THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISER QUALIFICATIONS BOARD

TO: All Interested Parties

FROM: Rick Baumgardner, Chair
Appraiser Qualifications Board

RE: **Second Exposure Draft of Proposed *Personal Property* *Appraiser Qualification Criteria***

DATE: August 7, 2012

The Appraiser Qualifications Board (AQB) is an independent board of The Appraisal Foundation (TAF). The AQB establishes the minimum education and experience requirements (*Criteria*) for appraisers. The *Personal Property Appraiser Qualification Criteria* (*Criteria*) set forth the minimum education and experience requirements for personal property appraisers.

The Appraisal Foundation is not a credentialing body, but through the AQB, TAF adopts minimum qualification criteria for personal property appraisers which may be utilized by credentialing entities. Credentialing of personal property appraisers is conducted by educational institutions and professional personal property appraiser organizations.

The AQB last adopted *Criteria* for personal property appraisers on July 30, 1998. Over the past decade, many personal property appraisers and users of personal property appraisal services have informed the AQB that the *Criteria* needed updating. The AQB has relied heavily upon input from The Appraisal Foundation Advisory Council (TAFAC) Personal Property Issues Committee to recommend minimum qualifications that personal property appraisers should possess.

From the recommendations of the Personal Property Issues Committee, this Second Exposure Draft of proposed revisions to the *Criteria* is being published in an effort to receive additional comment and feedback. The AQB anticipates the possibility of multiple exposure drafts, with the AQB ultimately adopting proposed revisions sometime in late 2012 or early 2013, with a likely effective implementation date of January 1, 2014 (please note the AQB also welcomes any feedback with respect to the proposed effective date of the adopted *Criteria*).

All interested parties are encouraged to comment in writing to the AQB before the deadline of September 30, 2012. Each member of the AQB will thoroughly read and consider all comments. Individuals and organizations are also invited to provide comments at the AQB public meeting in Dallas, Texas on September 14, 2012.

Written comments on this exposure draft can be submitted by mail, email and facsimile.

Mail: Appraiser Qualifications Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: aqbcomments@appraisalfoundation.org

Facsimile: (202) 347-7727

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached exposure draft, please contact Magdalene Vasquez, Qualifications Administrator at The Appraisal Foundation, via e-mail at magdalene@appraisalfoundation.org or by calling (202) 624-3074.

Second Exposure Draft of Proposed
***Personal Property Appraiser Qualification Criteria* (*Criteria*)**

Issued: August 7, 2012
Comment Deadline: September 30, 2012

Please note that this exposure draft does *not* reflect the proposed *Criteria* in underline and ~~strikethrough~~ format that is common with many other exposure drafts. The AQB believes the revisions being proposed in this Second Exposure Draft differ significantly enough from the First Exposure Draft to expose the entire *Criteria* without utilizing the underline and strikethrough format.

The Personal Property Appraiser Minimum Qualification Criteria

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APPRAISER QUALIFICATIONS BOARD

WHAT IS THE AQB?

The Appraiser Qualifications Board (AQB) is an independent board of The Appraisal Foundation (TAF). The AQB is composed of five to seven practicing appraisers who are appointed by TAF's Board of Trustees. In addition to developing personal property appraiser qualification criteria, the AQB establishes minimum education, experience and examination requirements for the state licensure and certification of real property appraisers (under the provisions of Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 [FIRREA]). The AQB also performs a number of ancillary duties related to real property appraiser qualifications.

THE PERSONAL PROPERTY APPRAISER MINIMUM QUALIFICATION CRITERIA

The current *Personal Property Appraiser Minimum Qualification Criteria* (*Criteria*) were adopted after a three-year process that began with an AQB public hearing in February 1995. At that hearing the AQB was advised of significant problems caused by allegedly incompetent personal property appraisers. The Board was urged to develop personal property appraiser qualification criteria to define minimum competency for personal property appraisers. In order to receive direct input from users and providers of personal property appraisal services, the AQB appointed six personal property appraisers to serve on its Personal Property Appraiser Qualification Task Force. The charge of the Task Force was to recommend minimum qualifications that appraisers of tangible personal property should possess. Based on the Task Force recommendations and responses to the exposure drafts, the AQB adopted the *Criteria* on July 30, 1998.

The *Criteria* is intended to be a guide in establishing minimum education and experience recommendations in the credentialing of qualified personal property appraisers by educational institutions and professional organizations that offer designations for personal property appraisers. The *Criteria* establishes minimum requirements for all personal property appraisers who are members of sponsoring organizations of TAF. Personal property appraisers who are not members of sponsoring organizations are **encouraged, but may not be required**, to follow the minimum education and experience recommendations established by *the Criteria*.

Sponsoring and non-sponsoring organizations may have supplemental education and experience requirements that exceed the minimum requirements for education and experience established by the *Criteria*.

The Appraisal Foundation is not a credentialing body. Credentialing of qualified appraisers of personal property may be implemented by any impartial qualified credentialing entity including: qualified educational institutions and professional personal property appraiser organizations.

Any credential issued by a sponsoring organization of TAF must be in compliance with all components of the AQB Personal Property Appraiser Qualification Criteria in effect as of the date of credentialing. These Criteria do not require appraisers who currently hold credentials obtained under previous Criteria to meet the new requirements, but such appraisers are required to meet the continuing education requirements set forth herein.

SUPPORTING THE WORK OF THE AQB

The AQB encourages input from appraisers, users of appraisal services and the public through the exposure draft process, public meetings, speaking engagements and correspondence. Detailed information on how to support the AQB is available online via the Foundation's website at www.appraisalfoundation.org or by contacting the Board's staff by calling (202) 347-7722 or via e-mail at staff@appraisalfoundation.org.

Exposure Draft Process

All proposed revisions to the *Personal Property Appraiser Qualification Criteria* will be exposed for public comment prior to adoption. The AQB considers all written comments and testimony at public meetings prior to taking final action.

Public Meetings

The AQB conducts periodic public meetings at various geographic locations throughout the year. Meetings are held after each exposure draft. In the meetings the AQB explains the rationale behind changes and answers questions in response to public comments. The public is encouraged to attend and may address the Board regarding an agenda item, time permitting.

Speaking Engagements

Members of the AQB are available for speaking engagements and presentations pertaining to the current work of the Board. Invitations to speak should be directed to the Board's staff and should be extended as early as possible in order to facilitate scheduling.

Correspondence

Specific questions regarding the *Personal Property Appraiser Qualification Criteria* or any other AQB matters may be submitted in writing to the AQB in care of the Foundation. Comments may be submitted directly from the website, via e-mail, facsimile or regular mail.

OTHER AQB WORK

In addition to its work on the *Personal Property Appraiser Qualification Criteria*, the AQB is involved in numerous other ongoing projects including:

- Development of and enhancements to the *Program to Improve USPAP Education*.
- Administration of the Course Approval Program (CAP) for Real Property Appraisal Education.
- Development of *Real Property Appraiser Qualification Criteria*.
- Ongoing development and monitoring of the real property *National Uniform Appraiser Licensing and Certification Examinations*.

***Personal Property Appraiser Qualification Criteria* (*Criteria*):** Established by the Appraiser Qualifications Board (AQB) of The Appraisal Foundation (TAF), these *Criteria* set forth the recommended minimum education and experience requirements for personal property appraisers. The *Criteria* establishes minimum requirements for all personal property appraisers who are members of sponsoring organizations of TAF. Personal property appraisers who are not members of sponsoring institutions or organizations are encouraged, but are not required, to follow the minimum education and experience recommendations established by the *Criteria*.

Personal property is defined as those tangible items that are not permanently affixed to real estate and can be moved. Personal property appraisal specializations may include, but are not limited to: fine arts and collectibles; machinery and equipment; high tech; aviation and marine; gems and jewelry; residential and general contents.

RATIONALE

The current proposal to revise the *Personal Property Appraiser Qualification Criteria* for appraisers includes additions and changes from the First Exposure Draft that are intended to clarify who the *Criteria* applies to, and how it affects appraisers who currently comply with the 1998 criteria.

This Second Exposure Draft includes a preamble which defines the role of the AQB and the history of the minimum qualification criteria for personal property appraisers. The Second Exposure Draft also explains the applicability of the proposed criteria and for whom the new criteria are required.

Following are Questions & Answers that should address common issues:

Q - I have a personal property credential from an appraiser organization, but I do not have any college credits. Do I need a college degree?

A - No. These *Criteria* are not retroactive and do not impose additional requirements upon currently credentialed personal property appraisers. The only section applicable to currently credentialed personal property appraisers are the minimum requirements related to continuing education.

Q - The hours for experience seem excessive.

A – The experience hour requirements have not changed. They are the same as the original 1998 version of the *Criteria*.

Q – I have a personal property credential from an appraiser organization that is <u>not</u> a sponsor of The Appraisal Foundation. Will the minimum education and experience requirements in the revised *Personal Property Appraiser Qualification Criteria* apply to me?

A – Not necessarily. Only sponsoring organizations of TAF are required to meet the minimum requirements contained in the *Personal Property Appraiser Qualification Criteria*. Other non-sponsoring appraiser organizations may voluntarily adopt the *Criteria*, but are not required to do so. Appraisers who are members of organizations that are not sponsors of TAF should contact their credentialing organization to determine the organization's intent.

Q – If I am not in compliance with these minimum *Criteria*, am I also out of compliance with USPAP (*Uniform Standards of Professional Appraisal Practice*)?

A – No. The *Criteria* establishes minimum qualifying requirements for education and experience of personal property appraisers. USPAP establishes professional standards for the practice of personal property appraisal.

Q – When will these *Criteria* become effective?

A – The AQB is currently proposing an effective date of January 1, 2014. However, based on the comments received and other factors, that may be pushed back to a later date.

CRITERIA APPLICABLE TO ALL PERSONAL PROPERTY APPRAISER SPECIALIZATIONS

I. Appraisers in all personal property specializations shall perform assignments in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP).

II. Existing Credentialed Appraisers

A. Other than the revised continuing education requirements, these *Criteria* do not impose any additional requirements upon existing credentialed personal property appraisers.

B. While the new *Personal Property Appraiser Qualification Criteria* are not retroactive to existing credentials, personal property appraisers seeking new credentials or credentials in another area of appraisal/specialization expertise must comply with the new *Criteria*.

C. All qualified appraisers who specify that they are in compliance with AQB minimum *Criteria* must also comply with *Criteria* requirements for Continuing Education and Reaccreditation.

GENERAL EDUCATION REQUIREMENTS

I. **Definitions -** the terms used in the Criteria are defined as follows:

Appraisal Education – The study of valuation theory and methodology, which includes, but is not limited to, the study of markets and prices, economics and market trends, report writing, research and development of comparable sale data, explaining the rationale behind values derived, and so forth.

Distance Education - Any educational process based on the geographical separation of student and instructor. All qualifying distance education must provide interaction between the student and instructor and include a final examination.

Specialized Appraisal Education – The study of specialized subject matter which is the area of expertise of the appraiser, such as: machinery and equipment; fine art; jewelry; antique furniture; decorative arts; airplanes; boats; classic cars; livestock, and so forth.

Classroom Hour – At least 50 minutes of a 60-minute class of instruction are attended by the student. The classroom hours include time for the examinations.

II. Qualifying Education - General

A. Applicants must hold an Associate Degree or higher, from an accredited college, junior college, community college, or university. Accreditation shall be granted by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the U.S. Secretary of Education.

III. Qualifying Education – Appraisal

A. Applicants must have successfully completed a total of one hundred and thirty five (135) creditable classroom hours.

B. Applicants must have successfully completed the *15-Hour USPAP Course* (or its AQB-approved equivalent), including passing the associated course final examination. The *15-Hour USPAP Course* must be taught by an AQB-certified USPAP instructor.

C. At a minimum, applicants must complete a course and successfully pass an examination in valuation/appraisal theory and principles of valuation, and the appraisal process (minimum of 45 hours). Valuation theory must be specific to the appraisal of personal property.

D. Credit for the classroom hour requirement may be obtained from the following:

1. Nationally Accredited, Degree-granting Colleges or Universities;
2. Personal Property Appraiser Professional Organizations;
3. Government Entities; and
4. Proprietary or Not-For-Profit Schools.

E. If an accredited college or university (accredited by the Commission on Colleges, a regional or national accreditation association, or by an accrediting agency that is recognized by the U.S. Secretary of Education) accepts the College-Level Examination Program® (CLEP) examination(s) and issues a transcript for the exam, it will be considered as credit for the college course.

F. Qualifying education must cover the topics listed below with particular emphasis on the appraisal of personal property and with a minimum of the specified hours:

1. USPAP (15 hours)
2. Codes of ethics (2 hours)
3. The appraisal process (4 hours)

4. Types of appraisals and appraisal reports (2 hours)
5. Practices and procedures (4 hours)
6. Uses of appraisal reports (2 hours)
7. Definitions of value and types of value (2 hours)
8. Valuation theory and principles (45 hours)
9. Definitions of markets (3 hours)
10. Market research and analysis (4 hours)
11. Methods of property identification (4 hours)
12. Legal and regulatory considerations (4 hours)
13. Report writing (8 hours)
14. And the balance of the 36 hours may be obtained and built upon topics from the above lists.

G. Credit for courses taken to satisfy the qualifying education requirements shall not be repetitive in nature.

H. Each course credited toward the required number of qualifying education hours should represent a progression by which the appraiser's knowledge is increased.

I. A Bachelors, Masters, or Doctoral degree in valuation theory and/or personal property appraisal from an accredited, degree-granting college or university will fulfill the requirement for the valuation theory portion of the qualifying education classroom hours.

J. If sufficient qualifying education courses in the applicant's area of personal property specialization are not available, the applicant may substitute one of the following:

1. Successful completion of an examination acceptable to the credentialing entity demonstrating competency in the applicant's area of specialization;
2. Successful completion of an existing course with examination in a broader area of specialization that includes the applicant's area of specialization;
3. Successful completion of personal property-specific appraisal courses or degrees offered by a nationally accredited, degree-granting college or university, where successful completion demonstrates competency in the applicant's area of specialization; or
4. Successful completion of other criteria, including an examination to ensure requisite knowledge in the applicant's area of specialization, acceptable to the credentialing entity.

The alternatives in this section (above) shall not substitute for more than 45 hours of specialization education.

K. There is no substitute for qualifying education in Valuation Theory and Principles or USPAP.

IV. Qualifying Education - Distance Education

A. Distance Education may be used for qualifying appraisal/valuation education or education/training in the area of the appraiser's specialization, subject to the approval of the credentialing authority, as follows:

1. A distance education course may be acceptable to meet qualifying education classroom hour requirements, or its equivalent, provided that the course is approved by the credentialing authority and meets one of the following conditions:

   a. The course is taught by a qualified person acceptable to the credentialing authority as a subject matter expert, available to answer questions, provide information, monitor student attendance, and meets the requirements of the accrediting organization;

   b. The course is presented by a nationally accredited, degree-granting college or university, credentialing personal property appraisal organization, government entity, propriety or non-profit school that offers distance education programs, where:

      1) The student successfully completes a final examination proctored by an official approved by the credentialing entity; and

      2) The course meets the requirements outlined in Section III above for qualifying appraisal education (classroom hours).

V. Appraisal Experience

A. Applicants must obtain 700 hours of personal property appraisal experience.

B. Appraisal experience consists of tasks associated with the accomplishment of specific personal property appraisal assignments. These tasks include the identification and evaluation of personal property, research and analysis, and the reporting of a value conclusion.

C. Experience documentation in the form of reports or file memoranda, or if unavailable, other evidence at the credentialing authority's discretion, must be provided to the credentialing authority to support the experience claimed.

D. Education may not be substituted for experience.

VI. Experience Specific to Area of Specialization

In addition to the general appraisal experience requirements outlined above, applicants must <u>also</u> obtain the following experience:

A. 1,800 hours of market-related personal property appraisal experience performing non-appraisal practice "valuation services" (as defined by USPAP), of which at least 900 additional hours are in area(s) of specialization; or

B. 4,500 hours of market-related personal property non-appraisal experience in area(s) of specialization; or

C. Any equivalent combination of market-related personal property appraisal experience and market-related non-appraisal experience in area(s) of

specialization, using the 1,800 hour - 4,500 hour (1.0:2.5 ratio) as referenced in Section VI (A&B). (For example, 1,000 hours of market related non-appraisal experience would be considered acceptable.)

1. The number of hours which may be awarded in one year may not exceed 2,000 hours.
2. There is no minimum number of hours of experience which must be acquired in any one year.
3. There is no time limit during which experience may be obtained.
4. An hour of experience is defined as verifiable time spent in performing tasks in accordance with acceptable appraisal experience, and as defined by the accrediting organization.
5. Market-related non-appraisal experience is defined as knowledge obtained through actual observation or direct contact or from what has been gained through time and practice through practical application such as direct inspection, identification or sales with regard to a personal property specialty area. For example, an antique dealer, museum curator, machinery and equipment sales representative, teacher, conservator, author, scholar, jeweler, auction house specialist or catalog specialist, where direct contact and professional interaction with personal property would be considered market related experience. Being a collector or student would not apply to market related experience.

VII. Continuing Education

The purpose of continuing education (CE) is to ensure that a personal property appraiser participates in a program that maintains and increases skill, knowledge, and competency in personal property appraising in compliance with USPAP.

A. Credentialed appraisers are required to obtain seventy (70) hours of continuing education during each five (5) year period preceding credential renewal. Twenty (20) hours of which must be in coursework related to valuation theory. Appraisers may not receive credit for completion of the same continuing education course offering more than once within the five (5) year cycle.

B. Continuing education hours may be obtained at any time during each five (5) year period.

C. Credit for the CE hour requirement may be obtained from the following:

1. Accredited colleges or universities
2. Personal property appraiser organizations
3. Government agencies or entities
4. Proprietary or not-for-profit schools
5. Museums
6. Other professional or business organizations

D. Eligible continuing education hours include attendance at lectures, seminars and instruction at educational conferences, personal property appraisal organization conferences.

E. Credit may be granted for educational offerings which are consistent with the purpose of continuing education and include personal property-related appraisal topics such as, but not limited to:

1. Ad Valorem Taxation
2. Arbitration
3. Business courses related to practice of personal property appraisal
4. Ethics and standards of professional practice
5. Valuation
6. Personal Property Law
7. Personal Property litigation and expert testimony
8. Personal Property financing and investments
9. Personal Property appraisal related computer applications
10. Personal Property Identification
11. Report writing
12. Connoisseurship

F. Personal property appraisal-related field trips are acceptable for continuing education credit. However, transit time to or from the field trip location cannot be included when awarding credit if instruction does not occur.

G. Continuing education credit may also be granted for participation, other than as a student, in appraisal education processes and programs. Examples of appraisal methodology activities or areas of specialization for which credit may be granted are as follows:

1. Teaching and/or course development in areas similar to Section I above. Appraisers may not receive credit for teaching the same continuing education course offering more than once within an appraiser's continuing education cycle;
2. Authorship of a published scholarly paper, book, or monograph; or
3. Similar activities that are determined by the credentialing organization to be equivalent to obtaining continuing education.

Additionally, as part of continuing education hours, the appraiser must successfully complete an AQB-approved *7-Hour USPAP Update Course,* or an AQB-approved *15-Hour USPAP Course* every two calendar years. USPAP courses must be taught by an AQB approved instructor. AQB-certified instructors may satisfy this requirement by teaching either course every two calendar years.

H. A distance education course may be acceptable for meeting the continuing education classroom hour requirement, or its equivalent, provided that the course is approved by the credentialing authority and meets one of the following conditions:

1. The course is presented by a qualified person considered to be a subject matter expert and available to answer questions, provide information, monitor student attendance, and meets the requirements for continuing education courses established by the Appraiser Qualifications Board; or
2. The course is presented by an accredited, degree-granting college or university, recognized personal property appraisal organization, government entity, propriety or non-profit school that offer distance education programs.