



*State of California*

**O**FFICE OF  
**R**EAL **E**STATE  
**A**PPRAISERS



# *Licensing Requirements Handbook*



# OFFICE OF REAL ESTATE APPRAISERS

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# Introduction

## BACKGROUND

In 1989, Title XI of the federal Financial Institutions Reform, Recovery and Enforcement Act (FIRREA) was enacted by Congress, mandating all states to license real estate appraisers who appraise real property in federally related transactions.

In response to the federal mandate, the Real Estate Appraisers' Licensing and Certification law was passed by the California Legislature in 1990 (AB 527, Chapter 491 of 1990). The law charged the Office of Real Estate Appraisers (OREA) with licensing real estate appraisers in the State of California and enforcing national ethical and professional standards and qualifications that comply with the mandate.

## OFFICE OF REAL ESTATE APPRAISERS

### Mission

To protect public safety by ensuring the competency and integrity of licensed real estate appraisers.

### Program Components

OREA consists of two primary program components, Licensing and Enforcement.

The Licensing Unit establishes minimum requirements for education, experience, and examination that comply with federal mandates and ensure that only qualified persons are licensed to conduct appraisals in federally related real estate loan transactions.

The Enforcement Unit investigates complaints and ensures that licensees adhere to all applicable laws and regulations, including the Uniform Standards of Professional Appraisal Practice.

## PURPOSE OF THE HANDBOOK

This handbook is current as of May 15, 2003. It is designed to assist applicants for licensure. It should be used in conjunction with instructions and requirements listed on the application forms. Every effort has been made to ensure that the information is current and accurate as of May 2003. However, as with any program, changes may occur and the reader should consult current statutes, regulations and rules,

which prevail over any information contained in this handbook.

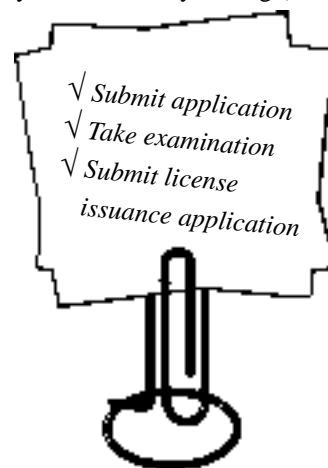
OREA processes five types of applications. They are:

- Initial
- Reciprocal
- Temporary Practice Permits
- Upgrade
- Renewal

The basic procedures for real estate appraiser licensing are:

- Submission of application, including:
  - \* Application review fee;
  - \* Education;
  - \* Experience;
  - \* Information for criminal records check; and
  - \* Proof of legal presence in the United States.
- Examination process (Initial and Upgrade only):
  - \* *Admission to Examination* letter sent after application approval;
  - \* Scheduling of the examination by applicant; and
  - \* Payment of examination fee by applicant (paid directly to exam provider).
- Submission of license issuance request, including:
  - \* Issuance fee;
  - \* *Application for Issuance of a License* (REA 3008);
  - \* Original examination score results showing successful completion; and
  - \* Delinquent court-ordered child support review.

Each of these processes and their requirements are described in this handbook. Questions or clarification of these requirements may be obtained by calling (916) 263-0722.



## *Summary of OREA Licenses*

<b>OREA License Levels</b>	<b>Education Requirements</b>	<b>Experience Requirements</b>	<b>Scope of Practice</b>
<i><b>Trainee</b></i>	90 hours, including the 15-hour National USPAP Course (or its equivalent as determined by the Appraiser Qualifications Board)	None	Any property which the supervising appraiser is permitted to appraise
<i><b>Residential</b></i>	90 hours, including the 15-hour National USPAP Course (or its equivalent as determined by the Appraiser Qualifications Board)	2,000 hours of acceptable appraisal experience *	Any non-complex 1-4 family property with a transaction value up to \$1 million; and non-residential property with a transaction value up to \$250,000
<i><b>Certified Residential</b></i>	120 hours, including the 15-hour National USPAP Course (or its equivalent as determined by the Appraiser Qualifications Board)	2,500 hours and 2&1/2 years (30 months) of acceptable appraisal experience	Any 1-4 family property without regard to transaction value or complexity; and non-residential property with a transaction value up to \$250,000
<i><b>Certified General</b></i>	180 hours, including the 15-hour National USPAP Course (or its equivalent as determined by the Appraiser Qualifications Board)	3,000 hours and 2&1/2 years (30 months) of acceptable appraisal experience, of which 1,500 hours must be non-residential	All real estate without regard to transaction value or complexity

\* Licensed real estate brokers may satisfy 1,000 hours of this requirement (see page 13).

# Application Procedures

## APPLICATION PROCESS

State and federal laws provide that applicants must meet minimum education, experience, and fitness requirements prior to being licensed to perform real estate appraisals in federally related transactions. This includes an appropriate knowledge of the English language including reading, writing, spelling, and arithmetic computations common to real estate and appraisal practices. The following information is provided to answer some of the most commonly asked questions and to provide assistance in understanding the application process.

California law requires every applicant for a real estate appraiser license to provide facts that establish his or her true identity, character, and competence.

Every fact requested in the application is necessary or legally required to determine eligibility for licensure. The applicant must disclose the requested information, including any criminal convictions, on the application. Failure or refusal to provide any fact or information requested in the application may result in the application being rejected as incomplete or may subject the applicant to sanctions including, but not limited to, the denial of an application.

All applications for licensure are valid for a maximum period of one year and cannot be extended.

### Minimum Age

Licensees must be at least 18 years of age.

### Payment of Fees

Application fees must be paid by preprinted personal or company check, certified check, cashier's check, money order, or government purchase order.

## INITIAL APPLICATION

This section applies to applicants who are applying for the first time, or for individuals previously licensed who are no longer eligible to renew. An applicant may apply at any level of licensure for which he or she meets the requirements.

### Application Process

To apply for an initial license, applicants must submit the following:

- A completed *Basic Education Attachment* (REA 3002) to document basic education needed to qualify for the appropriate license level, along with copies of transcripts or course completion certificates;
- A completed *Log of Appraisal Experience* (REA 3004) to document experience to qualify for the higher classification (not required for the Trainee level);
- A completed *Experience Log Summary* (REA 3003), which summarizes information from the *Log of Appraisal Experience* (not required for the Trainee level);
- Two work samples for each category of experience claimed for each of the two most recent years listed on the *Log of Appraisal Experience* (not required for the Trainee level). (See *Work Samples* on page 14);
- A completed *Consent to Service of Process* (REA 3006), if the applicant's business, mailing or residence address is outside of California;
- A completed *Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits* (REA 3030), along with proof of legal presence in the United States;
- Fingerprints completed by utilizing the "Request for Live Scan Service" fingerprinting form:
  - \* The fingerprints may be taken at law enforcement offices or at other appropriate businesses which offer this service; and
  - \* The applicant is to submit a copy of the completed "Request for Live Scan Service" form with the application (after being fingerprinted).
- All appropriate fees as required.

The image shows a sample application form. At the top, it says 'APPLICATION' in bold. Below that is a grid with several rows and columns, some containing vertical ellipses. At the bottom of the grid, there is a box labeled 'FOR OREA USE'.

- A completed *Initial Application* (REA 3001);

(Continued on page 4)

Once the application is approved, OREA will issue an *Admission to Examination* letter (see *Examinations and Issuance* on page 15). Upon successful completion of the exam, the applicant will then submit the application for issuance and balance of the license fee. The expiration date of an appraiser's license is normally two years from the date of issuance.

## RECIPROCAL APPLICATION

This section applies to applicants who are licensed in another state that has a signed reciprocity agreement with California, and who wish to apply for a reciprocal license of the same level in California.

### Application Process

To apply for a reciprocal license, applicants must submit the following:

- A completed *Application for Reciprocal License* (REA 3025);
- A completed *Consent to Service of Process* (REA 3006), if the applicant's business, mailing or residence address is outside of California;
- A completed *Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits* (REA 3030), along with proof of legal presence in the United States;
- Fingerprints completed by utilizing the "Request for Live Scan Service" fingerprinting form (within California only), or by submitting two (2) completed FD-258 fingerprint cards:
  - \* The fingerprints may be taken at law enforcement offices or at other appropriate businesses which offer this service;
  - \* If using the Live Scan method (in California only), the applicant is to submit a copy of the completed "Request for Live Scan Service" form with the application (after being fingerprinted);
  - \* If using the FD-258 fingerprint cards, the applicant must complete each fingerprint card and sign it in the block provided in the upper left corner of the card. Do not fold or staple the cards.
- All appropriate fees as required.

### Additional Requirements

Applicants are responsible for ensuring that a Letter of License History, not more than 30 days old, is forwarded directly to OREA from the applicant's "home state." The home state is the one in which the individual was licensed based on a review of his or her education and experience, as well as successfully passing the examination at the license

level for which he or she is applying in California.

The license will be valid until the expiration of the license issued in the applicant's home state. The home state license must then be renewed in order for the applicant to reapply for another California reciprocal license.

## OUT-OF-STATE LICENSEES

Applicants who have a current valid license in another state (without a signed reciprocity agreement with California) and who wish to apply for a California license may apply by using the *Initial Application* process as indicated on page 3. However, upon verification of satisfying the education and experience requirements, the out-of-state applicant will not be required to take the California examination if:

- The licensing examination taken in the home state was endorsed by the Appraiser Qualifications Board;
- The state in which the applicant is licensed has not been found to be out of compliance by the Appraisal Subcommittee; and
- The appraiser is in good standing in each state in which he or she is licensed.

### Additional Requirements

- Applicants are responsible for ensuring that a Letter of License History, not more than 30 days old, is forwarded directly to OREA from the state in which the applicant is currently licensed; and
- Applicants must submit a statement made under penalty of perjury indicating that the required continuing education hours for the license in the home state have been completed.

## TEMPORARY PRACTICE PERMIT

Appraisers who hold a valid license in good standing in another state may apply for a Temporary Practice Permit to perform real property appraisal assignments in California.

### General Guidelines

The following are general guidelines regarding Temporary Practice Permits:

- The permit will only be issued at the same classification as the current license issued by the state in which the applicant is licensed;
- The permit is valid for one year and for one assignment or until the expiration of the license in his or her home state, whichever is sooner;

- The appraisal field inspections must be completed within the term of the permit; and
- The state in which the applicant is licensed must not have been found to be out of compliance by the Appraisal Subcommittee.

### **When Not Required**

A Temporary Practice Permit is not required if:

- The appraisal to be performed is not associated with a federally related transaction;
- The assignment is an appraisal review and the review appraiser does not physically enter California; or
- The out-of-state appraiser affiliates with a California licensed appraiser.

NOTE: In this instance, the out-of-state appraiser's work is limited to assisting the California licensed appraiser in the preparation of the appraisal. The out-of-state appraiser is not permitted to reach a final conclusion of value and may not sign the report. The California licensed appraiser must make the determination of value, sign the report, disclose the assistance provided by the out-of-state appraiser and accept full responsibility for the entire appraisal.

### **Application Process**

To receive a Temporary Practice Permit, licensed out-of-state appraisers must submit the following:

- A completed and notarized *Request for Temporary Practice Permit* (California form REA 3009) or *Non-Resident Appraiser Application for Temporary Practice and Affidavit of Applicant* (national form);
- A completed and notarized *Consent to Service of Process* (California form REA 3006) or *A Consent to Service of Process Form* (national form);
- A completed *Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits* (California form REA 3030), along with proof of legal presence in the United States;
- A copy of the contract or letter of engagement which shows the physical address(es) or location(s) of the property or properties to be appraised;
- An original Letter of License History or Certificate of Good Standing, not more than 30 days old from the home state; and
- The required fee for each application submitted.

## **UPGRADE APPLICATION**

This section describes the process for applying to upgrade a current California license to a higher level (please note that expired licenses may not be upgraded). The expiration date of the upgraded license will remain the same as the expiration date of the current license. Therefore, upgrading a license does not extend its expiration date.

### **Upgrade to Residential License**

Appraisers who have a Trainee License may apply to upgrade to the Residential License level.

#### **Application Process**

To upgrade a Trainee License to the Residential License level, appraisers must submit the following:

- A completed *Upgrade Application* (REA 3023);
- A completed *Log of Appraisal Experience* (REA 3004);
- A completed *Experience Log Summary* (REA 3003), which summarizes information from the *Log of Appraisal Experience*;
- Two work samples for each category of experience claimed for each of the two most recent years listed on the *Log of Appraisal Experience* (see *Work Samples* on page 14);
- A completed *Basic Education Attachment* (REA 3002) to document any additional basic education required for the Residential License (if necessary), along with copies of transcripts or course completion certificates;
- A completed *Consent to Service of Process* (REA 3006), if the appraiser's business, mailing or residence address is outside of California;
- A completed *Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits* (REA 3030), along with proof of legal presence in the United States (if not submitted previously); and
- All applicable fees.

Once the application is approved and all issuance fees have been paid, OREA will issue a Residential License with the same expiration date as the Trainee License.

### **Upgrade to Certified Level**

Appraisers who have a California license may apply to upgrade to a Certified Residential or Certified General License as follows:

(Continued on page 6)

- Trainee License to a Certified Residential or Certified General License;
- Residential License to a Certified Residential or Certified General License; and
- Certified Residential License to Certified General License.

### **Application Process**

To upgrade to a certified level, licensees must submit the following:

- A completed *Upgrade Application* (REA 3023);
- A completed *Basic Education Attachment* (REA 3002) to document the additional basic education required for the higher classification, along with copies of transcripts or course completion certificates;
- A completed *Log of Appraisal Experience* (REA 3004) to document the additional experience required for the higher classification;
- A completed *Experience Log Summary* (REA 3003), which summarizes information from the *Log of Appraisal Experience*;
- Two work samples for each category of experience claimed for each of the two most recent years listed on the *Log of Appraisal Experience* (see *Work Samples* on page 14);
- A completed *Consent to Service of Process* (REA 3006), if the appraiser's business, mailing or residence address is outside of California;
- A completed *Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits* (REA 3030), along with proof of legal presence in the United States (if not submitted previously); and
- All applicable fees.

Upon approval of the application, OREA will issue an *Admission to Examination* letter (see *Examinations and Issuance* on page 15).

## **RENEWAL PROCESS**

This section applies to licensees who are applying for renewal of their license.

Effective January 1, 2000, the term of a California real estate appraiser license is two years, instead of the previous four years. Although the term of the license will be for two years and the license must be renewed every two years, proof of completion of all continuing education will only be required once every four years (see *Continuing Education Requirements* on page 8). Therefore, there will be two different types of renewal applications as indicated below.

## **Full Continuing Education Renewal Application**

### **Application Process**

To apply for renewal of a license at the end of the continuing education cycle (every four years), applicants must submit the following:

- A completed *Renewal Application* (REA 3012);
- A completed *Continuing Education Attachment* (REA 3017), documenting the required continuing education to renew, along with copies of transcripts or course completion certificates, including:
  - \* The 7-hour National USPAP Update Course (or its equivalent as determined by the AQB); and
  - \* The four-hour course entitled *Federal and State Laws and Regulations*, or a signed certification statement that all applicable Federal and State Laws and Regulations have been read and understood.
- All appropriate fees.

In addition, the following items may be required:

- A completed *Consent to Service of Process* (REA 3006), if the appraiser's business, mailing or residence address is outside of California; and
- A completed *Statement of Citizenship, Alienage, and Immigration Status for State Public Benefits* (REA 3030), along with proof of legal presence in the United States (if not submitted previously).

Once the application is approved, OREA will issue a new certificate. The expiration date of a license is normally two years from the date of issuance.

## **“USPAP Only” Renewal Application**

### **Application Process**

For licenses expiring on or after January 1, 2004, to apply for renewal of a license after the first two years of the continuing education cycle, applicants must submit the following:

- A completed *Renewal Application* (REA 3012);
- Proof of completion of the 7-hour National USPAP Update Course (or its equivalent as determined by the AQB); and
- All appropriate fees.

In addition, a completed *Consent to Service of Process* (REA 3006) is required if the appraiser's business, mailing, or residence address is outside of California.

Once the application is approved, OREA will issue a new certificate. The expiration date of a license is normally two years from the date of issuance.

## *Basic Education Topics*

Topics	License Level		
	Trainee/ Residential	Certified Residential	Certified General
Influences on Real Estate Value	X	X	X
Legal Considerations in Appraisal	X	X	X
Types of Value	X	X	X
Economic Principles	X	X	X
Real Estate Markets and Analysis	X	X	X
Valuation Process	X	X	X
Property Description	X	X	X
Highest and Best Use Analysis	X	X	X
Appraisal Statistical Concepts	X	X	X
Sales Comparison Approach	X	X	X
Site Value	X	X	X
Cost Approach	X	X	X
Income Approach	--	--	--
- Gross Rent Multiplier Analysis	X	X	X
- Estimation of Income and Expenses	X	X	X
- Operating Expense Ratios	X	X	X
- Direct Capitalization		X	X
- Cash Flow Estimates			X
- Measures of Cash Flow			X
- Discounted Cash Flow Analysis			X
Valuation of Partial Interests	X	X	X
National USPAP Course (15-hour)*	X	X	X
Narrative Report Writing		X	X

\* Effective January 1, 2003, applicants taking the required 15-hour USPAP course must complete The Appraisal Foundation's 15-hour National USPAP Course (or its equivalent as determined solely by the Appraiser Qualifications Board (AQB)), which must be taught by an AQB Certified USPAP Instructor who is also a Certified Residential or Certified General appraiser in good standing.

*See Appendix A for the Examination Content Outline for Trainee and Residential License examinations.  
See Appendix B for the Examination Content Outline for the Certified Residential examination.  
See Appendix C for the Examination Content Outline for the Certified General examination.*

# Education Requirements

There are two types of education used to meet licensing requirements:

- Basic (or qualifying) education, which is used to qualify for a license; and
- Continuing education, which is used to renew a license.

Basic education may be used for either basic or continuing education purposes, but the same course cannot be used for both. Therefore, courses that were used in qualifying for an upgraded license may not also be used to satisfy continuing education requirements or vice versa.

## BASIC EDUCATION REQUIREMENTS

All applicants must meet the basic education requirements before they can qualify for licensure.

### Minimum Basic Education Requirements

Basic education requirements for a real estate appraiser license include:

- A minimum number of hours for the particular level (see *Summary of OREA Licenses* on page 2); and
- Coverage of all required topics for the particular level (see *Basic Education Topics* on page 7).

### Uniform Standards of Professional Appraisal Practice

All applicants must successfully complete a minimum of 15 hours on the Uniform Standards of Professional Appraisal Practice (USPAP). Courses taken on or after January 1, 2003, must be the 15-hour National USPAP Course (or its equivalent as determined by the AQB).

### OREA Course Approval

Basic education courses, both classroom and distance, must meet the requirements of the Appraiser Qualifications Board (AQB). The requirements for OREA approval of basic education courses are:

- Must be a minimum of 15 classroom hours in length (a classroom hour means 50 minutes within a one-hour period actually spent in presenting the course content);
- Must include a closed book final examination which covers the course material; and
- Must cover at least one of the specific topics required by AQB (see *Basic Education Topics* on page 7).

### Challenged Courses

AQB allows credit for OREA approved basic education courses if an applicant has successfully challenged the course by taking an examination and credit was granted by the course provider prior to July 1, 1990. In this case, the applicant will be credited for both the course and examination hours.

*Example:* An OREA approved appraisal course is 36 hours and has a 3-hour examination. Prior to July 1, 1990, the applicant challenged the course, successfully completed the examination and was given credit for doing so by the course provider. The applicant will be granted 39 hours of education credits by OREA.

**NOTE:** Examination preparation courses (i.e., courses designed solely to prepare a person to pass the licensing examination) may not be used to meet the basic education requirements.

### Distance Education Courses

The AQB does not allow OREA to accept correspondence courses for basic education unless the course is approved by OREA and meets the following requirements:

- The course was either offered by a college/university which is accredited by a regional accrediting body of the U.S. Office of Education, or was approved by the American Council on Education College Credit Recommendation Service (ACE/CREDIT);
- **Note:** A distance education course that does not meet the above criteria may be used to qualify for the Trainee or Residential License levels, provided the course has been approved through the AQB Course Approval Program.
- The individual successfully completed a written examination;
- The examination was administered by an appropriate official;
- The course met the requirements for AQB appraisal-related courses; and
- The course was a minimum of 15 hours in length.

## CONTINUING EDUCATION REQUIREMENTS

All licensed appraisers must meet continuing education requirements before they may renew their license.

Effective January 1, 2000, the term of a California real estate appraiser license is two years, instead of the previous four years. Although the term of the license will be for two years and the license must be renewed every two years, proof of completion of all continuing education will only be required once every four years.

Continuing education must be completed during the continuing education cycle. The cycle starts with the issuance date of the current license (unless the license is the second in a four-year cycle). In addition, if a license is renewed during its one-year grace period, continuing education hours will accumulate during the grace period.

*Example:* On October 1, 1998, a licensee is issued a 4-year license, expiring on September 30, 2002. This license requires proof of completion of 56 hours of continuing education to renew.

On July 15, 2002, the licensee submits the “full continuing education required” renewal application along with proof of the required continuing education, and is issued a 2-year renewal license effective October 1, 2002, expiring on September 30, 2004. This new license can be renewed by documenting proof of completion of the 7-hour National USPAP Update Course and paying the appropriate fees.

On July 15, 2004, the licensee submits the “USPAP only” renewal application and is issued a 2-year renewal license effective October 1, 2004, expiring on September 30, 2006. The latter will require proof of completion of 49 hours (7 hours would have been submitted in the prior renewal) of continuing education, which must include an additional offering the 7-hour National USPAP Update Course.

Please note examination hours are not allowable toward continuing education hours. Therefore, the final examination does not need to be completed in order to gain credit for continuing education.

### **Minimum Continuing Education Requirements**

Continuing education requirements for a real estate appraiser include:

- An average of 14 hours of continuing education per year of the license term; and
- Coverage of the required topics (see below).

Although all licensees must complete an average of 14 hours for each calendar year, continuing education is not required to be completed in each specific year.

### **Required topics for all licenses:**

- *USPAP* — Each licensee must complete the 7-hour National USPAP Update Course (or its equivalent as determined by the AQB) every two years. The course must also be taught by an AQB Certified USPAP Instructor and a Certified Residential or Certified General appraiser in good standing.
- *Laws and Regulations* — The four-hour course entitled *Federal and State Laws and Regulations*, or licensees may certify that all applicable federal and state laws and regulations have been read and understood. However, this certification does not provide a 4-hour “credit” towards the required hours of continuing education.

### **Late Renewals**

Licensees may be able to renew up to one year after expiration of their licenses.

However, as a late renewal, the licensee must pay late renewal fees and submit proof of completion of seven additional hours of continuing education for each six-month period the application is received after the expiration of the continuing education cycle of the license.

In addition, appraisers will not be able to legally perform appraisals in federally related transactions until the license is renewed.

### **OREA Course Approval**

Continuing education courses, both classroom and correspondence, must meet the requirements of the AQB. The requirements for OREA approval of continuing education courses are:

- Must be a minimum of two classroom hours long (classroom hour means 50 minutes within a one-hour period actually spent in presenting the course content). Note: Continuing education courses taken prior to January 1, 1994, must have been at least three hours long.
- A final examination is not required if the course was taken after January 1, 1994.
- Participants must have been present for at least 90 percent of the course hours to obtain credit for the course.

(Continued on page 10)

### OREA Approved Courses

Continuing education courses that have already been approved by OREA allow for faster processing of renewal applications. Courses offered by providers which are private vocational schools or professional organizations are assigned an OREA course approval number. In addition, college and university courses may also be acceptable if the course covers one of the topics listed below. The AQB allows and OREA may grant continuing education credit for courses which cover topics such as:

- Ad valorem taxation;
- Arbitration;
- Business courses related to practice of real estate appraisal;
- Development cost estimating;
- Ethics and standards of practice;
- Land use planning, zoning, taxation;
- Management, leasing, brokerage, timesharing;
- Property development;
- Real estate appraisal, valuation;
- Real estate law;
- Real estate litigation;
- Real estate financing and investment;
- Real estate appraisal related computer applications;
- Real estate securities and syndication; and
- Real property exchange.

### Equivalent Activities

Continuing education credit may be granted for other activities, such as writing published articles or textbooks on appraisal, teaching appraisal classes and developing appraisal education programs. Please contact OREA for details.

### Distance Education Courses

The AQB does not allow OREA to accept distance education courses unless the course meets the following requirements:

For all license levels:

- The course is between two (2) and fourteen (14) hours in length; and
- The course meets the requirements for AQB appraisal-related courses.

In addition, for certified license levels:

- The course must be presented by an accredited college or university, or is approved by the American Council on Education College Credit Recommendation Service (ACE/CREDIT).

### Course Completion Certificates

Course providers must provide course completion certificates to those who successfully complete the course. Appraisers must not send their completion certificates to OREA until it is time to renew their licenses. Appraisers must retain their completion certificates and attach them (photocopies are acceptable) to their application for renewal of their license.

NOTE: See *Course Credit Requirements* on page 11.

### ACCEPTABLE TYPES OF COURSES

There are four types of courses which applicants may take to meet the minimum education requirements for either basic or continuing education. The four types of courses are as follows:

#### Courses Accredited by OREA

Basic and continuing education courses that are accredited by OREA have an OREA approval number. These include courses from professional organizations and vocational schools. Applicants can verify approved schools and individual courses by visiting the "Education" page on OREA's website ([www.orea.ca.gov](http://www.orea.ca.gov)) and/or by calling OREA at (916) 263-0722.

#### Courses Requiring a Petition for Equivalency

Courses which have not been approved by OREA may still be considered if they meet the minimum qualification requirements of the AQB. For example, applicants may petition for course credit:

- Courses taken from vocational schools or professional organizations which are no longer in business; and
- Courses that are no longer offered.

Applicants must submit a *Petition for Equivalency Credit* (REA 3005), along with the required fee for each course which the applicant wishes considered. OREA will review the petitions to determine the acceptability of the course.

#### Courses Exempt from OREA Accreditation

The following courses are exempt from OREA accreditation and may meet the minimum basic education requirements if they meet the following criteria:

- College and University Courses

Courses covering approved topics taken from accredited universities, colleges and community or junior colleges are acceptable without prior OREA accreditation.

- Department of Real Estate Approved Courses

Real Estate Appraisal or Advanced Real Estate Appraisal basic education courses given by real estate schools which have been approved by the California Department of Real Estate as part of the requirement for a broker license may also be acceptable without prior OREA accreditation.

An OREA approval is not required for accredited college or university courses that cover one or more of the AQB topics, or for basic education real estate appraisal courses approved by the California Department of Real Estate as part of the requirement for a broker license. However, many colleges and universities submit their courses to OREA for review to allow faster processing of applications. For courses not on file with OREA, a *Petition for Equivalency Credit* form is required, along with a course outline or syllabus with sufficient detail to enable OREA to determine the specific topics and number of hours covered by the course. However, the fee is not required.

### Instructing Appraisal Courses

Education credit may be awarded to instructors of real estate appraisal courses. To request such credit, the instructor must submit written verification from the department dean or other appropriate school official that includes the following:

- Name of school;
- Name of course;
- Date(s) the course was taught;
- Course outline or other description detailing the specific topics covered; and
- Date and original signature of the department dean or other appropriate school official signed under penalty of perjury.

### **COURSE CREDIT REQUIREMENTS**

To receive credit for a course, an applicant must submit a course completion certificate, a transcript from the school, an official school grade slip or other documentation acceptable to OREA for proof of course completion. This documentation must be submitted with the application and must include the following information:

- Name of the school;
- Name and address of the student;
- Course number or title of the course;
- Number of hours or units of credit;
- Date of successful completion; and
- Specify classroom or correspondence.

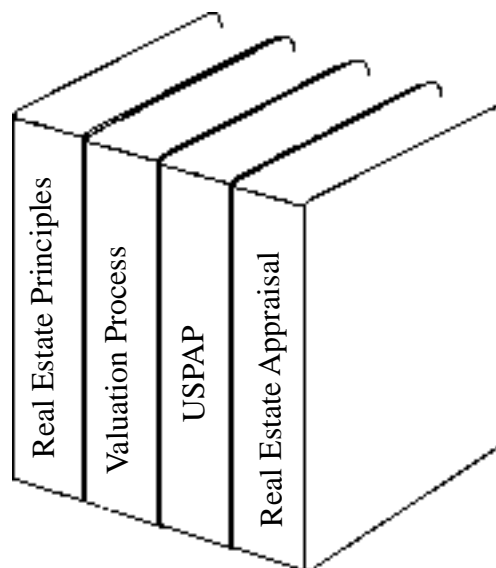
In addition:

- Basic education completion certificates must include the length of time allowed for the final examination; and
- Continuing education completion certificates must indicate that the student completed at least 90 percent of the class.

### **DETERMINING HOURS OF CREDIT FOR COLLEGE COURSES**

To determine the maximum number of hours of education credit which OREA may grant for acceptable college level courses, multiply the number of semester or quarter units of credit awarded by the college times the number of weeks in the semester or quarter.

*Example:* A three unit course taken at a school with 18 week semesters equals a maximum of 54 hours of education credit. A five unit course taken at a school with 10 week quarters equals a maximum of 50 hours of education credit. The hours spent taking the final examination for the course are already included in these hours and may not be added separately.



# Work Experience Requirements

Credit towards meeting the minimum appraisal work experience requirements may be granted in the categories shown below. To be acceptable, the experience must, at a minimum, meet the criteria listed after each category shown below and comply with USPAP.

NOTE: All work for which experience is claimed must have been performed for a business purpose (mock appraisal experience is ineligible). In addition, a minimum of 50 percent of the hours claimed must have been performed within the five-year period immediately preceding the submission of the application to OREA.

## CATEGORIES OF EXPERIENCE

### Category 1. Fee and Staff Appraisal

A real property appraisal prepared by a person who is employed by another, usually a lending institution or government agency, or who is paid a fee for the appraisal assignments he or she performs shall:

- Be a written document;
- Use the entire appraisal process;
- Use all appraisal methods (market, cost, income) customarily used for a particular property type (i.e., residential, commercial, industrial, etc.);
- Conform to USPAP, particularly Standards Rules 1 and 2; and
- Include analysis completed by the applicant.

### Category 2. Ad Valorem Tax Appraisal

A real estate appraisal prepared by an appraiser which estimates a value that is used for property tax purposes:

#### Appraisal

Experience in this category shall:

- Be a written document;
- Use techniques to value properties similar to those used by appraisers; and
- Effectively use the appraisal process.

#### Mass Appraisal

Experience in this category shall:

- Use highest and best use analysis, model specification (developing the model), and model calibration (developing adjustments to the model); and
- Be performed in accordance with Standards Rule 6 of USPAP.

This category is limited to appraisals performed as an employee or agent of a county assessor's office in another state, or the other state's equivalent of the California Board of Equalization.

NOTE: Other components of the mass appraisal process, by themselves, are not eligible for experience credit.

### Category 3. Review Appraisal

#### A Field or Desk Review

Experience in this category shall:

- Be limited to a maximum of 400 hours towards meeting the minimum experience hours required;
- Not contain more than 50 percent of the hours in the performance of desk reviews;
- Be a written document separate from the appraisal itself;
- Be an appraisal prepared by employees, associates or others;
- Not be signed by the reviewer of the appraisal being reviewed;
- Be a "technical review," where the review appraiser forms an opinion as to whether the analyses, opinions and conclusions in the appraisal report under review are appropriate and reasonable, as opposed to an "administrative review," which is work performed by clients and users of appraisal services as a due diligence function in the context of making a business decision, such as underwriting, buying or selling; and
- Conform to USPAP, particularly Standards Rule 3.

### Category 4. Appraisal Analysis

Experience in this category shall:

- Be a written document; and
- Conform to USPAP, particularly Standards Rules 4 and 5.

**Category 5. Real Estate Counseling**

Experience in this category shall:

- Be a written document; and
- Conform to USPAP, particularly Standards Rules 4 and 5.

NOTE: "Real Estate Counseling" does not include counseling done by a real estate broker or real estate salesperson to help a client determine list price or how much they should offer in purchasing property.

**Category 6. Highest and Best Use Analysis**

Experience in this category shall:

- Be a written document; and
- Conform to USPAP, particularly Standards Rules 4 and 5.

**Category 7. Feasibility Analysis and Study**

Experience in this category shall:

- Be a written document; and
- Conform to USPAP, particularly Standards Rules 4 and 5.

**Category 8. Teaching of Appraisal Courses**

(No longer eligible for experience credit)

**Category 9. Setting Forth Opinions of Value of Real Property for Tax Purposes**

Experience as an employee of a California County Assessor's Office or the California Board of Equalization in setting forth opinions of value of real property for tax purposes may be counted towards work experience (see *Documenting Experience*).

Experience in this category shall include:

- Written verification of employment from the employer; and
- The employer's verification must confirm that the claimed work experience is in real property valuation.

**Category 10. Assisting in the Preparation of Appraisals**

Experience in this category shall:

- Be limited to a maximum of 400 hours towards meeting the experience requirements;
- Be a written document;

- Effectively use the appraisal process performing market research, data analysis and applying the appropriate appraisal techniques;
- Conform to all applicable USPAP standards, state laws and OREA regulations; and
- Require that 75 percent of the professional work in the appraisal report must have been completed by the applicant.

NOTE: The work experience must go beyond such tasks as taking photographs, typing the report, measuring improvements, or finding sales that may or may not be used in the appraisal.

**Category 11. Real Estate Valuation Experience as a Real Estate Lending Officer or Real Estate Broker****Appraisal**

- Same requirements as Category 1.

**Review of Appraisals**

- Same requirements as Category 3.

**Consulting**

Experience in this category shall:

- Be a written document; and
- Conform to USPAP, in particular Standards Rules 4 and 5.

**OTHER ACCEPTABLE EXPERIENCE****Real Estate Brokers**

Applicants who hold a current valid California real estate broker license in good standing may be awarded 1,000 hours of experience toward a Residential License. This 1,000 hours may not be used to qualify for either of the certified levels. Applicants utilizing these hours as a broker must document an additional 1,000 hours of acceptable appraisal experience in one or more of the categories described above.

To receive credit, applicants must attach an original Letter of License History, not more than 30 days old, from the Department of Real Estate to their application for a Residential License.

(Continued on page 14)

## DOCUMENTING EXPERIENCE

Applicants for a Residential License, Certified Residential License or Certified General License must document their experience on the *Log of Appraisal Experience* (REA 3004) and the *Experience Log Summary* (REA 3003). Please follow the instructions printed on the forms.

A *Log of Appraisal Experience* is required for all categories of experience except Category 2 (*Ad Valorem Tax Appraisals*) and Category 9 (*California Assessor Offices*). The log must document sufficient acceptable experience to meet the requirements for the desired classification.

### Work Samples

Applicants are required to submit two work samples for each category of experience claimed for each of the two most recent years listed on the applicant's log. All work samples must be complete and in full conformance with USPAP requirements. If any of the work samples are found not to conform with any portion of USPAP, the experience claimed may be rejected and the application may be denied. Applicants should ensure that the work samples submitted to OREA cover a representative sampling of their work. Work samples submitted which do not appear on the log will not be accepted.

OREA reserves the right to require the submission of additional samples and/or complete workfiles.

State law requires that documentation of work experience be made available to OREA upon request. Work samples are one such form of documentation and must be exact copies of

completed appraisals submitted to clients for a business purpose. Applicants desiring return of work samples submitted to the Office must include a written request at the time of submission and a self-addressed envelope of sufficient size and with adequate postage for return of the original samples.

### Acceptable Appraisal Reports

OREA can only accept "Self-Contained" and "Summary" appraisal reports performed in accordance with Standards Rules 1 and 2 of USPAP. "Restricted" or "Restricted Use" appraisal reports cannot be accepted to meet experience requirements. In order to fully evaluate the experience, copies of workfiles and additional information may also be requested.

### Categories 2 and 9

Appraisers claiming experience in Category 2 (*Ad Valorem Tax Appraisal*) and Category 9 (*Setting Forth Opinions of Value of Real Property for Tax Purposes*), must submit a letter from their supervisor at the State or County agency verifying under penalty of perjury that the applicant's claimed experience hours are in performing real property appraisals. In addition, the letter must state the applicant's role in the preparation of appraisals, the time period worked and the types of property appraised. This letter must be included with the application.

# *Earning Acceptable Experience as a Trainee*

## General

To earn acceptable hours of experience, a Trainee Licensee must work under the direct technical supervision of a licensed appraiser in good standing. The supervisor must be licensed at the appropriate level for the type of property being appraised. "Technical supervision" does not mean that the Trainee is required to be an employee of the supervising appraiser, but must receive direct supervision in the duties performed as an appraiser. In addition, a Trainee may work for more than one supervisor. The Trainee must either:

- Sign the appraisal report as the appraiser; or
- Be recognized in the certification statement (or the Reconciliation Section of the report) with a description of the specific tasks performed while assisting with the

appraisal.

NOTE: A maximum of 400 hours of Category 10 experience may be credited toward meeting the minimum experience requirements.

In addition, work experience and the appraisal report must fully conform to both the requirements of USPAP and Title 10, Chapter 6.5, California Code of Regulations (commencing with Section 3500).

### Trainee's Duties

The Trainee must:

- Maintain copies of appraisal reports which appear on the log in accordance with the Record Keeping section of the Ethics Rule of USPAP. Since OREA will be examining work samples when a Trainee wishes to upgrade his or her license, all appraisals on the Trainee's log must be available for review; and
- Maintain an appraisal log. A separate log must be maintained for each supervising appraiser. The log must contain, at a minimum, the following information for each appraisal:
  - \* Category of experience;
  - \* Address or other description of the property appraised;
  - \* Type of property (single family residential, 2-4 units, other residential, commercial, industrial, land or other);
  - \* Date of appraisal report;
  - \* Number of hours spent performing the appraisal;
  - \* Name of client for whom the appraisal was prepared; and
  - \* Type of report (form or narrative).

The *Log of Appraisal Experience* (REA 3004) must be used

to document the Trainee's experience.

### Supervisor's Duties

The supervising appraiser must do the following:

- Personally inspect the property with the Trainee until the supervisor determines the Trainee is competent to make unsupervised inspections, in accordance with the Competency Rule of USPAP for the type of property being appraised;
- Review the Trainee's appraisal report;
- Accept responsibility for the appraisal report by signing and certifying that the report is in compliance with USPAP;
- Review and sign each page of the Trainee's appraisal log to verify that the work was completed under his/her supervision; and
- Maintain records of the appraisals in accordance with USPAP.

An individual who is unlicensed may obtain appraisal

## *Obtaining Experience Without a License*

experience in any of the following ways:

- By providing "significant real property appraisal assistance" to a licensed appraiser and having the duties the unlicensed individual performs properly identified in the appraisal report. If the unlicensed individual performs at least 75% of the professional appraisal work and the appraisal conforms to USPAP, the experience can qualify under Category 10 (Assistance in the Preparation of Appraisals), up to a maximum of 400 hours;
- By performing the entire appraisal process under the direct technical supervision of a licensed appraiser. The final conclusion to value is made by and the appraisal is signed by the licensed appraiser, with the unlicensed

individual's duties properly identified in the report. If the unlicensed individual performs all appraisal methods customarily used for the assignment and the appraisal conforms to USPAP, the experience can qualify under Category 1 (Fee and Staff Appraisal); or

- By performing appraisals in non-federally related transactions. If the appraisals were performed for a business purpose and conform to USPAP, the experience can qualify under Category 1.

NOTE: Individuals unlicensed in California may not sign appraisals in federally related transactions, even if co-signed by a licensed California appraiser.

Applicants must successfully complete the examination for

## *Examinations and Issuance*

the license level for which they applied. After OREA reviews and makes a preliminary determination that the applicant has met the minimum requirements, the applicant will be sent an *Admission to Examination* letter along with information explaining the examination scheduling procedures.

NOTE: Appendices A, B and C contain the Examination Content Outlines for the three different examinations.

### Payment of Examination Fees

Applicants pay examination fees directly to the exam provider.

### Scheduling the Examination

Applicants who receive an *Admission to Examination* letter should verify that the examination level indicated on the letter conforms to the license level for which the applicant applied. Applicants may then call the test administrator to schedule an examination date and choose a testing center.

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Applicants who require special accommodations in order to test must inform the test administrator when making the appointment. Note that testing dates, facilities and seating are limited.

The examination must be successfully completed no later than the expiration date shown on the *Admission to Examination* letter. Since reservations are subject to space availability, applicants should reserve space as early as possible. Failure to successfully complete the examination within this time period will result in expiration of the application. Applicants who still desire to pursue licensure would then be required to submit a new application, supporting documentation and pay all appropriate fees in accordance with the requirements in existence at the time the new application is submitted.

NOTE: It is the responsibility of the applicant to ensure that the correct examination is taken at the testing center.

### Examination Results

Examinations are scored upon completion and applicants should receive their results immediately after completing the exam.

NOTE: Applicants should not leave the testing center without the original copy of the examination results containing the applicant's photograph, and the appropriate OREA form as described below.

### Instructions for Applicants Who Pass the Examination

Applicants who pass the examination will receive proof of successful completion from the test provider and an *Application for Issuance of a License* (REA 3008). In order to request issuance, applicants must forward the original examination score results sheet showing successful completion, the completed *Application for Issuance of a License* and all appropriate fees to OREA.

NOTE: Examination results are only valid for one year. Application for issuance must be received by OREA within one year from the date the examination was successfully completed. After one year, applicants who still desire to pursue licensure must reapply as indicated above.

### Instruction for Applicants Who Fail the Examination

Applicants who fail the examination will receive a score sheet and a *Request for Re-Examination* (REA 3007). The score sheet will indicate the examination score and an analysis of the examination showing any areas of weakness.

Applicants who choose to re-take the examination must submit the *Request for Re-Examination* to OREA in order for it to be received by OREA at least five days prior to the expiration date of the original *Admission to Examination* letter. A new *Admission to Examination* letter will be issued which will have the same expiration date as shown on the applicant's original *Admission to Examination* letter. No extensions of time to complete the examination will be granted.

## *Other Application Information*

### **ADDITIONAL PROCESSING INFORMATION**

#### Criminal Records Search

Identification and fingerprint information will be used by the Department of Justice (DOJ) and/or the Federal Bureau of Investigation (FBI) to assist OREA in determining if an applicant has any criminal record. This information will be provided to OREA as part of the application process and will be automatically updated should a subsequent criminal conviction occur during the period of licensure.

#### Child Support Check

The Department of Child Support Services provides OREA with a list of persons who are delinquent in court ordered child support payments. If the applicant's name is on this list and is otherwise qualified for licensure, a temporary license will be issued valid for 150 days. During this time the applicant must have the District Attorney's Office which placed the applicant on the list file a release with OREA. The 150 day temporary license cannot be extended and no fees can be refunded.

**Proof of Legal Presence**

In accordance with the Federal Personal Responsibility and Work Opportunity Act of 1996, applicants for licensure or renewal are required to provide proof of legal presence in the United States. The following documents may be acceptable proof of legal presence:

1. A copy of a birth certificate issued in or by a city, county, state, or other governmental entity within the United States or its outlying possessions.
2. A U.S. Certificate of Birth Abroad (FS-545, DS-135) or a Report of Birth Abroad of a U.S. Citizen (FS-240).
3. A birth certificate or passport issued from:
  - Puerto Rico, on or after January 13, 1941;
  - Guam, on or after April 10, 1989;
  - U.S. Virgin Islands, on or after February 25, 1927;
  - Northern Mariana Islands, after November 4, 1986;
  - American Samoa;
  - Swain's Island; or
  - District of Columbia.
4. A U.S. passport (expired or unexpired).
5. Certificate of Naturalization (N-550, N-57, N-578).
6. Certificate of Citizenship (N-560, N-561, N-645).
7. U.S. Citizen Identification Card (I-179, I-197).
8. An individual Fee Register Receipt (Form -G-711) that shows that the person has filed an application for a New Naturalization or Citizenship Paper (Form N-565).
9. Any other document which establishes a U.S. place of birth or indicates U.S. Citizenship.

Acceptable documents to establish legal alien status are anticipated to be:

1. An alien lawfully admitted for permanent residence under the Immigration and Naturalization Act (INA). Evidence includes:
  - INS Form I-551 (Alien Registration Receipt Card commonly known as a "green card"); or
  - Unexpired Temporary I-551 stamp in foreign passport or on INS Form I-94.
2. An alien who is granted asylum under Section 208 or the INA. Evidence includes:
  - INS Form I-94 annotated with stamp showing grant of asylum under Section 208 of the INA;
  - INS Form I-688B (Employment Authorization Card) annotated "274a12(a)(5)";
  - INS Form I-766 (Employment Authorization Document) annotated "A5";
  - Grant Letter from the Asylum Office of INS; or
  - Order of an immigration judge granting asylum.
3. A refugee admitted to the United States under Section 207 of the INA. Evidence includes:
  - INS Form I-94 annotated with stamp showing admission under Section 207 of the INA;
  - INS Form I-688B (Employment Authorization Card) annotated 274a.12(a)(3)";
  - INS Form I-766 (Employment Authorization Document) annotated "A3"; or
  - INS Form I-571 (Refugee Travel Document).
4. An alien paroled into the United States for at least one year under Section 212(d)(5) of the INA. Evidence includes:
  - INS Form I-94 with stamp showing admission for at least one year under Section 212(d)(5) of the INS.
5. An alien whose deportation is being withheld under Section 243(h) of the INA (as in effect immediately prior to September 30, 1996) or Section 241(b)(3) of such Act (as amended by Section 305(a) of Division C of Public Law 104-208). Evidence includes:
  - INS Form I-668B (Employment Authorization Card) annotated 274a.12(a)(10)";
  - INS Form I-766 (Employment Authorization Document) annotated "A10"; or
  - Order from an immigration judge showing deportation withheld under Section 243(h) of the INA as in effect prior to April 1, 1997, or removal withheld under Section 241(b)(3) of the INA.
6. An alien who is granted conditional entry under Section 203(a)(7) of the INA as in effect prior to April 1, 1980. Evidence includes:
  - INS Form I-94 with stamp showing admission under Section 203(a)(7) of the INA;
  - INS Form I-688B (Employment Authorization Card) annotated 274a.12(a)(3)," or
  - INS Form I-766 (Employment Authorization Document) annotated "A3."
7. An alien who is a Cuban or Haitian entrant (as defined in Section 501(e) of the Refugee Education Assistance Act of 1980). Evidence includes:
  - INS Form I-551 (Alien Registration Receipt Card, commonly known as a "green card") with the code CU6, CU7, or CH6;
  - Unexpired temporary I-551 stamp in foreign passport or on INS Form I-94 with code CU6 or CU7; or

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- INS Form I-94 with stamp showing parole as “Cuban/Haitian Entrant” under Section 212(d)(5) of the INA.
8. An alien paroled into the United States for less than one year under Section 212(d)(5) of the INA. Evidence includes:
    - INS Form I-94 showing this status.
  9. An alien who has been declared a battered alien. Evidence includes:
    - INS petition and supporting documentation.

### **Privacy Act Notice**

All information required by the application is personal information within the meaning of the Information Practices Act of 1977, as amended (California Civil Code Section 1798, et seq.). This information may not be used for any purpose other than determining the applicant’s identity and eligibility for licensure. Disclosure of the information in the application to others for any other purpose without the applicant’s consent or otherwise in accordance with law is restricted by law.

NOTE: The following is public information and is disclosed upon request: name, business address (or other physical address) of record, mailing address, business telephone and/or facsimile number of record, type of license, license number, issuance and expiration dates of license and final public disciplinary actions, if any.

### **Social Security Number**

Disclosure of the applicant’s social security number (SSN) is mandatory. California Business and Professions Code Sections 30 and 11340(c) and Public Law 94-455 (42 USCA 405(c)(2)(C)) require that applicants provide a SSN issued by the U.S. Social Security Administration as part of the licensure process for legally authorized purposes. Failure or refusal to provide the SSN may result in the application being rejected as incomplete or subject the applicant to sanctions including, but not limited to, the denial of the application. The applicant will also be reported to the Franchise Tax Board, which may assess a \$100 penalty against the applicant.

### **Denial of Your License Application Based on Failure to Meet Minimum Requirements**

If the application is denied due to the applicant’s failure to meet minimum requirements, the applicant may have certain rights to have the decision reviewed in a hearing. These rights are contained in Article 13, Title 10, California Code of Regulations, Section 3741; California Government Code Section 11500 et seq. and California Business and

Professions Code Section 475 et seq. The applicant should become familiar with these sections as failure to timely protect these rights may result in the loss of any right the applicant may have to a hearing.

### **INVESTIGATION OF OFFENSES**

Before an application is approved, OREA is required by law to verify identity and determine if the applicant has committed any crimes or acts which constitute grounds for denial of an application for licensure.

### **Disclosure of Prior Convictions**

Applicants must disclose to OREA any and all prior misdemeanor and felony convictions. If the conviction has been purged, the applicant must still disclose the conviction unless entitled to an exemption based upon successful completion of a diversion program, a judicial determination of factual innocence or other order of court which expressly provides for such exemption. Applicants claiming this exemption must provide OREA with a certified copy of the court order or other authority for the exemption. A Certificate of Rehabilitation (Penal Code Section 4852.01) or termination of probation and dismissal of the information or accusation (Penal Code Section 1203.4) does not exempt the applicant from disclosing a conviction when applying for a license issued by OREA.

The following pleas or convictions must also be disclosed:

#### *Nolo Contendere or No Contest*

- Applicants who pled *Nolo Contendere or No Contest* to a crime must still disclose the resulting conviction on the application.

#### *Convictions when you were under the age of 18*

- Applicants are required to disclose any conviction which occurred while under the age of 18 unless the records have been sealed or expunged by order of a court. Even if sealed or expunged, however, the applicant may still be required to produce proof of the existence of the court order.

### **Requirements of Substantial Relationship**

OREA will review prior acts or convictions to determine whether or not they are substantially related to the qualifications, functions or duties of an appraiser; or if the act or crime was willful or intentional; and/or if the act or offense involved the use of fraud, deceit or dishonesty for profit or gain. The specific criteria used by OREA in making

this determination is set forth in Article 12, Title 10, California Code of Regulations, Section 3722.

### **Evidence of Rehabilitation**

Applicants will be given an opportunity to explain any offense or criminal conviction. Applicants may be asked to do this in writing and/or be required to participate in an office conference to provide this explanation. In addition to providing an explanation, applicants may be required to demonstrate proof of rehabilitation since the acts or the actions that are the basis of the conviction in accordance with the Criteria for Rehabilitation as stated in Article 12, Title 10, California Code of Regulations, Section 3723.

### **Records**

Applicants will be required to provide certified copies of the court records, including the complaint, complete docket, judgment and sentence and probation report, if any, for any convictions. Applicants will also be required to provide copies of police and/or other investigating agency reports, as well as certified copies of decisions from other state or federal agencies, if applicable. Providing these documents with the application will assist OREA in processing the application as quickly as possible. If the applicant is unable to obtain these records, the applicant must provide OREA with a sworn declaration signed by the applicant under penalty of perjury stating the efforts the applicant made to obtain the records, the inability to obtain them and the reasons why.

### **Denial of Applications Based on Prior Act or Convictions**

If OREA determines the applicant is not qualified to receive a license due to the prior acts or convictions, the applicant may have certain rights to have this decision reviewed in a hearing. These rights are stated in Article 13, Title 10, California Code of Regulations, Section 3741, as well as California Government Code Section 11500 et seq. and California Business and Professions Code Section 475 et seq. Applicants should become familiar with these sections as failure to timely protect these rights may result in the loss of any right the applicant may have to a hearing.

### **DUE DILIGENCE**

Applicants must exercise due diligence in pursuing an application for licensure. This means the applicant must timely respond to any inquiries or requests for additional information or documents from OREA and ensure that OREA is immediately notified of any change in the

applicant's personal information, such as any address or telephone number listed on the application.

Failure to exercise due diligence in pursuing an application or responding to a request from OREA may result in the application being closed or denied. Should this occur and the applicant subsequently decides to pursue licensure or application for upgrade or renewal, the applicant will be required to submit a new application, supporting documentation, and all appropriate fees in accordance with requirements in existence at that time.

### **REFUNDS**

Pursuant to state statute, all fees are deemed earned upon receipt. No refunds will be granted.

### **CHANGE OF ADDRESS**

A licensee who has a change of personal information such as mailing, home or business address, or telephone number change, must notify OREA within 10 days of the change, in accordance with Article 2, Title 10, California Code of Regulations, Section 3527. This information must be submitted on the *Change Notification and Miscellaneous Requests* (REA 3011) form. In addition to the potential failure of receiving important information, failure to notify OREA of any change in such information may subject the licensee to disciplinary action, which may include a fine and/or denial or revocation of his or her license.

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## **Uniform Standards of Professional Appraisal Practice**

All licensees are required to fully comply with the Uniform Standards of Professional Appraisal Practice (USPAP) at all times and are subject to disciplinary action, which may include license revocation and/or a fine of up to \$10,000 per incident, for failure to do so. It is, therefore, imperative that licensees be thoroughly familiar with its requirements. USPAP is a copyrighted document and may be obtained by contacting:

The Appraisal Foundation  
1029 Vermont Ave. NW, Suite 900  
Washington, DC 20005-3517  
(202) 347-7722  
FAX (202) 347-7727  
[www.appraisalfoundation.org](http://www.appraisalfoundation.org)

# **APPENDIX**



**Appendix A**  
**Basic Education Topics**  
**Residential License Examination Content Outline**

This Examination Content Outline has been approved by the Appraiser Qualifications Board of The Appraisal Foundation. It provides examinees with the scope of knowledge to be covered by the examination and the weighting of the relative importance of each category.

<u>Topic</u>	<u>% Weight</u>
<b>I. Influences on Real Estate Value</b>	<b>4-5%</b>
A. Physical and environmental	
B. Economic	
C. Governmental and legal	
D. Social	
<b>II. Legal Considerations in Appraisal</b>	<b>5-7%</b>
A. Real estate vs. real property	
B. Real property vs. personal property	
C. Limitations on real estate ownership	
1. Private	
a. Deed restrictions	
b. Leases	
c. Mortgages	
d. Easements	
e. Liens	
f. Encroachments	
2. Public	
a. Police power	
(1) Zoning	
(2) Building and fire codes	
(3) Environmental regulations	
b. Taxation	
(1) Property tax	
(2) Special assessments	
c. Eminent domain	
d. Escheat	
D. Legal rights and interests	
1. Fee simple estate	
2. Life estate	
3. Leasehold interest	
4. Lease fee interest	
5. Other legal interests	
a. Easement	
b. Encroachment	
E. Forms of property ownership	
1. Individual	
2. Tenancies and undivided interests	
3. Special ownership forms	
a. Condominiums	

*(Continued on page 24)*

<u>Topic</u>	<u>% Weight</u>
b. Cooperatives	
c. Timesharing	
F. Legal descriptions	
1. Metes and bounds	
2. Government survey	
3. Lot and block	
G. Transfer of title	
1. Basic types of deeds	
2. Recordation	
<b>III. Types of Value</b>	<b>5-7%</b>
A. Market value or value in exchange	
B. Price	
C. Cost	
D. Investment value	
E. Value in use	
F. Assessment value	
G. Insurable value	
<b>IV. Economic Principles</b>	<b>4-6%</b>
A. Anticipation	
B. Balance	
C. Change	
D. Competition	
E. Conformity	
F. Contribution	
G. Increasing and decreasing returns	
H. Substitution	
I. Supply and demand	
J. Surplus productivity	
<b>V. Real Estate Markets and Analysis</b>	<b>7-9%</b>
A. Characteristics of real estate markets	
1. Availability of information	
2. Changes in supply vs. demand	
3. Immobility of real estate	
4. Segmented markets	
5. Regulations	
B. Absorption analysis	
1. Demographic data	
2. Competition	
3. Absorption	
4. Forecasts	
C. Role of money and capital markets	
1. Competing investments	
2. Sources of capital	
D. Real estate financing	
1. Mortgage terms and concepts	
a. Mortgagor	
b. Mortgagee	

<u>Topic</u>	<u>% Weight</u>
<b>VI. Valuation Process</b>	<b>6-8%</b>
A. Definition of the problem	
1. Purpose and use of the appraisal	
2. Interests to be appraised	
3. Type of value to be estimated	
4. Date of value estimate	
5. Limiting conditions	
B. Collection and analysis of data	
1. National and regional trends	
2. Economic base	
3. Local area and neighborhood	
a. Employment	
b. Income	
c. Trends	
d. Access	
e. Locational convenience	
4. Site and improvements	
C. Analysis of highest and best use	
D. Application and limitations of each approach to value	
1. Sales comparison	
2. Cost	
3. Income capitalization	
E. Reconciliation and final value estimate	
F. The appraisal report	
<b>VII. Property Description</b>	<b>7-9%</b>
A. Site description	
1. Utilities	
2. Access	
3. Topography	
4. Size	
B. Improvement description	
1. Size	
2. Condition	
3. Utility	
C. Basic construction and design	
1. Techniques and materials	
a. Foundations	
b. Framing	
c. Finish (exterior and interior)	
2. Functional utility	
<b>VIII. Highest and best use analysis</b>	<b>6-8%</b>
A. Four tests	
1. Physically possible	
2. Legally permitted	
3. Economically feasible	
4. Maximally productive	

(Continued on page 26)

<u>Topic</u>	<u>% Weight</u>
B. Vacant site or as if vacant	
C. As improved	
D. Interim use	
<b>IX. Appraisal Math and Statistics</b>	<b>4-6%</b>
A. Mean	
B. Median	
C. Mode	
D. Range	
E. Standard Deviation	
<b>X. Sales Comparison Approach</b>	<b>13-16%</b>
A. Research and selection of comparables	
1. Data sources	
2. Verification	
3. Units of comparison	
a. Data sources	
b. Size	
(1) Square feet	
(2) Acres	
(3) Other	
c. Utility (examples only)	
(1) Rooms	
(2) Beds	
(3) Other	
B. Elements of comparison	
1. Property rights conveyed	
a. Leased fee/leasehold	
b. Easements	
c. Other	
2. Financing terms and cash equivalency	
a. Loan payment	
b. Loan balance	
3. Conditions of sale	
a. Arms length sale	
b. Personalty	
4. Market conditions at time of contract and closing	
5. Location	
6. Physical characteristics	
C. Adjustment process	
1. Sequence of adjustments	
2. Dollar adjustments	
3. Percentage adjustments	
4. Paired sales analysis	
D. Application of sales comparison approach	
<b>XI. Site Value</b>	<b>4-6%</b>
A. Sales comparison	
B. Land residual	
C. Allocation	

<u>Topic</u>	<u>% Weight</u>
D. Extraction	
E. Plottage and assemblage	
<b>XII. Cost Approach</b>	<b>5-7%</b>
A. Steps in the cost approach	
1. Reproduction vs. replacement cost	
a. Comparative unit method	
b. Unit-in-place method	
c. Quantity survey method	
d. Cost service index	
2. Accrued depreciation	
a. Types of depreciation	
(1) Physical deterioration	
(a) Curable	
(b) Incurable	
(c) Short-lived	
(d) Long-lived	
(2) Functional obsolescence	
(a) Curable	
(b) Incurable	
(3) External obsolescence	
(a) Locational	
(b) Economic	
b. Methods of estimating depreciation	
(1) Age-life method	
(2) Breakdown method and sequence of deductions	
(3) Market extraction of depreciation	
B. Application of the cost approach	
<b>XIII. Income Approach</b>	<b>5-7%</b>
A. Estimation of income and expenses	
1. Gross market income	
2. Effective gross income	
a. Vacancy	
b. Collection loss	
3. Operating expenses	
a. Fixed expenses	
b. Variable expenses	
c. Reserve for replacements	
4. Net operating income	
B. Operating expense ratios	
C. Gross rent multiplier	
<b>XIV. Valuation of Partial Interests</b>	<b>3-5%</b>
A. Life estates	
B. Undivided interest in commonly held property	
C. Easements	

(Continued on page 28)

<u>Topic</u>	<u>% Weight</u>
D. Timeshares	
E. Cooperatives	
F. Leased fee estate	
G. Leasehold estate	
<b>XV. Appraisal Standards and Ethics</b>	<b>6-10%</b>



## Appendix B

### Basic Education Topics

#### Certified Residential Examination Content Outline

This Examination Content Outline has been approved by the Appraiser Qualifications board of The Appraisal Foundation. It provides examinees with the scope of knowledge to be covered by the examination and the weighing of the relative importance of each category.

<u>Topic</u>	<u>% Weight</u>
<b>I. Influences on Real Estate Value</b>	<b>4-5%</b>
A. Physical and environmental	
B. Economic	
C. Governmental and legal	
D. Social	
<b>II. Legal Considerations in Appraisal</b>	<b>5-6%</b>
A. Real estate vs. real property	
B. Real property vs. personal property	
1. Fixtures	
2. Trade fixtures	
C. Limitations on real estate ownership	
1. Private	
a. Deed restrictions	
b. Leases	
c. Mortgages	
d. Easements	
e. Liens	
f. Encroachments	
2. Public	
a. Police power	
(1) Zoning	
(2) Building and fire codes	
(3) Environmental regulations	
b. Taxation	
(1) Property tax	
(2) Special assessments	
c. Eminent domain	
d. Escheat	
D. Legal rights and interests	
1. Fee simple estate	
2. Life estate	
3. Leasehold interest	
4. Lease fee interest	
5. Other legal interests	
a. Easement	
b. Encroachment	
E. Forms of property ownership	
1. Individual	
2. Tenancies and undivided interests	
3. Special ownership forms	

*(Continued on page 30)*

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li>a. Condominiums</li> <li>b. Cooperatives</li> <li>c. Timesharing</li> </ul>	
F. Legal descriptions <ul style="list-style-type: none"> <li>1. Metes and bounds</li> <li>2. Government survey</li> <li>3. Lot and block</li> </ul>	
G. Transfer of title <ul style="list-style-type: none"> <li>1. Basic types of deeds</li> <li>2. Recordation</li> </ul>	
<b>III. Types of Value</b>	<b>5-6%</b>
A. Market value or value in exchange	
B. Price	
C. Cost	
D. Investment value	
E. Value in use	
F. Assessment value	
G. Insurable value	
<b>IV. Economic Principles</b>	<b>4-6%</b>
A. Anticipation	
B. Balance	
C. Change	
D. Competition	
E. Conformity	
F. Contribution	
G. Increasing and decreasing returns	
H. Opportunity cost	
I. Substitution	
J. Supply and demand	
K. Surplus productivity	
<b>V. Real Estate Markets and Analysis</b>	<b>7-9%</b>
A. Characteristics of real estate markets <ul style="list-style-type: none"> <li>1. Availability of information</li> <li>2. Changes in supply vs. demand</li> <li>3. Immobility of real estate</li> <li>4. Segmented markets</li> <li>5. Regulations</li> </ul>	
B. Absorption analysis <ul style="list-style-type: none"> <li>1. Demographic data</li> <li>2. Competition</li> <li>3. Absorption</li> <li>4. Forecasts</li> <li>5. Existing space inventory</li> <li>6. Current and projected space surplus</li> <li>7. New space</li> </ul>	
C. Role of money and capital markets	

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li>1. Competing investments</li> <li>2. Sources of capital</li> </ul>	
D. Real estate financing	
<ul style="list-style-type: none"> <li>1. Mortgage terms and concepts               <ul style="list-style-type: none"> <li>a. Mortgagor</li> <li>b. Mortgagee</li> <li>c. Principal and interest</li> </ul> </li> <li>2. Mortgage payment plans               <ul style="list-style-type: none"> <li>a. Fixed rate, level payment</li> <li>b. Adjustable rate</li> <li>c. Buydown</li> <li>d. Other</li> </ul> </li> <li>3. Types of mortgages               <ul style="list-style-type: none"> <li>a. Conventional</li> <li>b. Insured</li> </ul> </li> </ul>	
<b>VI. Valuation Process</b>	<b>6-8%</b>
A. Definition of the problem	
<ul style="list-style-type: none"> <li>1. Purpose and use of the appraisal</li> <li>2. Interests to be appraised</li> <li>3. Type of value to be estimated</li> <li>4. Date of value estimate</li> <li>5. Limiting conditions</li> </ul>	
B. Collection and analysis of data	
<ul style="list-style-type: none"> <li>1. National and regional trends</li> <li>2. Economic base</li> <li>3. Local area and neighborhood               <ul style="list-style-type: none"> <li>a. Employment</li> <li>b. Income</li> <li>c. Trends</li> <li>d. Access</li> <li>e. Locational convenience</li> </ul> </li> <li>4. Site and improvements</li> </ul>	
C. Analysis of highest and best use	
D. Applications and use of each approach to value	
<ul style="list-style-type: none"> <li>1. Sales comparison</li> <li>2. Cost</li> <li>3. Income capitalization</li> </ul>	
E. Reconciliation and final value estimate	
F. The appraisal report	
<b>VII. Property Description</b>	<b>6-8%</b>
A. Site description	
<ul style="list-style-type: none"> <li>1. Utilities</li> <li>2. Access</li> <li>3. Topography</li> <li>4. Size</li> </ul>	
B. Improvement description	

(Continued on page 32)

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li>1. Size</li> <li>2. Condition</li> <li>3. Utility</li> <li>C. Basic construction and design               <ul style="list-style-type: none"> <li>1. Techniques and materials                   <ul style="list-style-type: none"> <li>a. Foundations</li> <li>b. Framing</li> <li>c. Finish (exterior and interior)</li> <li>d. Mechanical</li> </ul> </li> <li>2. Functional utility</li> </ul> </li> </ul>	
<b>VIII. Highest and best use analysis</b>	<b>6-8%</b>
<ul style="list-style-type: none"> <li>A. Four tests           <ul style="list-style-type: none"> <li>1. Physically possible</li> <li>2. Legally permitted</li> <li>3. Economically feasible</li> <li>4. Maximally productive</li> </ul> </li> <li>B. Vacant site or as if vacant</li> <li>C. As improved</li> <li>D. Interim use</li> </ul>	
<b>IX. Appraisal Math and Statistics</b>	<b>4-6%</b>
<ul style="list-style-type: none"> <li>A. Compound interest concepts           <ul style="list-style-type: none"> <li>1. Future value of \$1</li> <li>2. Present value of \$1</li> <li>3. Future value of an annuity of \$1 per period</li> <li>4. Present value of an annuity of \$1 per period</li> <li>5. Sinking fund factor</li> <li>6. Installment to amortize \$1 (loan constant)</li> </ul> </li> <li>B. Statistical concepts used in appraisal           <ul style="list-style-type: none"> <li>1. Mean</li> <li>2. Median</li> <li>3. Mode</li> <li>4. Range</li> <li>5. Standard deviation</li> </ul> </li> </ul>	
<b>X. Sales Comparison Approach</b>	<b>11-14%</b>
<ul style="list-style-type: none"> <li>A. Research and selection of comparables           <ul style="list-style-type: none"> <li>1. Data sources</li> <li>2. Verification</li> <li>3. Units of comparison               <ul style="list-style-type: none"> <li>a. Data sources</li> <li>b. Income                   <ul style="list-style-type: none"> <li>(1) Potential gross income multiplier</li> <li>(2) Effective gross income multiplier</li> <li>(3) Overall rate</li> </ul> </li> <li>c. Size                   <ul style="list-style-type: none"> <li>(1) Square feet</li> <li>(2) Acres</li> <li>(3) Other</li> </ul> </li> </ul> </li> </ul> </li> </ul>	

<u>Topic</u>	<u>% Weight</u>
d. Utility (examples only)	
(1) Rooms	
(2) Beds	
(3) Other	
B. Elements of comparison	
1. Property rights conveyed	
a. Leased fee/leasehold	
b. Easements	
c. Other	
2. Financing terms	
a. Loan payment	
b. Loan balance	
3. Conditions of sale	
a. Arms length sale	
b. Personalty	
4. Market conditions at time of contract and closing	
5. Location	
6. Physical characteristics	
C. Adjustment process	
1. Sequence of adjustments	
2. Dollar adjustments	
3. Percentage adjustments	
4. Paired sales analysis	
D. Application of sales comparison approach	
<b>XI. Site Value</b>	<b>4-6%</b>
A. Sales comparison	
B. Land residual	
C. Allocation	
D. Extraction	
E. Plottage and assemblage	
<b>XII. Cost Approach</b>	<b>5-7%</b>
A. Steps in the cost approach	
1. Reproduction vs. replacement cost	
a. Comparative unit method	
b. Unit-in-place method	
c. Quantity survey method	
d. Cost service index	
2. Accrued depreciation	
a. Types of depreciation	
(1) Physical deterioration	
(a) Curable	
(b) Incurable	
(c) Short-lived	
(d) Long-lived	
(2) Functional obsolescence	

(Continued on page 34)

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li>(a) Curable</li> <li>(b) Incurable</li> <li>(3) External obsolescence               <ul style="list-style-type: none"> <li>(a) Locational</li> <li>(b) Economic</li> </ul> </li> <li>b. Methods of estimating depreciation               <ul style="list-style-type: none"> <li>(1) Age-life method</li> <li>(2) Breakdown method and sequence of deductions</li> <li>(3) Market extraction of depreciation</li> </ul> </li> </ul>	
B. Application of the cost approach	
<b>XIII. Income Approach</b>	<b>7-11%</b>
A. Estimation of income and expenses <ul style="list-style-type: none"> <li>1. Gross market income</li> <li>2. Effective gross income           <ul style="list-style-type: none"> <li>a. Vacancy</li> <li>b. Collection loss</li> </ul> </li> <li>3. Operating expenses           <ul style="list-style-type: none"> <li>a. Fixed expenses</li> <li>b. Variable expenses</li> <li>c. Reserve for replacements</li> </ul> </li> <li>4. Net operating income</li> </ul>	
B. Operating expense ratios	
C. Direct capitalization <ul style="list-style-type: none"> <li>1. Relevance and limitations</li> <li>2. Overall capitalization rate</li> <li>3. Gross income multiplier and net income ratio</li> <li>4. Band of investment (mortgage equity) techniques</li> </ul>	
D. Gross rent multiplier analysis	
<b>XIV. Valuation of Partial Interests</b>	<b>4-6%</b>
A. Life estates	
B. Undivided interest in commonly held property	
C. Easements	
D. Timeshares	
E. Cooperatives	
F. Leased fee estate	
G. Leasehold estate	
<b>XV. Appraisal Standards and Ethics</b>	<b>6-10%</b>

## Appendix C

### Basic Education Topics

### Certified General Examination Content Outline

This Examination Content Outline has been approved by the Appraiser Qualifications Board of The Appraisal Foundation. It provides examinees with the scope of knowledge to be covered by the examination and the weighting of the relative importance of each category.

<u>Topic</u>	<u>% Weight</u>
<b>I. Influences on Real Estate Value</b>	<b>4-5%</b>
A. Physical and environmental	
B. Economic	
C. Governmental and legal	
D. Social	
<b>II. Legal Considerations in Appraisal</b>	<b>4-5%</b>
A. Real estate vs. real property	
B. Real property vs. personal property	
1. Fixtures	
2. Trade fixtures	
3. Machinery and Equipment	
C. Limitations on real estate ownership	
1. Private	
a. Deed restrictions	
b. Leases	
c. Mortgages	
d. Easements	
e. Liens	
f. Encroachments	
2. Public	
a. Police power	
(1) Zoning	
(2) Building and fire codes	
(3) Environmental regulations	
b. Taxation	
(1) Property tax	
(2) Special assessments	
c. Eminent domain	
d. Escheat	
D. Legal rights and interests	
1. Fee simple estate	
2. Life estate	
3. Leasehold interest	
4. Lease fee interest	
5. Other legal interests	
a. Easement	
b. Encroachment	
E. Forms of property ownership	
1. Individual	
2. Tenancies and undivided interests	

*(Continued on page 36)*

<u>Topic</u>	<u>% Weight</u>
3. Special ownership forms <ul style="list-style-type: none"> <li>a. Condominiums</li> <li>b. Cooperative</li> </ul>	
F. Legal descriptions <ul style="list-style-type: none"> <li>1. Metes and bounds</li> <li>2. Government survey</li> <li>3. Lot and block</li> </ul>	
G. Transfer of title <ul style="list-style-type: none"> <li>1. Basic types of deeds</li> <li>2. Recordation</li> </ul>	
<b>III. Types of Value</b>	<b>5-6%</b>
A. Market value or value in exchange	
B. Price	
C. Cost	
D. Investment value	
E. Value in use	
F. Assessment value	
G. Insurable value	
H. Going concern value	
<b>IV. Economic Principles</b>	<b>5-7%</b>
A. Anticipation	
B. Balance	
C. Change	
D. Competition	
E. Conformity	
F. Contribution	
G. Increasing and decreasing returns	
H. Opportunity cost	
I. Substitution	
J. Supply and demand	
K. Surplus productivity	
<b>V. Real Estate Markets and Analysis</b>	<b>6-8%</b>
A. Characteristics of real estate markets <ul style="list-style-type: none"> <li>1. Availability of information</li> <li>2. Changes in supply vs. demand</li> <li>3. Immobility of real estate</li> <li>4. Segmented markets</li> <li>5. Regulations</li> </ul>	
B. Absorption analysis <ul style="list-style-type: none"> <li>1. Demographic data</li> <li>2. Competition</li> <li>3. Absorption</li> <li>4. Forecasts</li> <li>5. Existing space inventory</li> <li>6. Current and projected space surplus</li> <li>7. New space</li> </ul>	
C. Role of money and capital markets	

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li>1. Competing investments</li> <li>2. Sources of capital</li> </ul>	
D. Real estate financing	
<ul style="list-style-type: none"> <li>1. Mortgage terms and concepts               <ul style="list-style-type: none"> <li>a. Mortgagor</li> <li>b. Mortgagee</li> <li>c. Principal and interest</li> </ul> </li> <li>2. Mortgage payment plans               <ul style="list-style-type: none"> <li>a. Fixed rate, level payment</li> <li>b. Adjustable rate</li> <li>c. Buydown</li> <li>d. Other</li> </ul> </li> <li>3. Types of mortgages               <ul style="list-style-type: none"> <li>a. Conventional</li> <li>b. Insured</li> </ul> </li> </ul>	
<b>VI. Valuation Process</b>	<b>7-9%</b>
A. Definition of the problem	
<ul style="list-style-type: none"> <li>1. Purpose and use of the appraisal</li> <li>2. Interests to be appraised</li> <li>3. Type of value to be estimated</li> <li>4. Date of value estimate</li> <li>5. Limiting conditions</li> </ul>	
B. Collection and analysis of data	
<ul style="list-style-type: none"> <li>1. National and regional trends</li> <li>2. Economic base</li> <li>3. Local area and neighborhood               <ul style="list-style-type: none"> <li>a. Employment</li> <li>b. Income</li> <li>c. Trends</li> <li>d. Access</li> <li>e. Locational convenience</li> </ul> </li> <li>4. Site and improvements</li> </ul>	
C. Analysis of highest and best use	
D. Applications and use of each approach to value	
<ul style="list-style-type: none"> <li>1. Sales comparison</li> <li>2. Cost</li> <li>3. Income capitalization</li> </ul>	
E. Reconciliation and final value estimate	
F. The appraisal report	
<b>VII. Property Description</b>	<b>5-7%</b>
A. Site description	
<ul style="list-style-type: none"> <li>1. Utilities</li> <li>2. Access</li> <li>3. Topography</li> <li>4. Size</li> </ul>	
B. Improvement description	

(Continued on page 38)

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li>1. Size</li> <li>2. Condition</li> <li>3. Utility</li> <li>C. Basic construction and design               <ul style="list-style-type: none"> <li>1. Techniques and materials                   <ul style="list-style-type: none"> <li>a. Foundations</li> <li>b. Framing</li> <li>c. Finish (exterior and interior)</li> <li>d. Mechanical</li> </ul> </li> <li>2. Functional utility</li> </ul> </li> </ul>	
<b>VIII. Highest and best use analysis</b>	<b>6-8%</b>
<ul style="list-style-type: none"> <li>A. Four tests               <ul style="list-style-type: none"> <li>1. Physically possible</li> <li>2. Legally permitted</li> <li>3. Economically feasible</li> <li>4. Maximally productive</li> </ul> </li> <li>B. Vacant site or as if vacant</li> <li>C. As improved</li> <li>D. Interim use</li> </ul>	
<b>IX. Appraisal Math and Statistics</b>	<b>4-6%</b>
<ul style="list-style-type: none"> <li>A. Compound interest concepts               <ul style="list-style-type: none"> <li>1. Future value of \$1</li> <li>2. Present value of \$1</li> <li>3. Future value of an annuity of \$1 per period</li> <li>4. Present value of an annuity of \$1 per period</li> <li>5. Sinking fund factor</li> <li>6. Installment to amortize \$1 (loan constant)</li> </ul> </li> <li>B. Statistical concepts used in appraisal               <ul style="list-style-type: none"> <li>1. Mean</li> <li>2. Median</li> <li>3. Mode</li> <li>4. Range</li> <li>5. Standard deviation</li> </ul> </li> </ul>	
<b>X. Sales Comparison Approach</b>	<b>8-10%</b>
<ul style="list-style-type: none"> <li>A. Research and selection of comparables               <ul style="list-style-type: none"> <li>1. Data sources</li> <li>2. Verification</li> <li>3. Units of comparison                   <ul style="list-style-type: none"> <li>a. Income                       <ul style="list-style-type: none"> <li>(1) Potential gross income multiplier</li> <li>(2) Effective gross income multiplier</li> <li>(3) Overall rate</li> </ul> </li> <li>b. Size                       <ul style="list-style-type: none"> <li>(1) Square feet</li> <li>(2) Acres</li> <li>(3) Other</li> </ul> </li> <li>c. Utility (examples only)</li> </ul> </li> </ul> </li> </ul>	

<u>Topic</u>	<u>% Weight</u>
(1) Motel and apartment units	
(2) Theater seats	
(3) Other	
B. Elements of comparison	
1. Property rights conveyed	
a. Easements	
b. Leased fee/leasehold	
c. Mineral rights	
d. Other	
2. Financing terms and cash equivalency	
a. Loan payment	
b. Loan balance	
3. Conditions of sale	
a. Arms length sale	
b. Personalty	
4. Market conditions at time of contract and closing	
5. Location	
6. Physical characteristics	
7. Tenant improvements	
C. Adjustment process	
1. Sequence of adjustments	
2. Dollar adjustments	
3. Percentage adjustments	
4. Paired sales analysis	
D. Application of sales comparison approach	
<b>XI. Site Value</b>	<b>4-6%</b>
A. Sales comparison	
B. Land residual	
C. Allocation	
D. Extraction	
E. Ground rent capitalization	
F. Subdivision analysis	
1. Development cost: direct and indirect	
2. Contractor's overhead and profit	
3. Forecast absorption and gross sales	
4. Entrepreneurial profit	
5. Discounted value conclusion	
G. Plottage and assemblage	
<b>XII. Cost Approach</b>	<b>5-8%</b>
A. Steps in the cost approach	
1. Reproduction vs. replacement cost	
a. Comparative unit method	
b. Unit-in-place method	
c. Quantity survey method	
d. Cost service index	
2. Accrued depreciation	

(Continued on page 40)

<u>Topic</u>	<u>% Weight</u>
a. Types of depreciation	
(1) Physical deterioration	
(a) Curable	
(b) Incurable	
(c) Short-lived	
(d) Long-lived	
(2) Functional obsolescence	
(a) Curable	
(b) Incurable	
(3) External obsolescence	
(a) Locational	
(b) Economic	
b. Methods of estimating depreciation	
(1) Age-life method	
(2) Breakdown method and sequence of deductions	
(3) Market extraction of depreciation	
B. Application of the cost approach	
<b>XIII. Income Approach</b>	<b>11-15%</b>
A. Estimation of income and expenses	
1. Gross market income	
2. Effective gross income	
a. Vacancy	
b. Collection loss	
3. Operating expenses	
a. Fixed expenses	
b. Variable expenses	
c. Reserve for replacements	
4. Net operating income	
B. Operating statement ratios	
1. Operating expense ratio	
2. Net income ratio	
3. Break-even ratio	
C. Direct capitalization	
1. Relevance and limitations	
2. Overall capitalization rate	
3. Gross income multiplier and net income ratio	
4. Band of investment (mortgage equity) techniques	
5. Residual techniques	
a. Land (building value given)	
b. Building (land value given)	
c. Equity (mortgage value given)	
D. Cash flow estimates (before tax only)	
1. Operating years	
a. Estimating NOI with a change in NOI	
b. Estimating NOI using lease information	
c. Cash flow (NOI less mortgage payment)	
2. Reversion	
a. Estimating resale with a change in value	
b. Estimating resale with a terminal capitalization rate	

<u>Topic</u>	<u>% Weight</u>
<ul style="list-style-type: none"> <li> <ul style="list-style-type: none"> <li>c. Cash flow (sale price less mortgage balance)</li> <li>d. Deductions for costs of sale and legal fees to arrive at a net reversion</li> </ul> </li> <li>E. Measures of cash flow           <ul style="list-style-type: none"> <li>1. Equity dividend rate (cash on cash rate)</li> <li>2. Debt coverage ratio</li> </ul> </li> <li>F. Discounted cash flow analysis (DCF)           <ul style="list-style-type: none"> <li>1. Relevance and limitations</li> <li>2. Potential gross income and expense estimate               <ul style="list-style-type: none"> <li>a. Market vs. contract rents</li> <li>b. Vacancy and lease commissions</li> <li>c. Tenant improvements and concessions</li> </ul> </li> <li>3. Discount rates and yield rates (definition and concept but no calculation of yield rate)</li> <li>4. Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts, and tables or calculators can be used)</li> </ul> </li> </ul>	
<b>XIV. Valuation of Partial Interests</b>	<b>4-6%</b>
<ul style="list-style-type: none"> <li>A. Interests created by a lease           <ul style="list-style-type: none"> <li>1. Leased fee</li> <li>2. Leasehold</li> <li>3. Subleasehold</li> <li>4. Renewal options</li> <li>5. Tenant improvements</li> <li>6. Concessions</li> </ul> </li> <li>B. Lease provisions           <ul style="list-style-type: none"> <li>1. Overage rent</li> <li>2. Expense stops</li> <li>3. Net leases</li> <li>4. Minimum rent</li> <li>5. Percentage rent</li> <li>6. CPI adjustments</li> <li>7. Excess rent</li> </ul> </li> <li>C. Valuation considerations           <ul style="list-style-type: none"> <li>1. Identifying the cash flows to the different interests, including turnover ratios</li> <li>2. Discount rate selection for different interests</li> <li>3. Relationship between the values of the interests</li> </ul> </li> <li>D. Other partial interests           <ul style="list-style-type: none"> <li>1. Life estates</li> <li>2. Undivided interest in commonly held property</li> <li>3. Easements</li> <li>4. Timeshares</li> <li>5. Cooperatives</li> </ul> </li> </ul>	
<b>XV. Appraisal Standards and Ethics</b>	<b>6-10%</b>

