

**Economic Impact Statement**

LSA Document #07-881

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

LSA Document #07-881 makes changes and clarification to [876 IAC 3-5](#) regarding the amount of continuing education hours needed to renew an appraiser license expiring June 30, 2008, clarifies that the six month extension of license validity, due to an administrative change in the expiration date, does not reduce the amount of continuing education hours required, but rather establishes the requirements on a pro-rated basis, and amends [876 IAC 3-5](#) to comply with the Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (12 U.S.C. 3331-3351) (Title XI).

The licensing of appraisers is regulated at the federal level by two main entities. The Appraisal Qualifications Board (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. The Appraisal Subcommittee (ASC) enforces Title XI to ensure state's licensing programs meet the Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (12 U.S.C. 3331-3351).

LSA Document #07-881 is a proposed rule to comply with Title XI of the Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (12 U.S.C. 3331-3351) (Title XI).

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In July of 2006, the legislature allowed the Indiana Professional Licensing Agency (IPLA) to establish the expiration date of their professional licenses without the need for an administrative rule change. At this time, the IPLA made the decision to change the expiration of appraiser licenses from January 1, 2008, to June 30, 2008. Before this, licenses were only valid for a period of two years.

Due to this license expiration change, it extended the validity of their appraiser license for a period of six months for this renewal period only. After June 30, 2008, licenses will continue to expire on June 30 of every even-numbered year.

During a typical two year renewal period, licensees are required to obtain 28 hours of continuing education (14 per year).

Because this renewal cycle was six months longer, the ASC recently informed Indiana that we would need to ensure that we prorate the continuing education hours of our appraisers. Therefore, any appraiser renewing their license in 2008 would have 35 hours of continuing education. These 35 hours would reflect the standard 28 hours from the two year license cycle plus seven hours due to the six month license extension.

This is not an increase in continuing education hours, only a clarification of how the hours are calculated.

**1. Estimated number of small businesses, classified by industry sector, that will be subject to the proposed rule:**

Individual appraisers are not considered to be "small businesses" under [IC 4-22.2.1-4](#). The state does not collect data on the number of small businesses in the appraisal industry. However, the closest data that can be assimilated are the number of appraisers in the profession. Some appraisers operate sole proprietorships that would be small businesses and as such would be subject to the continuing education requirements. The number of individual appraisers by license type needing continuing education are below:

**NAICS CODE 531320 -- Offices of Real Estate Appraising**

(Current number of) Appraiser Trainees needing continuing education: 76

(Current number of) Licensed Real Estate Appraisers needing continuing education: 817

(Current number of) Certified Residential Appraisers needing continuing education: 1,033

(Current number of) Certified General Appraisers needing continuing education: 689

[IC 4-22-2.1-4](#) provides that "small business" means any person, firm, corporation, limited liability company, partnership, or association that:

- (1) is actively engaged in business in Indiana and maintains its principal place of business in Indiana;
- (2) is independently owned and operated;
- (3) employs one hundred (100) or fewer full-time employees; and
- (4) has gross annual receipts of five million dollars (\$5,000,000) or less.

**2. Estimate of the average annual reporting, record keeping, and other administrative costs that small business will incur to comply with the proposed rule:**

The seven hours of continuing education for will require small business sole proprietorships to have negligible administrative costs, as they will need to maintain continuing education certificates for those seven hours.

**3. Estimate of the total annual economic impact that compliance with the proposed rule will have on all small businesses subject to this rule:**

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Licensees are already required to complete continuing education to renew their license and are required to pay continuing education providers for continuing education course. Seven hours of continuing education costs approximately \$112.

There are 689 Certified General Appraisers, 1,033 Certified Residential Appraisers, 817 Licensed Residential Appraisers, and 195 Trainee Appraisers required to complete continuing education (only licensees who have been a trainee for more than five years must complete CE) = 2,489 appraisers.

If every appraiser completes 7 hours of continuing education per year, it would cost licensees in the industry approximately \$278,768 to complete continuing education.

**4. Justification of requirement or cost imposed on small business:**

LSA Document #07-881 is being promulgated to ensure compliance with the Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (12 U.S.C. 3331-3351).

**5. Regulatory Flexibility Analysis of Alternative Methods. Consideration of alternative methods of achieving the purpose of the proposed rule:**

The proposed rule is authorized by [IC 25-34.1-3-8](#) to allow 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.

There are no flexibility options available for not clarifying the amount of hours needed to renew licenses that have had their validity extended as these are required by the Financial Institutions Recovery, Reform, and Enforcement Act of 1989 (12 U.S.C. 3331-3351). Failure to make this rule change would possibly result in the Appraisal Subcommittee initiating a nonrecognition hearing.

If the Appraisal Subcommittee initiated nonrecognition proceedings that resulted in the nonrecognition of Indiana's appraiser program, federally insured financial institutions would not be able to use appraisers certified or licensed by Indiana. Further, the Department of Housing and Urban Development's FHA Program would not be able to insure loans supported by appraisals performed by Indiana appraisers. Fannie Mae and Freddie Mac would not be able to purchase loans supported by appraisals performed by Indiana appraisers. The result on the Indiana economy would be devastating.

**6. Supporting Data, Studies, or Analyses:**

The Appraisal Subcommittee  
Appraisal Qualifications Board  
McKissock School of Real Estate  
Education Resource, LLC  
Appraiser Board Chairman

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