SENATE BILL REPORT
EHB 1797

As of March 12, 2023

Title: An act relating to residential real estate appraisers being allowed to complete real property evaluations.

Brief Description: Concerning residential real estate appraisers being allowed to complete real property evaluations.

Sponsors: Representatives Cheney, Goodman, Hutchins and Graham.

Brief History: Passed House: 2/27/23, 95-0.
Committee Activity: Business, Financial Services, Gaming & Trade: 3/14/23.

Brief Summary of Bill

- Requires the Department of Licensing to adopt rules to require education on valuation bias and fair housing laws and regulations as a part of both initial registration and licensure and continuing education standards for real estate appraisers.
- Permits a state-licensed or state-certified appraiser to perform evaluations of real estate for financial institutions as long as a disclaimer is provided.

SENATE COMMITTEE ON BUSINESS, FINANCIAL SERVICES, GAMING & TRADE

Staff: Clinton McCarthy (786-7319)

Background: Federal Oversight of Real Estate Appraisals. In 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act, which set a dollar threshold value to require an appraisal and create the Appraisal Subcommittee to coordinate appraisal regulation. This legislation also mandated that property appraisers meet qualifications established by the Appraisal Foundation's Appraisal Qualification Board. The Appraisal

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Foundation maintains the Uniform Standards of Professional Appraisal Practice (USPAP). USPAP is the generally recognized ethical and performance standard for the appraisal profession in the United States.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 established the Consumer Financial Protection Bureau (CFPB) and provided this new entity with rulemaking authority for residential mortgage appraisals by removing residential mortgage appraisals from the Appraisal Subcommittee. The Appraisal Subcommittee continues to have the authority to coordinate the regulation of commercial real estate appraisals.

Both the Appraisal Subcommittee and the CFPB rely on states to monitor and enforce compliance with federal standards.

State Oversight of Real Estate Appraisals. The Certified Real Estate Appraiser Act provides a regulatory framework to certify and license real estate appraisers in the state of Washington. A state-certified general real estate appraiser is certified to develop and communicate real estate appraisals of all types of property. A state certified residential real estate appraiser is certified to develop and communicate real estate appraisals of all types of residential property of one to four units. A state-licensed real estate appraiser is licensed to develop and communicate real estate appraisals of noncomplex one to four residential units, and complex one to four residential units and non residential property having transaction values specified in rules by the director.

The director of the Department of Licensing (DOL) has the authority to adopt rules, approve or deny application for certification or licensure. The Real Estate Appraiser Commission serves as a liaison between appraisal practitioners, the public, and DOL.

Prerequisite and Continuing Education Requirements for Licensure and Certification of Appraisers. As a prerequisite for licensure, an applicant is required to provide evidence to DOL they have completed the education requirements adopted by DOL by rule. Under existing rules, courses for pre-examination must be a minimum of 15 hours in length, directly related to real estate appraising, and include a proctored examination. Continuing education requirements for appraisers under existing DOL rules require 28 hours of instruction in courses or seminars. These courses must be completed within the term of certification, licensure, or registration. Courses or seminars that active or inactive appraisers can take include, but are not limited to:

- ad valorem taxation;
- arbitrations, dispute resolution;
- business courses related to practice of real estate appraisal and consulting;
- construction estimating;
- ethics and standards of professional practice, USPAP;
- land use planning, zoning, and taxation;
- management, leasing, brokerage, timesharing;
- property development, partial interests;

- real estate appraisal—valuations/evaluations;
- real estate financing and investment;
- real estate law, easements and legal interests;
- real estate litigation, damages and condemnation;
- real estate related computer applications;
- real estate securities and syndication;
- real property exchange;
- appraisal and consulting report writing;
- green buildings;
- seller concessions;
- developing opinions of real property value in appraisals that also include personal property, or business value, or both; and
- other presentations approved by the director.

Fair Housing Continuing Education Requirements for Real Estate Brokers. In 2021, the Legislature directed real estate brokers to take specific course instruction on fair housing and consumer protection issues within existing continuing education requirements related to obtaining and maintaining real estate brokers licenses. DOL was directed to provide more specific training concepts after receiving input from select stakeholder groups.

Summary of Bill: Disclaimer for Real Property Evaluations. An appraiser performing evaluations is not engaged in real estate appraisal activity when the appraiser includes a disclaimer and is therefore not subject to the jurisdiction of DOL or the Real Estate Appraiser Commission. The disclaimer must be located immediately above the appraiser's signature and include the following in at least 10-point boldface type: "I am a state-licensed appraiser or a state-certified appraiser. This evaluation was not prepared in my capacity as a real estate appraiser and might not comply with the Uniform Standards of Professional Appraisal Practice."

Education Requirements for Licensure or Certification. DOL is directed to adopt rules as of specific dates which require:

- beginning January 1, 2024, all applicants for licensure or certification of appraisers are required to complete a seven hour course that covers the topics of valuation bias and fair housing laws;
- prior to January 1, 2025, all holders of active or inactive certifications, licenses, or registration must complete a seven hour course that covers the topics of valuation bias and fair housing laws as part of the continuing education requirements developed by the director; and
- beginning January 1, 2026, all holders of an active or inactive certification, licensure, or registration must complete a four hour course that covers the topics of valuation bias and fair housing laws as part of the continuing education requirements developed by the director.

Evaluation is defined as an opinion of the market value of real property or real estate

provided to a financial institution in conformance with the interagency appraisal and evaluation guidelines adopted jointly by the federal financial institution's regulatory agencies for use in real estate-related financial transactions that do not require an appraisal.

Appropriation: None.

Fiscal Note: Requested on March 1, 2023.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: The bill contains several effective dates. Please refer to the bill.