



Appraiser Certification Program

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TO: Wayne Miller, Chair  
Appraiser Qualifications Board

FROM: Sherry Bren, Executive Director *DL*  
Appraiser Certification Program

RE: Concept Paper – Alternative Track to Experience  
Public Hearing Testimony

DATE: October 7, 2015

Please find attached the testimony that I plan to present at the Appraiser Qualifications Board Public Hearing October 16, 2015.

Please let me know if you have any questions.

Good morning Honorable Chair and Members of the Appraiser Qualifications Board.

My name is Sherry Bren. I am the Executive Director of the South Dakota Department of Labor and Regulation, Appraiser Certification Program. In 1997 and 2013, I served as President of the Association of Appraiser Regulatory Officials or AARO. Currently, I am the Chair of AARO's Appraiser Qualifications Advisory Council.

My comments today are presented on behalf of the Department and the South Dakota Supervisory Incentive Taskforce which was established in 2014 based on evidence provided by the banking industry that there is a shortage of appraisers to serve the rural communities of South Dakota. The mission of the Taskforce is to explore possibilities and ideas for various incentives that could be implemented to encourage certified appraisers to become supervisory appraisers. The Taskforce quickly expanded its scope of work to seek practical ways for entry level appraisers to gain experience in other than the traditional supervisory appraiser/trainee scenario.

To help you understand South Dakota a little better, here are some facts:

- South Dakota has a little over 77,000 square miles, covering 66 counties, with a population of almost 845,000,
- This equates to approximately 10 people per square mile and 1 appraiser per 220 square miles, and
- 65% of South Dakota's appraisers are 51 years of age or older.

As you can see South Dakota is vastly different than, say California and the one size fits all approach of the Real Property Criteria is not practical.

I believe that we all agree the traditional path to attain appraisal experience is not currently working, and there will be fewer and fewer appraisers entering the profession. There is definitely a need for alternative options for gaining experience. South Dakota supports the acceptance of parallel profession experience, experience through practicum courses, and reducing the period of time required before upgrading to a higher classification. I also believe that many of the outside of the box options have true merit.

There are unnecessary barriers within the Criteria today that should be eliminated. For example,

- Eliminate the three year requirement for all certified appraisers to become supervisors. This may be fine for newly certified appraisers, but it does not make sense for a reciprocal appraiser with three or more years of experience to have to hold a certification, in a specific state, for three years where he or she will be supervising.
- Allow entry-level appraisers to gain experience under the supervision of an exempt appraiser, such as, an assessor or state or federal agency staff appraisers, without imposing the supervisory requirements which would be rejected by most exempt employers.
- Allow states to decide to issue an entry-level appraiser credential prior to or after the required training course is completed. For states like South Dakota, providing a

classroom state-specific training course is more valuable, than allowing a generic online training course. Each state would need the flexibility to issue the credential prior to completion of the training course, so that the appraiser may begin the basic training, as the course may not be offered but quarterly in the smaller populated states.

On the state level, South Dakota's Taskforce identified the following areas that could be addressed within the confines of the Criteria. The Taskforce recognizes that these changes will have little impact and certainly will not address the problem sufficiently, but at least will show the industry and users of appraisal services, that although limited in its ability to make significant changes, the Department agrees there is a problem and it will do what it can to make changes.

- The Department and the industry will actively promote non-client experience.
- The Department will promulgate rules to allow entry-level appraisers to submit work product midway through the experience requirement for compliance review so that problems may be identified and corrected before the end of the training period.
- The Department will refrain from taking any disciplinary action against the supervisor or the entry-level appraiser as a result of the midway review.

In addition, the industry leaders involved in the Taskforce will, through their professional appraisers organization, develop a model contract that may be utilized by supervisors to help minimize the risk of training their competition. This issue is apparent because the Taskforce was informed by a legal advisor that the typical non-compete agreement is ineffective and unenforceable in most legal actions.

At the 2015 AARO Spring Conference and again at the 2015 Mid-West Appraisers Association Summer Conference, on behalf of the Taskforce, I promoted the practicum course as a means to achieve the 50% non-client, nontraditional experience hours for entry-level appraisers. I truly believe that a certified appraiser would regard an entry-level appraiser that has USPAP compliant experience as an asset in his or her practice, instead of a liability.

The option has been allowed by the Criteria since 1999, however, the AQB has not been presented with any practicum courses to be reviewed for approval. I believe the problem is that educational providers do not know how to develop and deliver such a course, or it is cost prohibitive. I submit that The Appraisal Foundation certainly has the experience and expertise to develop a practicum course, and that funding from the Appraisal Subcommittee would meet the expectations of the authority vested in them through Title XI.

I spoke with a gentleman the other day. He wants to start a second career as an appraiser. He is highly motivated, highly educated and states that he will not give up, even though at every turn he finds that not one eligible certified appraiser will agree to supervise him. I am going to share some of his ideas with you.

Here is what he has to say:

Rather than the current system of unaffiliated certified appraisers choosing to take someone on as a trainee, I have a model that may be more useful and equitable for all. After students take the required courses of study for the license, candidates would then enter a student appraisal program provided by the education facility much like the student teaching program educators use to fully certify teachers. Appraisers from the state would be contracted and compensated through the educational organization, and candidates would pay the school for the internship, just as if he or she were in an internship program.

For example, a student would sign up to attend the education via online. The courses of study would consist of the initial three courses, and then a practicum course offered through the educational provider. After the student has successfully completed the first three courses, the educational provider would pair students and appraisers. Students would get the benefit of a guaranteed supervisor (though there would be a rigorous candidacy and possibly competition to be chosen as a trainee depending on the number of trainees to supervisor ratio) and the supervisor would get the benefit of normal compensation (that is being paid as an instructor through the school). The school would also get the benefit of charging a nominal fee of coordinating both parties. The student, who is happy to pay for this coordination and compensation to the appraiser wins as well because his or her hard work, effort, and desire to enter the field is not only possible, but eventual.

He surely has introduced a viable possibility. It is interesting that an individual that is a true novice in the appraiser regulatory system seems to hit the mark with regard to delivery of a practicum course.

I believe that we all want the same thing. Foremost, we want to ensure that appraisals are performed by appraisers that have demonstrated competency, as well as, ensure public trust, maintain an adequate number of appraisers to serve all communities, and meet the needs of the users of appraisal services. To do this, the AQB must adopt practical alternative experience options that can be administered efficiently by the state regulatory agencies.

I commend the AQB for recognizing that we have a serious shortage of appraisers and for developing the concept paper and holding this public hearing to solicit thoughtful ideas in order to develop alternative experience options to ensure that the appraiser industry as a whole will continue to thrive and grow. Thank you for your attention.