# Unit 1 Outline

**Learning Objectives**

Study of this unit should enable the student to

* describe the type of assignments that an appraiser can receive;
* explain how the savings and loan crisis of the 1980s led to appraiser licensing;
* name the organization that assists Congress by developing appraiser and appraisal criteria;
* identify and explain the qualification criteria for the four categories of appraiser licensing;
* recognize other federal regulations that have an impact on appraisal practice; and
* list the major appraisal trade groups.

**Unit Outline**

I. Overview

II. The Appraiser's Work—the professional real estate appraiser provides an opinion of the value of real property, usually in a written appraisal report

A. Assignments available

1. In a real estate transaction involving either a sale or lease

2. Other purposes—determining insurance value or development costs, assessing property for taxes, and so on

B. Employment opportunities

C. Appraiser compensation

## Exercise 1-1

III. Licensing and Certification

A. FIRREA—Financial Institutions Reform, Recovery, and Enforcement Act of 1989

1. Office of Thrift Supervision and Housing Finance Board—established by FIRREA to supervise savings and loans

2. Federal Deposit Insurance Corporation (FDIC)—responsible for insuring all deposits in participating banks and savings and loan associations

3. Resolution Trust Corporation—dissolved in 1996 and duties taken over by FDIC

B. Appraiser Licensing—required in federally related transactions

 1. Thresholds for certified and licensed appraisers

2. Currently Fannie Mae, Freddy Mac, HUD, and the VA require the use of state-licensed or state-certified appraisers for every appraisal, as do many lenders and other appraisal clients.

3. In 2018, FDIC raised the threshold for appraisals of nonresidential properties

 C. The Appraisal Foundation—a nonprofit corporation established in 1987

1. Appraisal Standards Board (ASB) works on the *Uniform Standards of Professional Appraisal Practice (USPAP)*

2. Appraiser Qualifications Board (AQB) works on education and experience requirements for licensing and certification

3. Appraisal Practices Board (APB) issues voluntary guidance to appraisers on emerging valuation issues

D. Qualifications of an appraiser

1. Education—specialized and general courses

 a. Appraiser Trainee

 b. Licensed Real Property Appraiser

 c. Certified Residential Real Property Appraiser

 d. Certified General Real Property Appraiser

2. Experience—appraisal experience

3. Objectivity—the appraiser must remain objective and have no personal interest in the outcome of the appraisal

**Exercise 1-2**

IV. Other Federal Regulation

A. Fair Housing—the Fair Housing Amendments Act, effective March 12, 1989, prohibits discrimination in the selling, brokering, or appraising of residential real property because of race, color, religion, sex, handicap, familial status, or national origin

 B. Environmental Concerns

C. Subprime Lending Crisis—rapid price appreciation and easy loan qualification led to risky loans

 D. Legislation

1. Housing and Economic Recovery Act of 2008 (HERA) increased levels of FHA-insured and VA-guaranteed loans

2. Federal Housing Finance Agency (FHFA) created by merging Office of Federal Housing Enterprise Oversight and Federal Housing Finance Board

3. FHFA is regulator and conservator of Fannie Mae and Freddie Mac

E. Appraiser Independence Requirements—result of subprime lending crisis

1. Appraiser Independence Requirements took effect October 15, 2010

F. Professional Standards of Practice—the major appraisal societies have been leaders in establishing standards of appraisal practice as well as in defining ethical conduct

1. Standards cover real estate, personal property and business appraisals, as well as other topics

2. The *Uniform Standards of Professional Appraisal Practice* are interpreted and amended by the Appraisal Foundation on a two-year cycle

## Exercise 1-3

V. Professional Groups—major appraisal and related societies

A. Trade Associations—provide opportunities for education, networking, and legal updates

B. Political action groups are a voice for appraisers

VI. The Modern Appraisal Office

 A. The Backup System

B. The Internet

C. Geographic Information Systems (GIS)

D. The Camera

E. Measuring Devices

F. Use of Technology

**Exercise 1-4**

Summary

## Review Questions