

# HOUSE BILL REPORT

## HB 1375

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**As Reported by House Committee On:**  
Commerce & Labor

**Title:** An act relating to real estate appraisers.

**Brief Description:** Establishing a trainee real estate appraiser classification.

**Sponsors:** Representatives Kenney, Condotta, Conway, Crouse, Wood, Fromhold, Priest, Eickmeyer, Rodne and McCoy.

**Brief History:**

**Committee Activity:**

Commerce & Labor: 2/7/05, 2/21/05 [DPS].

**Brief Summary of Substitute Bill**

- Creates a registration program for real estate appraiser trainees, and provides for supervision of new entrants in the appraiser profession.

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### HOUSE COMMITTEE ON COMMERCE & LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Conway, Chair; Wood, Vice Chair; Condotta, Ranking Minority Member; Sump, Assistant Ranking Minority Member; Crouse, Hudgins and McCoy.

**Staff:** Rebekah Ward (786-7106).

**Background:**

Real Estate appraisers evaluate the value of real property. The Department of Licensing (Department), in accordance with the Washington Certified Real Estate Appraiser Act, certifies and licenses real estate appraisers. The Washington Certified Real Estate Appraiser Act prohibits a person from using the terms "certified appraisal" or "state certified real estate appraiser" unless he or she is certified by the state.

The law authorizes three types of credentials issued to real estate appraisers: (1) state licensed real estate appraiser; (2) state certified residential real estate appraiser; and (3) state certified general real estate appraiser. The minimum credential is the state licensed real estate appraiser. The mid-level credential is the state certified residential real estate appraiser. The highest level credential is the certified general real estate appraiser. Each level of credentialing authorizes appraisal work at a different level of property value. In Washington,

there are 412 active state licensed real estate appraiser licenses, 1,237 active state certified residential real estate appraisers, and 872 active certified general real estate appraisers.

To receive credentials, a candidate for a licensed real estate appraiser must have completed 90 hours of education and 2,000 hours of experience within two years. Licensed real estate appraisers may appraise real property consisting of up to four single-family residences; non-complex properties valued at up to \$1 million; complex (atypical) properties valued at up to \$250,000; and non-residential properties valued up to \$250,000.

The mid-level credential is the state certified residential real estate appraiser. Candidates for this certification must have completed 120 hours of education and 2,500 hours of experience within two years. Certified residential real estate appraisers may appraise real property consisting of up to four single-family residences (without limitation on value), and non-residential properties valued up to \$250,000.

The highest level credential is the certified general real estate appraiser. Candidates for this certification must have completed 180 hours of education and 3,000 hours of experience within 30 months (1,500 hours must be in non-residential property). Certified general real estate appraisers may appraise any real property without limitation on value.

Persons working to obtain experience toward their credentials do not need to have met any specified educational requirements or be registered with the Department during the training period.

The Real Estate Appraiser Commission is a 6 member commission appointed by the Governor to advise the Director regarding the rules and regulations governing the activities of real estate licensees. The Director of the Department of Licensing serves as the chair of the Commission. The Director of Licensing (Director) considers recommendations from the Commission on various issues including the experience, education, and examination requirements for appraiser certification or licensing.

All fees and penalties collected by the Department related to the real estate appraiser program are deposited in the Real Estate Appraiser Commission Account (Account). The interest earned on the Account is credited to the State General Fund.

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### **Summary of Substitute Bill:**

The licensure and certification requirements for state-licensed real estate appraisers, state-certified residential real estate appraisers, and state-certified general appraisers are amended to add a new category for state registered appraiser trainees. Generally, the same procedures apply to trainees that apply to certified or licensed appraisers. The new appraiser trainee program will take effect April 1, 2006.

### Trainee Registration

Applications for registration or renewal as an appraiser trainee, and applicable fees are made to the Department who will issue a registration number to be used on appraisal documents. The Director may approve registration of state registered appraiser trainees, and must keep a roster of names and addresses of those persons currently registered.

Licensed or certified appraisers may employ trainees.

Registration of trainees is for a two-year period with two consecutive renewals which must be made within seven years of the original registration date. This time period may be extended if the period is interrupted by military service.

#### Trainee Supervision

A trainee must work under the immediate and personal supervision of a licensed or certified appraiser. The trainee is limited in the scope of appraisals by the license of the supervising appraiser. Supervising appraisers must sign a trainee's appraisal, and trainees must sign appraisals using the title "state registered appraiser trainee." The supervisor and the trainee are both responsible for the contents of the trainees report.

With recommendations from the Real Estate Appraiser Commission, the Department may establish educational requirements for trainees and set limits on the maximum number of trainees working for a supervisor, but trainees may work for more than one supervising appraiser.

#### Unprofessional Conduct

The Director is authorized to take disciplinary action against appraiser trainees for unprofessional conduct, including suspension of registration or refusal to reissue registration. Additionally, the Director may take investigative actions upon initial application for registration or upon applications for renewal of registration. Appraiser trainees may also be guilty of a misdemeanor for acting without a current valid registration.

#### Real Estate Commission Membership

Commission membership is modified to permit, but not require, a member to be a licensed real estate appraiser.

#### Real Estate Commission Appraiser Account

The Real Estate Appraiser Commission Account is authorized to retain its investment earnings, rather than have the earnings revert to the General Fund.

#### **Substitute Bill Compared to Original Bill:**

The original bill created a registration program for real estate appraiser trainees, and provided for supervision of new entrants in the appraiser profession. The substitute bill changes the effective date for registration delays in the Act to make it consistent with other sections regarding registration delays, and makes the effective date of the dedicated fund consistent with the interest earning provision.

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**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date of Substitute Bill:** The bill contains an emergency clause and takes effect July 1, 2005, except for: sections 3, 5, 6, 8, 10 through 12, 14 through 18, and 21 implementing the appraiser trainee program, which take effect April 1, 2006; and sections 19 and 23, amending requirements for the Real Estate Appraiser Commission membership and retaining interest earned by the Real Estate Appraiser Commission Account, which take effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** This bill protects consumers and instills confidence in the work products produced by the appraiser trainees. This is a vibrant and strong industry, and this bill builds on that. There is currently no formal criteria in the state for training. At the national level, 1/3 of the states have a formal appraiser program, 1/3 have some sort of ad hoc program or process, and the other 1/3 have nothing.

In 1999, upgraded criteria were recommended to be effective until 2008. This bill is a logical step to protect the public, and the trainees in the industry. The trainee reports will likely not be utilized if there is no recognition of their credibility by the state with a certified program. This will cause work to be turned down by banks. The fees and expenditures all remain the same from last year.

**Testimony Against:** None.

**Persons Testifying:** Bob Mitchell, Washington Association of Realtors; David Santhuff, Department of Licensing Real Estate Appraiser Program; Sheridan Shaffer, Independent Fee Appraisers and Appraisers Coalition of Washington; and Jim Irish, and TK Bentler, Appraiser Coalition of Washington.

**Persons Signed In To Testify But Not Testifying:** None.