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**TITLE 876 INDIANA REAL ESTATE COMMISSION**

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**Economic Impact Statement**

LSA Document #07-744

**IC 4-22-2.1-5 Statement Concerning Rules Affecting Small Businesses**

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 [876 IAC 3-6-2](#) and [876 IAC 3-6-3](#). The agency is submitting this proposed rulemaking action and economic 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 January, 23 2008, at 10:45. Pursuant to [IC 4-22-2.1-6\(a\)](#), the agency is requesting that your written comments on the proposed rule and economic impact be submitted to the agency by Monday, January 7, 2008. If you have any questions or concerns about this rule, please contact me at 234-3046 or e-mail me at [nrhoad@pla.in.gov](mailto:nrhoad@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.

Our analysis establishes that this rule will not have an economic impact of greater than \$500,000.

LSA Document #07-744 amends [876 IAC 3-6-2](#) and [876 IAC 3-6-3](#) to incorporate by reference the 2008-2009 edition of the Uniform Standards of Professional Appraisal Practice (USPAP) and to update the revisions to USPAP based upon the changes in the 2008-2009 edition.

**Estimated Number of Small Businesses Affected:**

NAICS CODE 531320	Offices of Real Estate Appraising
	Appraiser Trainees needing continuing education: 76
	Licensed Real Estate Appraisers: 689
	Certified Residential Appraisers: 1,035
	Certified General Appraisers: 689
	Number of Continuing Education Providers: 23
NAICS CODE 531210	Real Estate Brokers
	Real Estate Brokers: 12,547
	Real Estate Branch Offices: 85
	Real Estate Broker Companies: 2,524
	Real Estate Professional Corporations: 119

The state is required by federal mandate to pass this rule. In addition, the federal government requires appraisers to use and comply with the Uniform Standards of Professional Appraisal Practice.

The Real Estate Appraiser Licensure and Certification Board (Board) has the authority to recommend to the Indiana Real Estate Commission (Commission) rules governing the real estate appraisers licensed and certified under [IC 25-34.1-3-8](#). Under [IC 25-34.1-2-5.1](#), the Commission also has the authority to promulgate rules establishing standards for the competent practice of the various occupations regulated in [IC 25-34.1](#).

There are 2,787 appraisers licensed in the state of Indiana. Although the proposed rule affects the practices of appraisers specifically, the small business for which these appraisers are employed will also be affected because of the licensees' compliance. The number of small businesses affected by this proposed rule will be less than the total number of appraisers; however, the Board is unable to determine the actual number of small businesses that will be affected. This rule also applies to real estate brokers doing appraising in Indiana. There are approximately 12,547 real estate brokers; 85 real estate branch offices; 2,524 real estate broker companies; and 119 real estate professional corporations licensed in Indiana. Indiana does not collect data on the number of brokers who perform appraisals. All brokers are required to follow USPAP. However, brokers do not need to have an appraiser's license to perform appraisals, as long as the appraisal is not used for a federally insured loan.

Although the proposed rule affects the practices of broker performing appraisals specifically, the small business for which these brokers are employed will also be affected because of the licensees' compliance.

The costs imposed on these small businesses will occur because the licensed and certified appraisers and real estate brokers that are directly affected by this rule will have to comply with the most recent Uniform Standard of Professional Appraisal Practice requirements.

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

The 2008-2009 USPAP that is being incorporated in the Board and Commission's proposed rule requires some recordkeeping requirements. The Board and Commission estimate that there will be no annual reporting requirements and no annual administrative costs incurred by small businesses to comply with this rule.

### **Estimated Total Annual Economic Impact on Small Businesses:**

The Board and Commission estimate that there will be an impact on small businesses as a result of compliance with this rule. In order to comply with this proposed rule, an appraiser may have to replace the 2007 USPAP edition with the 2008-2009 USPAP edition.

Assuming all appraisers purchase the book, the cost to purchase the book is \$50, which will cost all licensed or certified appraisers in Indiana approximately \$139,350 (2,787 licensed and certified appraisers × \$50) and cost real estate brokers \$627,350 (12,547 real estate brokers × \$50); however, not all brokers perform appraisals and no data is collected on the number performing appraisals. USPAP cannot be downloaded for free as it has been available in years past. However, an electronic version can be purchased for \$40.

Compliance with the new 2008-2009 edition of the USPAP is not intended to have or will have minimal costs because appraisers and brokers doing appraisals are already complying these professional standards as opposed to the version of the standards currently in effect.

- **Justification of Requirements or Costs on Small Businesses Where Rule Is Not Expressly Required by Law:** The Uniform Standards of Professional Appraisal Practice is the national standard for professional appraisal practice that appraisers are expected to follow. The Board and Commission are incorporating these standards in their rules to keep current with the national standards. In addition, the federal government requires appraisers to use and comply with the Uniform Standards of Professional Appraisal Practice.
- **Supporting Data, Studies, or Analyses:** The Board and Commission have not relied on any studies in reaching these estimates.

### **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 brokers. The Board and Commission have not analyzed alternatives to this proposed rule.

#### **A. Establishment of less stringent compliance or reporting requirements for small businesses.**

The Board is incorporating these standards in their rules to keep current with the national standards. In addition, the federal government requires appraisers to use and comply with the Uniform Standards of Professional Appraisal Practice as a requirement for federal agencies. The standards established by USPAP are for all appraisers and brokers doing appraising in Indiana no matter the size of the business.

#### **B. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small businesses.**

Because there are no reporting requirements, there was no need to establish less stringent schedules or deadlines for small business compliance.

#### **C. Consolidation or simplification of compliance or reporting requirements for small businesses.**

There are no other reporting requirements imposed by the proposed rule. The standards established by USPAP are for all appraisers and brokers doing appraising in Indiana no matter the size of the business.

#### **D. Establishment of performance standards for small businesses instead of design or operational standards imposed on other regulated entities by the rule.**

The standards imposed by this rule were developed by the Appraisal Foundation's Appraisal Standards Board. The standards established by USPAP are for all appraisers and brokers doing appraising in Indiana no matter the size of the business.

#### **E. Exemption of small businesses from part or all of the requirements or costs imposed by the rule.**

This proposed rule does not impose additional reporting requirements or costs. The standards established by USPAP are for all appraisers and brokers doing appraising in Indiana no matter the size of the business.

*Posted: 12/19/2007 by Legislative Services Agency*

An [html](#) version of this document.