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**Business & Financial Services Committee**

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**HB 1740**

**Brief Description:** Concerning fingerprint-based background checks for state-registered appraiser trainee applicants and existing credential holders.

**Sponsors:** Representatives Kirby, Ryu and Moscoso; by request of Department of Licensing.

**Brief Summary of Bill**

- Modifies reciprocity provisions for persons who provide real estate appraisal services.
- Requires background checks for some applicants for who provide real estate appraisal services credentials.
- Allows background checks for real estate appraisal services credential holders.

**Hearing Date:** 2/13/13

**Staff:** Jon Hedegard (786-7127).

**Background:**

Real Estate appraisers evaluate the value of real property. The Department of Licensing (Department) oversees persons who provide appraisal services under the Certified Real Estate Appraiser Act (CREAA). The CREAA 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 four types of credentials issued to real estate appraisers: (1) state registered real estate appraiser trainee; (2) state licensed real estate appraiser; (3) state certified residential real estate appraiser; and (4) state certified general real estate appraiser. Each level of credentialing authorizes different appraisal work at a different level of property value.

State Registered Real Estate Appraiser Trainee.

An applicant to become registered as a trainee must have completed specific education requirements. A trainee must work under the immediate and personal supervision of a licensed

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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.

#### Licensed Real Estate Appraiser.

To receive credentials, a candidate for a licensed real estate appraiser must have:

- completed 150 hours of education;
- received 2,000 hours of experience within two years; and
- passed an examination

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.

#### State Certified Residential Real Estate Appraiser.

The next level credential is the state certified residential real estate appraiser. Candidates for this certification must have:

- completed 200 hours of education
- received 2,500 hours of experience within two years; and
- passed an examination.

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.

#### Certified General Real Estate Appraiser.

The highest level credential is the certified general real estate appraiser. Candidates for this certification must have:

- completed 300 hours of education;
- received 3,000 hours of experience within 30 months, 1,500 hours of the experience must be in non-residential property; and
- passed an examination.

Certified general real estate appraisers may appraise any real property without limitation on value.

#### Reciprocity.

An applicant for certification or licensure who is currently certified or licensed and in good standing in another state may obtain a certificate or license as a Washington state-certified or state-licensed real estate appraiser without being required to satisfy the examination requirements if the Director determines that:

- the certification or licensure requirements are substantially similar to those in Washington; and
- that the other state has a written reciprocal agreement to provide similar treatment to holders of Washington state certificates and/or licenses.

#### Federal Law.

The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) was signed into law in 1989. Under Title XI of FIRREA (Title XI), the Appraiser Qualifications Board (AQB), a board of the Appraisal Foundation, establishes the minimum education, experience, and examination requirements for real property appraisers to obtain a state license or certification. The Appraisal Foundation is a non-governmental entity funded from a variety of sources including grants and sponsor fees. Title XI also established the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council. The ASC is required to perform a number of functions including a duty to monitor the requirements established by the AQB. The ASC also monitors the certification and licensing of appraisers by the states. The ASC reviews each state's compliance with the requirements of Title XI and is authorized by Title XI to take action against non-complying States. After a formal hearing, the ASC can issue a non-recognition order that prohibits other states and many other federal instrumentalities from recognizing the licenses or certifications issued by the non-complying state.

In 2010, The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) was signed into law. The Dodd-Frank Act made a number of changes to the FIRREA, including changes to provisions affecting the AQB and the ASC.

Federal law requires a state to provide reciprocity in certifying or licensing an applicant when:

- the other state complies with federal law regarding appraisers; and
- the other state requires standards that meet or exceed the licensing or certification standard in the state where the applicant is seeking to be registered or licensed.

If a state is not in compliance with the reciprocity provisions, persons who are registered or licensed in that state are not allowed to appraise federal related transactions.

Beginning on January 2015, federal standards will include background checks, including submitting fingerprints to the Federal Bureau of Investigation (FBI), for all applicants for a real estate appraiser credential. States are strongly encouraged to also perform background checks on all existing credential holders. A state must not issue a license to an applicant that has had an appraiser license revoked in the preceding five years, has a felony conviction in the last five years, or has a felony conviction at any time for fraud, dishonesty, breach of trust, or money laundering. A state must consider any criminal conviction that goes to honesty or veracity, any action or order by a state, federal, or foreign regulatory agency, and any license encumbrances by a state or state, federal, or foreign regulatory agency.

### **Summary of Bill:**

#### Background Checks

An applicant for registration as a state-registered appraiser trainee must submit to a background investigation. Qualified applicants for licensure or certification from another jurisdiction not requiring trainee registration must submit to a background investigation.

The Director of the DOL (Director), may, by rule, require existing credential holders to submit to background investigations at the time of license renewal.

Beginning on January 1, 2015, a background investigation is a fingerprint-based background check through the Washington State Patrol criminal identification system and through the FBI.

An applicant must pay the current federal and state fees for the fingerprint-based criminal history background checks.

Reciprocity

An applicant for certification or licensure who is currently certified or licensed and in good standing in another state may obtain a certificate or license as a Washington state-certified or state-licensed real estate appraiser without being required to satisfy the examination requirements if the Director determines that:

- the appraiser licensing and certification program of the other state is in compliance with applicable federal standards for appraisers; and
- the other state's requirements for certification or licensing meet or exceed the licensure standards of Washington.

**Appropriation:** None.

**Fiscal Note:** Requested on February 12, 2013.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.