

**TITLE 876 INDIANA REAL ESTATE COMMISSION****Economic Impact Statement**

LSA Document #06-95

March 6, 2007

Nathan J. Feltman  
 Secretary of Commerce and Chief Executive Officer  
 Indiana Economic Development Corporation  
 One North Capitol, Suite 700  
 Indianapolis, Indiana 46204

Re: LSA Document #06-95 – Proposed rule to increase and otherwise revise the educational, examination, and experience requirements for licensure and certification as an appraiser in Indiana, to eliminate the licensed residential appraiser license, and to make other corresponding changes. Partially effective 30 days after filing with the Publisher and partially effective January 1, 2008.

On behalf of the Real Estate Appraiser Licensure and Certification Board and the Indiana Real Estate Commission, the Indiana Professional Licensing Agency has prepared this analysis of the fiscal impact on small business based on the requirements or costs imposed by the attached proposed rule which amends, adds, or repeals:

[876 IAC 3-2-1](#); [876 IAC 3-3-3](#); [876 IAC 3-3-3.1](#); [876 IAC 3-3-4](#); [876 IAC 3-3-4.1](#); [876 IAC 3-3-5](#); [876 IAC 3-3-5.1](#); [876 IAC 3-3-11](#); [876 IAC 3-3-12](#); [876 IAC 3-3-13](#); [876 IAC 3-3-14](#); [876 IAC 3-6-9](#)

The Agency is submitting this proposed rulemaking action and fiscal impact statement for your review and approval pursuant to Indiana Code 4-22-2.1-5. **The public hearing for this proposed rule is scheduled for Wednesday, May 23, 2007 at 10:30. Pursuant to IC 4-22-2.1-6(a), the agency is respectfully requesting that your written comments on the proposed rule and economic impact be submitted to the agency by Friday, May 11, 2007; however, statute allows these comments to be provided no less than seven days before the public hearing.** If you have any questions or concerns about this rule, please contact me at 234-2912 or e-mail me at [nrhead@pla.in.gov](mailto:nrhead@pla.in.gov).

The Indiana Professional Licensing Agency has determined that this proposed rule will impose requirements and costs on small businesses as described herein. LSA Document # 06-95 amends, adds, or repeals: [876 IAC 3-2-1](#); [876 IAC 3-3-3](#); [876 IAC 3-3-3.1](#); [876 IAC 3-3-4](#); [876 IAC 3-3-4.1](#); [876 IAC 3-3-5](#); [876 IAC 3-3-5.1](#); [876 IAC 3-3-11](#); [876 IAC 3-3-12](#); [876 IAC 3-3-13](#); [876 IAC 3-3-14](#); [876 IAC 3-4](#); and [876 IAC 3-6-9](#) to make necessary changes to comply with federal requirements for state appraiser licensing boards to comply with Title XI and Appraisal Subcommittee Policy for licensure of Appraisers in Indiana. This rule seeks to make the necessary changes to the Appraiser Licensure and Certification Board's rules to comply with new federal guidelines that govern the necessary requirements to obtain an appraiser license.

To comply with the new education requirements to obtain a license, the following chart outlines the license type, the current education requirements for licensure, the new federal requirements, and new college course requirements.

Although not required by federal mandate, the Real Estate Appraiser Licensure and Certification Board will no longer issue new Licensed Residential appraiser licenses after 1/1/08.

License Type	Current Requirements	New Federal Requirements	College Course Requirements	Indiana's Action
Licensed Residential	90 hours	150 hours	None	No longer issue Licensed Residential
Certified Residential	120 hours	200 hours	Associate degree or higher. In lieu of the required degree, twenty-one (21) semester hours covering the following subject matter courses: English composition; principles of economics (micro or macro); finance; algebra, geometry, or higher mathematics; statistics, introduction to computers - word processing / spreadsheets; and business or real estate law.	Must adopt
Certified	180 hours	300 hours	Bachelor's degree or higher. In lieu of the	Must adopt

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required degree thirty (30 semester credit hours covering the following subject matter courses: English composition; microeconomics; macroeconomics; finance; algebra, geometry, or higher mathematics; statistics; introduction to computers - word processing / spreadsheets; business or real estate law; and two (2) elective courses in accounting, geography; ag-economics; business management; or real estate.

LSA 06-95 also makes necessary changes to the education approval process for prelicensing education providers.

LSA 06-95 requires that all prelicensing education will need to be approved by the Appraisal Qualification Board (AQB). The AQB is a division of the Appraisal Foundation, which is authorized by the United States Congress as the source of appraisal standards and appraiser qualifications. The Appraisal Foundation is the architect of the education requirement changes.

Given the new course requirements, the Real Estate Appraiser Licensure and Certification Board does not have the infrastructure to appropriately and adequately review and approve prelicensing education courses.

Due to the significant increases and complex nature of appraiser education courses, LSA 06-95 requires that all prelicensing education be approved by the Appraisal Qualifications Board. This is a division of the Appraisal Foundation, who is authorized by Congress as the source and designer of Appraisal Standards and Qualifications, including these required changes.

Currently, distance education is prohibited for appraisers. By requiring prelicensing approval by the Appraiser Qualification Board distance education will now be an option for education providers and consumers.

**1. Estimated Number of Small Businesses Affected:**

Most of the licensees associated with this rule are not small businesses. There are six prelicensing education providers that are classified as a small business.

**2. Estimated Average Annual Administrative Costs That Small Businesses Will Incur:**

The estimated average annual administrative costs that small business will incur will be minimal (mailing, copying of documents, and completion of application forms) and should not exceed the costs that are currently being incurred to submit an application to the state.

**3. The Consolidation or Simplification of Compliance or Reporting Requirements for Small Businesses.**

This is not applicable under LSA #06-95.

**4. Estimated Total Annual Economic Cost on Small Businesses:**

The minimum estimated calculable cost to small business is \$195,300. In respect to LSA 06-95, this pertains to the prelicensing providers.

**5. Regulatory Flexibility Analysis of Alternative Methods:**

The proposed rule was permitted by [IC 25-34.1-3-8](#) for the Board to enforce and administer its article and by [IC 25-34.1-2-5.1](#) to establish the standards of the competent practice of real estate appraisers. The Board and Commission have analyzed alternatives to this proposed rule.

**B. Justification of Requirements or Costs on Small Businesses Where Rule Is Not Expressly Required by Law:**

Supporting Data, Studies, or Analyses: The Board and Commission consulted with education providers and other states in estimating the costs associated with reviewing educational material.

1. The federal changes allow for the new requirements to be adopted either through a "Firm" or "Segmented" implementation process.

The board will be adopting the new requirements using a "Segmented Implementation Date" and is less restrictive than a "Firm Implementation Date".

The new requirements will be adopted under a segmented implementation process to the extent that applicants who meet the old requirements and apply before January 1, 2008, will be allowed to take the examination after December 31, 2007.

The Firm Implementation is one where any credential issued by a state appraiser regulatory body on or after January 1, 2008, must be in compliance with all components of the new AQB criteria

2. The Real Estate Appraiser Licensure and Certification Board has made the decision not to issue new Licensed Residential Licenses after 1/1/2008. The continued issuance of Licensed Residential licenses has caused a significant number of consumer complaints and a negative economic impact on the state's economy.

3. Requiring courses to be approved by the Appraisal Qualifications Board. LSA 06-95 requires that all prelicensing education will need to be approved by the Appraisal Qualification Board (AQB). The AQB is a division of the Appraisal Foundation, which is authorized by Congress as the source of appraisal standards and appraiser qualifications. The Appraisal Foundation is the architect of the education

requirement changes. By requiring all courses to be approved by the AQB, the state of Indiana will deflect a significant cost. If the state had to review and approve courses, the state would need to hire an education consultant, most likely one with a PhD. This would require the state to increase application fees.

4. Permitting distance education is not required by law. Currently, distance education is prohibited for appraisers. LSA 06-95 removes this barrier to practice to allow distance education.

**A. The establishment of less stringent compliance or reporting requirements for small businesses.**

There are two areas of this rule where the Board could establish less stringent compliance requirements than required by federal law but chose not to.

1. LSA 06-95 requires all prelicensing education to be submitted to the AQB. Establishing a less stringent requirement of having the board approve the materials would result in a greater application costs to the education provider and be harmful to small business.

2. LSA 06-95 also provides that after January 1, 2008, the state of Indiana will no longer issue Licensed Residential appraiser licenses. The alternative to this would be to continue to issue Licensed Residential Appraiser licenses (LRs). However, because education requirements for LRs are minimal, the risk for fraud and errors to occur are is so great, the continued economic impact of these errors and fraudulent activity can be detrimental to Indiana's economy as a whole.

**B. The establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.**

This is not applicable under LSA #06-95.

**C. The establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.**

This is not applicable under LSA #06-95.

**D. The exemption of small businesses from part or all of the requirements or costs imposed by the rule.**

This is not applicable under LSA #06-95.

Sincerely,

Nicholas Rhoad

Director

Indiana Real Estate Commission

cc: Ryan Asberry

Frances L. Kelly

Barbara McNutt

Medana Davis

*Posted: 03/28/2007 by Legislative Services Agency*

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