HUD Certification Label
• Observe Type of Foundation
• Consider Age, Quality and Condition
• Identify Site and Utility Elements
• 2-4 Unit Residential Income Properties
• Inspect All Areas and Units
• Measuring and Computation of Both Gross Living Area and Gross Building Area
• Separate Utilities per Unit vs. Shared Utilities
• Second Dwelling Units vs. Accessory Dwelling Units
• Mixed Use Properties
• Complex Properties and Atypical Property Types
• Discuss Definition of Complex Properties
• Examples of “Atypical Properties”
• Inspecting Properties Beyond Your Experience Requires Direct Involvement of Your Supervisory Appraiser.
• Appraised “Subject To”, Now Needs Final Inspection
• Utilizing the 1004D Form
• Course Summary & Examination

### Appraisal Property Inspection Course

<table>
<thead>
<tr>
<th>Outline and Sample Course Time Allotments</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Overview – Typical Residential Property Types</td>
<td>1.5</td>
</tr>
<tr>
<td>B. Detached SFR Interior/Exterior Inspection</td>
<td>8.0</td>
</tr>
<tr>
<td>C. Site and Site Improvements</td>
<td>2.0</td>
</tr>
<tr>
<td>D. Defining and Inspecting the Neighborhood</td>
<td>2.0</td>
</tr>
<tr>
<td>E. Exterior Inspection of Comparable Properties</td>
<td>1.5</td>
</tr>
<tr>
<td>F. Technology Available for Property Inspections</td>
<td>1.5</td>
</tr>
<tr>
<td>G. Attached SFR Units Interior/Exterior Inspection</td>
<td>2.5</td>
</tr>
<tr>
<td>H. Attached SFR Unit Site Considerations</td>
<td>0.5</td>
</tr>
<tr>
<td>I. Special Considerations for Mfg Housing Units</td>
<td>1.5</td>
</tr>
<tr>
<td>J. 2-4 Unit Residential Income Properties</td>
<td>3.0</td>
</tr>
<tr>
<td>K. Complex Properties and Atypical Property Types</td>
<td>3.0</td>
</tr>
<tr>
<td>L. Appraised “Subject To”, Now Needs Final Inspection</td>
<td>1.0</td>
</tr>
<tr>
<td>M. Final Summary</td>
<td>1.0</td>
</tr>
<tr>
<td>N. Exam</td>
<td>1.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>30.0</td>
</tr>
</tbody>
</table>
SUPERVISED FIELD EXPERIENCE

The Supervised Field Experience portion of the program takes the information presented in the Property Inspection Training course into the real world. Both the Mentor and the Trainee begin the process with an acknowledgement of their own responsibilities under the program as well as what they should expect from their partner in this process. Due to the nature of the relationship, a good deal of the specific responsibilities rest with the Supervisor.

Supervisor’s Training Responsibilities

It is the supervisor’s responsibility to insure that systematic training is provided to trainees. While both experienced appraisers and appraiser trainees will make mistakes, through the strict quality control procedures included within this program, the supervisor is responsible for minimizing errors before an appraisal reached the client.

Under the program, the Supervisor agrees to:

1. Consider the professional development of the Trainee to be the supervisor’s responsibility.
2. Inspect a variety of property types, conditions, locales, value ranges, etc., for as long as it takes for the Trainee to be considered competent in the data gathering process that is the start of nearly every appraisal assignment;
   a. Show the Trainee how to appropriately and accurately measure and sketch the improvements, which are the subject of the assignment.
   b. Show the Trainee how to professionally interact with the property owners in the gathering and giving of information.
   c. Continue to inspect properties with the Trainee throughout the first 30 property inspections or until they are fully licensed.
   d. Continue to do so as necessary based upon the complexity of the assignment.
3. Show the Trainee the differences in types of construction and materials used in different styles, age, and quality types of homes;
   a. In addition to exposing the Trainee to different properties through the interior inspection process, also encourage the Trainee to become familiar with construction terms by reading, taking a class or walking with them through the local hardware store looking at various components of a property (windows, doors, paint, siding, roofing materials, flooring materials, etc.), until they can understand the differences in quality, characteristics of construction (vaulted ceilings, superior mill work, multi-gabled roof lines, etc.) and how this impacts value.
   b. Help the Trainee understand and evaluate the condition of a property based upon the quality of the materials used in construction, and the maintenance it has or may not have received.
4. Explain the importance of a proper neighborhood description;
   a. Help the Trainee understand the necessity of adequately and accurately describing the market area;
   b. Help them understand how to confirm zoning and analyze the effects of a particular zoning classification on highest and best use;
   c. Help them understand and accurately estimate the effective age of a property;
   d. Help them recognize, accurately identify, and understand the effects of functional, physical and external obsolescence.
5. Teach the Trainee how to develop, document, and defend the Cost Approach;
a. How to extract, support and apply any necessary functional or external obsolescence that may exist.
b. Help them understand how to calculate and properly apply physical depreciation.
c. Show a Trainee how to support land value and instruct them in the understanding and application of cost manuals.

6. Teach the Trainee the process of selecting appropriate elements of comparison, understanding the neighborhood and market area prior to the selection of comparables;
   a. Show them how and where to make searches for the information so that all properties that can/should be considered, are.
   b. Help the Trainee understand why some properties are “better” than others in a comparison,
   c. Show them how to verify each property with the proper due diligence required.

7. Teach a Trainee how to support and defend adjustments;
   a. Show them how the adjustments are derived from the market and how this process is a continual process of research within the office for each element considered.
   b. Help the Trainee understand the application of the adjustment, or perhaps the lack of an adjustment.

8. Help the Trainee analyze the data after adjustments have been made, and appropriately weight and consider all the information available, including perhaps, sales, listings or offers which were considered but not included in the report.

9. Help the trainee write pertinent, necessary, and understandable narrative to provide the reader and users of the report with a clear understanding of the processes, analysis and data gathering that took place;
   a. Help the Trainee develop a final reconciliation that is clear, meaningful and supported.

THE SUPERVISING APPRAISER AGREES TO THE “TEN R’S” WHEN TAKING ON A TRAINEE APPRAISER:

1. Responsibility
   The supervising appraiser takes on full responsibility for a trainee appraiser’s valuation reports by signing and certifying that the report is in compliance with the Uniform Standards of Professional Appraisal Practice.

2. Reliability
   The information that is presented in a report must be accurate and dependable in order to provide a valid that they are correctly and properly collecting pertinent and factual data for analysis.

3. Research
   It is the supervisor’s responsibility to ensure that the trainee knows the various sources to gather data and that the data collected is reliable. The trainee should be exposed to any sources of research which would be considered by one’s peers in the market place. This would include cost manuals, multiple listing services, public records and internet study.

4. Reason
   The trainee must learn to reason independently, and to formulate reasonable conclusions based upon the analysis of the information gathered. The supervisor needs to directly guide then transition the trainee to an independent reasoning process.
5. Respect
Both parties in the training process (supervisor and trainee) require mutual respect to create a positive and meaningful learning environment. Questions about the appraisal process or differences in the presentation of information by the trainee should not be considered as “disrespect” but rather should be encouraged as a constructive thought process in the analysis of valuation and a tool for the supervisor to “re-think” old habits and consider innovative thinking. A supervisor has the unique opportunity to form a lasting relationship with their trainee as a mentor and friend. There should be a professional understanding and trust between the supervisor and trainee regarding the education that is taking place.

6. Routine
The trainee should be taught the basic routine of the appraisal process. There should be a consistency and regular pattern of data gathering, analysis and report writing. This enables predictability for both parties and an expectation of results.

7. Report Writing
A supervisor has the responsibility of reviewing and critiquing appraisal reports for accuracy; ease of reading and understanding; purpose; and ensuring that all addenda is both relevant and pertinent. It is the supervisor’s responsibility that factual data is reliable and that analysis is both supported and documented. All necessary certification and limiting conditions should be up to date and applicable to the assignment.

8. Reflective
The competency of a supervisor is directly reflective on the appraisal industry as a whole. If the supervisor is lackadaisical in their responsibilities it has the potential to discredit appraisers in general. A good, conscientious supervisor not only helps produce a competent, ethical professional, but also creates a positive image of the appraisal profession.

9. Rounded
A well-rounded trainee is one that is rigorously supervised, and has many different experiences. A supervisor should expose a trainee to as many different property types, report formats, value ranges etc, as possible, with the understanding that each time a new or unique assignment is introduced, there is a responsibility to instruct and educate the trainee to ensure competency. Creating a well-rounded appraiser helps ensure reliability and validity to the client depending upon the analysis.

10. Reconciliation
The supervisor appraiser has the final responsibility to bring the trainee appraiser to a professional level which will enable them (the trainee) to demonstrate competency independently. A supervisor must be able to recognize the strengths and weaknesses of an apprentice throughout the training process and assist the trainee in self-reconciliation of future education needs and career paths within the appraisal industry.
TRAINEE’S RESPONSIBILITIES
It is the trainee’s responsibility to be actively engaged, taking direction while asking questions to develop understanding of the process, and to invest the time and effort to perform the tasks to the best of their ability.

OUTLINE FOR TRAINING SCHEDULE

At minimum, the training schedule shall include:
Note: Although the training schedule is presented in phases, exposure to skills included in both phases will occur simultaneously.

The difference between the two phases is simply the ability of the trainee to complete property appraisal assignments without on-site supervision during the interior or exterior inspection after they have demonstrated mastery of Phase 1.

PHASE 1

The Supervisor will accompany the trainee appraiser on a minimum of 30 interior appraisal assignments. The trainee will at first observe, and after gaining a level of understanding of the process, assist the supervisory appraiser. The trainee will become highly proficient at measuring the subject, sketching the subject, computing the GLA, and completing the interior inspection.

In order for appraiser to be “accredited” as trained to competently inspect a property on their own for a particular property type (SFR detached, Condominium or Attached, Manufactured and 2-4 unit) a minimum of 10 interior appraisal assignments of that property type must have been completed with the supervisory appraiser.

SKILLS TO ACCOMPLISH:
• Subject property inspection routine
• Professional interaction and interviewing of property owner
• Take subject photos
• Accurately measure property1 and calculate square footage
• Sketch subject exterior to scale
• Sketch subject interior
• Begin to recognize and identify all forms of obsolescence that may exist
• Begin to recognize and identify property characteristics that contribute to or detract from property value.

Once the above is accomplished, a trainee will be able to complete inspections on non-complex properties without the supervisor accompanying the trainee on the physical inspection.

PLANNING OUTLINE OF INSPECTIONS TO ADAPT TO LOCAL MARKET:
The supervisor should begin the process by outlining the types of properties to be included in the Phase 1 inspection program.

• Properties to be inspected will be planned by the Supervisor to provide the trainee with experience working on a broad array of typical properties in the local marketplace.
• Factors to be considered in laying out the outline of properties to be inspected would include size GLA, styles, age of construction, good vs poor condition, high vs
low quality, land area, properties that include the full range of typical mechanical systems for the area, external influences both positive and negative, etc.)

• One ideal element to be considered in designing the outline would be the ability to inspect new construction properties to allow the trainee to more fully understand residential construction. Where possible, including multiple inspections of new construction at different stages of development, from vacant lot, to foundation, to framed structure, to roughed-in mechanicals, to completed construction, would provide the trainee with valuable experience.

• The outline should look back to the Property Inspection Training course outline found in Appendix A, especially in sections C through M. Those specific elements of the Training course can be built into the Phase 1 Experience Outline to provide hands on experience with each of those elements of the process.

PHASE 2

• For the remainder of the trainee period, appraisal assignments will be given out when the current assignment is handed in, reviewed, and is acceptable.

• Clear, descriptive photos of all rooms of the subject, all sides of the dwelling, front and rear of subject yard, and all improvements must be taken by the trainee and reviewed by the supervisor.

• Supervisory appraiser will review all forms with the trainee. Topics covered will include, but are not limited, to: adjustments, forms, guidelines, USPAP regulations, and purpose of appraisal.

• Complete reports together on a variety of forms. Trainee to sit with supervisory appraiser for line-by-line review of the complete file (with MLS and county record data.)
APPENDIX C
SYNOPSIS OF STATE REGULATIONS

Of the 50 states, 38 have competency-based regulations, allowing for eventual independent property inspections by Trainees, three make no reference to direct supervision or eventual competency of trainee allowing them to independently inspect, and nine states specifically reference direct supervision through licensing/certification programs.

Below is a list of the nine states that maintain language within their trainee guidelines for apprentices that unintentionally prohibits valuations professionals from taking on apprentices in a cost efficient and streamlined manner. The National Appraisal Congress believes tweaking inconsistent state regulations that add too much oversight into the apprentice training process will assist the industry and the entire real estate market by ensuring barriers to entry are removed, quality standards are upheld and future shortages are not created due to a lack of fluidity in the process of educating new appraisers.

The following is a list of states identified as having the most restrictive language for apprentice appraisers, and standards that could create a backlog in the appraisal training process. NAC believes a few modifications to the local language in these states would go a long way in ensuring veteran appraisers across the country are ready, willing and able to train the next generation of appraisers in a cost-effective manner.

UNFAVORABLE STATE REGULATIONS WITH PROPOSED AMENDMENTS

The following is an outline of those states with regulations that prevent a trainee appraiser from physically inspecting subject properties independent of having the trainee’s supervisory appraiser present during the inspection for a significant portion of their apprenticeship.

ARIZONA
Statute – ARS 32-3601 (22)(c)(iii)
Current Language
A supervising appraiser shall provide direct supervision, being personally and physically present during the entire inspection of each appraised property with the trainee.

Proposed Language
A supervising appraiser shall provide direct supervision, being personally and physically present during the entire inspection of each appraised property with the trainee for a term of 90 days - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP.
**FLORIDA**
Statute – Florida Administrative Code 6J1-4.010 (2)(c)

**Current Language**
Trainees must work under the direct supervision of a Certified Residential or Certified General Appraiser for the entire duration of their training. Proposed Regulation - Personally inspecting each appraised property with the registered appraiser trainee for a minimum of the first twelve (12) months of the registered appraiser trainee’s initial registration, and thereafter until the registered trainee appraiser is competent in accordance with the Competency Rule in USPAP.

**Proposed Language**
Trainees must work under the direct supervision of a Certified Residential or Certified General Appraiser for the entire duration of their training. Proposed Regulation - Personally inspecting each appraised property with the registered appraiser trainee for a minimum of 90 days - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP.

**ILLINOIS**
Statute – Illinois Administrative Code Title 68; Chapter VII; Subchapter b; 1455.316 (a)(2)

**Current Language**
A supervising appraiser shall instruct and directly supervise an Associate Real Estate Trainee Appraiser for any classification of license or certificate in the entire preparation of each appraisal. A supervising appraiser shall provide direct supervision, being personally and physically present, during the first 500 hours of experience for no fewer than 25 assignments.

**Proposed Language**
A supervising appraiser shall instruct and directly supervise an Associate Real Estate Trainee Appraiser for any classification of license or certificate in the entire preparation of each appraisal. A supervising appraiser shall provide direct supervision, being personally and physically present, during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP.
MARYLAND
Statute – Maryland Business Occupations and Professions Section 16-5A-03 (a)(2)

Current Language
A supervising appraiser shall physically inspect each appraised property with the real estate appraiser trainee until the supervising appraiser determines that the real estate appraiser trainee is competent in accordance with paragraph (3) of this subsection; (3) determine that the real estate appraiser trainee meets the competency requirements of the uniform standards of professional appraisal practice;

Proposed Language
A supervising appraiser shall physically inspect each appraised property with the real estate appraiser trainee until the supervising appraiser determines that the real estate appraiser trainee is competent in accordance with paragraph (3) of this subsection; (3) A supervising appraiser shall provide direct supervision, being personally and physically present, during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP.

MISSISSIPPI
Statute – Mississippi Administrative Code Title 30; Part 1501; Chapter 11; Rule 11.6 (2)(b)

Current Language
Trainees must be accompanied by a mentor for 2000 hours and a minimum of one year. The Supervising Certified Appraiser shall be responsible for the training and direct supervision of the Appraiser intern by personally inspecting and being physically present at each appraised property with the Appraiser Intern if any inspection is required.

Proposed Language
Trainees must be accompanied by a mentor for 30 individual physical inspections over a minimum period of 90 days. The Supervising Certified Appraiser shall be responsible for the training and direct supervision of the Appraiser intern by personally inspecting and being physically present at each appraised property with the Appraiser Intern if any inspection is required during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP.
MISSOURI
Statute – Regulation 20 CSR 2245-3.005(6)

Current Language
(A) The registrant shall be subject to direct supervision by a Missouri certified appraiser in good standing with the commission for the prior three (3) years. If the trainee is currently licensed or certified, supervision shall only be required if the trainee is completing experience outside their current scope of practice.

The supervising appraiser(s) shall be responsible for the training, guidance, and direct supervision of the registrant by personally inspecting each appraised property with the registrant until the supervising appraiser determines the registrant trainee is competent, in accordance with the competency rule of USPAP.

Proposed Language
(A) The registrant shall be subject to direct supervision by a Missouri certified appraiser in good standing with the commission for the prior three (3) years. If the trainee is currently licensed or certified, supervision shall only be required if the trainee is completing experience outside their current scope of practice.

The supervising appraiser(s) shall be responsible for the training, guidance, and direct supervision of the registrant by personally inspecting each appraised property with the registrant during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP.

NEW MEXICO
Statute – New Mexico Administrative Code 16.62.2.9 (C)

Current Language
A trainee must be supervised throughout the duration of their apprenticeship in order to upgrade to the next level of licensure.
When training for residential license or residential certification the supervisor must accompany the trainee on complete interior inspections of the subject property on the first 50 assignments; after that point, the trainee may perform the inspections without the presence of the supervisor provided the trainee is competent to perform those inspections in accordance with the competency rule of USPAP for the property type.

Proposed Language
A trainee must be supervised throughout the duration of their apprenticeship in order to upgrade to the next level of licensure.
When training for residential license or residential certification the supervisor must accompany the trainee on complete interior inspections of the subject property registrant during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP; after that point, the trainee may perform the inspections without the presence of the
supervisor provided the trainee is sufficiently competent to perform those inspections in accordance with the competency rule of USPAP for the property type

OREGON
Statute – OAR 161-025-0025

Current Language
The supervising appraiser shall be responsible for the training, guidance and direct supervision of the appraiser assistant by accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP, reviewing and signing the appraiser assistant appraisal reports, and personally inspecting each appraised property with the appraiser assistant until the supervisory appraiser determines the appraiser assistant is competent to inspect the property, in accordance with the COMPETENCY RULE of USPAP for the property type and all applicable appraisal laws and rules.

1. The expectations and responsibilities of the Trainee Appraiser to have a basic understanding of the AQB minimum requirements to become a Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the Criteria

2. The expectations and responsibilities of the Trainee Appraiser to have an understanding about the importance of selecting an appropriate Supervisory Appraiser. Points covered shall include:
   a. The Supervisory Appraiser-Trainee Appraiser relationship is a long-term commitment by both parties
   b. The Trainee Appraiser is inherently connected to the “good standing” of the Supervisory Appraiser
   c. The importance of selecting a Supervisory Appraiser with the experience and competency that best matches the Trainee Appraiser’s selected credentialing path
   d. Options for the Trainee Appraiser if a Supervisory Appraiser is no longer qualified to serve as a Supervisory Appraiser

3. The expectations and responsibilities of the Trainee Appraiser to have an understanding of how to determine if an appraiser is qualified and in good standing to be a Supervisory Appraiser by searching the Appraisal Subcommittee (ASC) National Registry and/or jurisdictional websites

4. The expectations and responsibilities of the Trainee Appraiser to understand it is the Supervisory Appraiser’s responsibility to monitor the progression of the Trainee Appraiser’s education and experience necessary to achieve the Trainee Appraiser’s selected credentialing path

5. The expectations and responsibilities of the Trainee Appraiser to understand it is the Supervisory Appraiser’s responsibility to provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value

6. The expectations and responsibilities of the Trainee Appraiser to understand the responsibilities of both the Trainee Appraiser and the Supervisory Appraiser in properly documenting all appropriate Trainee Appraiser’s experience logs
7. The expectations and responsibilities of the Trainee Appraiser to understand the Supervisory Appraiser must accompany the Trainee Appraiser on all inspections until he or she is competent to conduct inspections independently, and has met all requirements pertaining to property inspection established by the credentialing jurisdiction.

The supervising appraiser must directly supervise the registered appraiser assistant in each assignment to ensure that the results of each assignment comply with USPAP and all applicable appraisal laws and rules.

**Proposed Language**

The supervising appraiser shall be responsible for the training, guidance and direct supervision of the appraiser assistant by accepting responsibility for the appraisal by signing and certifying the appraisal complies with USPAP, reviewing and signing the appraiser assistant appraisal reports, and personally inspecting each appraised property with the appraiser assistant during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP for the property type and all applicable appraisal laws and rules.

1. The expectations and responsibilities of the Trainee Appraiser to have a basic understanding of the AQB minimum requirements to become a Trainee Appraiser, as well as the requirements of the credentialing jurisdiction that may exceed those of the Criteria

2. The expectations and responsibilities of the Trainee Appraiser to have an understanding about the importance of selecting an appropriate Supervisory Appraiser. Points covered shall include:
   a. The Supervisory Appraiser-Trainee Appraiser relationship is a long-term commitment by both parties
   b. The Trainee Appraiser is inherently connected to the “good standing” of the Supervisory Appraiser
   c. The importance of selecting a Supervisory Appraiser with the experience and competency that best matches the Trainee Appraiser’s selected credentialing path
   d. Options for the Trainee Appraiser if a Supervisory Appraiser is no longer qualified to serve as a Supervisory Appraiser

3. The expectations and responsibilities of the Trainee Appraiser to have an understanding of how to determine if an appraiser is qualified and in good standing to be a Supervisory Appraiser by searching the Appraisal Subcommittee (ASC) National Registry and/or jurisdictional websites

4. The expectations and responsibilities of the Trainee Appraiser to understand it is the Supervisory Appraiser’s responsibility to monitor the progression of the Trainee Appraiser’s education and experience necessary to achieve the Trainee Appraiser’s selected credentialing path
5. The expectations and responsibilities of the Trainee Appraiser to understand it is the Supervisory Appraiser’s responsibility to provide assignments and duties that ensure the Trainee Appraiser is developing an understanding and progression of knowledge and experience of all applicable valuation methodologies and approaches to value.

6. The expectations and responsibilities of the Trainee Appraiser to understand the responsibilities of both the Trainee Appraiser and the Supervisory Appraiser in properly documenting all appropriate Trainee Appraiser’s experience logs.

7. The expectations and responsibilities of the Trainee Appraiser to understand the Supervisory Appraiser must accompany the Trainee Appraiser during the first 90 days of the supervisor/trainee relationship - to include a minimum of 30 total inspections during the aforementioned 90 day period - and completion of the National Appraisal Congress’ Physical Inspection Competency Program to ensure compliance with the Competency Rule set forth within USPAP, and has met all requirements pertaining to property inspection established by the credentialing jurisdiction.

The supervising appraiser must directly supervise the registered appraiser assistant in each assignment to ensure that the results of each assignment comply with USPAP and all applicable appraisal laws and rules.
For more information, please contact

**Jordan Petkovski**
Chairman of National Appraisal Congress
Vice President, Chief Appraiser
Title Source
662 Woodward Avenue
Detroit, MI 48226
Direct 313.877.2880
jordanpetkovski@titlesource.com