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**TITLE 876 INDIANA REAL ESTATE COMMISSION**

**Economic Impact Statement**  
LSA Document #09-769

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

**Introduction:** On behalf of the Indiana Real Estate Commission (Commission) via the Real Estate Appraiser Licensure and Certification Board (Board), the Indiana Professional Licensing Agency (IPLA) is submitting this proposed rule and fiscal impact statement for your review and approval pursuant to Executive Order 2-89 and Financial Management Circulars #2006-1 and #2006-2. A copy of the proposed rule, which amends [876 IAC 3-6-2](#) and [876 IAC 3-6-3](#), is attached as Exhibit "A". If you have any questions or concerns about this rule, please contact me at (317) 234-3046 or e-mail me at [nrhoad@pla.in.gov](mailto:nrhoad@pla.in.gov).

**Notice of Intent:** The Notice of Intent was published on September 16, 2009, as follows:

Under [IC 4-22-2-23](#), the Indiana Real Estate Commission intends to adopt a rule concerning the following:

OVERVIEW: Amends [876 IAC 3-6-2](#) to incorporate by reference the 2010-2011 edition of the Uniform Standards of Professional Appraisal Practice (USPAP). Amends [876 IAC 3-6-3](#) to update the revisions to USPAP based upon the changes in the 2010-2011 edition. Questions or comments concerning the proposed rules may be directed to: Indiana Real Estate Commission, ATTENTION: Board Director, Indiana Government Center South, 402 West Washington Street, Room W072, Indianapolis, IN 46204-2700 or via e-mail at [pla9@pla.in.gov](mailto:pla9@pla.in.gov). Statutory authority: [IC 25-34.1-2-5](#); [IC 25-34.1-2-5.1](#); [IC 25-34.1-3-8](#).

For purposes of [IC 4-22-2-28.1](#), the Small Business Regulatory Coordinator for this rule is:

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**Proposed Hearing Date:** March 10, 2010.

**Effective Date:** Thirty days after filing with the publisher

**Fiscal Impact:** The IPLA has determined, based upon the information available at the time of the rule promulgation, that the proposed rule implementing the 2010-2011 USPAP **will not** have an estimated economic impact of greater than \$500,000 on regulated persons. The proposed rule will have an insignificant fiscal impact on state or local government. The proposed rule may impose costs on small businesses affected by this proposed rule.

**STATEMENT OF NEED**

The IPLA has determined that this proposed rule will impose requirements and costs on small businesses as described herein. LSA Document #09-769 amends [876 IAC 3-6-2](#) and [876 IAC 3-6-3](#) to incorporate by reference the 2010-2011 edition of the USPAP and to update the revisions to USPAP based upon the changes in the 2010-2011 edition.

The state is required by federal mandate to pass this rule. In addition, the federal government requires appraisers to use and comply with USPAP.

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. In addition, 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).

**EVALUATION OF BENEFITS AND COSTS**

Estimated Number of Small Business Affected

NAICS CODE 531320, Offices of Real Estate Appraising

Offices are not licensed

NAICS CODE 531210, Real Estate Brokers

105 Real Estate Branch Offices: 105

2,593 Real Estate Broker Companies: 2,593

Real Estate Professional Corporations licensed in Indiana: 119

The number of small businesses affected by this proposed rule will be less than the total number of appraisers (2,973); 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 11,795 real estate brokers; 105 Real Estate Branch Offices; 2,593 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 brokers 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 USPAP requirements.

#### **Estimated Number of Individual Licenses Affected**

- Real Estate Appraisers: 2,973 (currently active)

There are 2,973 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

#### **Estimated Administrative Costs to the State**

The IPLA provides administrative services to 40 boards, commissions, and committees. These boards, commissions, and committees are charged with regulating a wide range of professionals and entities. The statutes include both standard setting and regulatory authority. By statute, IPLA consolidates budget requests and is urged to consolidate and coordinate operations of the various boards, commissions, and committees where feasible in order to provide efficient and cost-effective services.

The proposed rule will have an insignificant fiscal impact on the state or agency.

#### **Estimated Total Annual Economic Impact**

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 2008-2009 USPAP edition with the 2010-2011 USPAP edition.

Assuming all appraisers purchase the electronic version of USPAP (\$60), it will cost all licensed or certified appraisers in Indiana approximately \$148,650 (2,973 appraisers x \$60) and cost real estate brokers \$707,700 (11,795 real estate brokers x \$60); 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. Licensees can purchase a paper copy for \$75, which, of course, is more expensive. This also does not take into consideration licensees who may share a copy of USPAP at their office and thus reduce the number of individuals affected by this federally mandated rule.

Compliance with the new 2010-2011 edition of the USPAP is not intended to have or will have minimal costs because appraisers and brokers doing appraisals are already complying with these professional standards as opposed to the version of the standards currently in effect.

#### **Supporting Data, Studies, or Analyses**

The Board reviewed the number of licenses, small businesses, and the various formats USPAP is available.

#### **Examination of Alternatives:**

The state is required by federal mandate to pass this rule. In addition, the federal government requires appraisers to use and comply with the USPAP.

The Board has not analyzed alternatives to this rule. The USPAP 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 USPAP.

#### **Summary**

A. Is the annual fiscal impact of the proposed rule on the regulated persons greater than \$500,000? No.

B. Have the regulated persons affected by this proposed rule submitted applicable information? If so, that

information must be considered. No information has been submitted.

C. Does the proposed rule create an unfunded mandate on a state agency or political subdivision? No.

*Posted: 02/10/2010 by Legislative Services Agency*

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