State Board of Certified Real Estate Appraisers June 27, 2024

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BOARD MEMBERS:

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Mark V. Smeltzer Sr., Chairman, Professional Member William T. Stoerrle Jr., Vice Chairman, Professional Member

11 Michael McFarlane, Secretary, Professional Member 12 John D. Ausherman, Professional Member

Chandra Mast, Professional Member

Jonathan B. Schuck, Professional Member - Absent

R. Scott Hartman, Professional Member

Martha H. Brown, Esquire, Secretary of the Commonwealth designee

Paul D. Edger, Esquire, Senior Deputy Attorney General in Charge, Office of Attorney General designee

Paul H. Wentzel Jr., Senior Legislative Director, Department of Banking and Securities designee

BUREAU PERSONNEL:

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Ronald K. Rouse, Esquire, Board Counsel Ray Michalowski, Esquire, Senior Board Prosecutor and Board Prosecution Liaison

Timothy A. Fritsch, Esquire, Board Prosecutor Ashley P. Murphy, Esquire, Board Prosecutor Kristel Hennessy Hemler, Board Administrator

Kaina Fasik, Legal Intern

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ALSO PRESENT:

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Scott DiBiasio, Manager, State and Industry Affairs, Appraisal Institute Emme Reiser, Political Programs Manager, Pennsylvania

Association of Realtors

Charles "JR" Hardester, CPE, Chief Assessor, Lawrence County

Francesca Tracy

Teresa Cochran, Executive Director, Assessors' Association of Pennsylvania

Madison Van Zandt

Emily Cowfer, Sargent's Court Reporting Service, Inc.

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State Board of Certified
Real Estate Appraisers

June 27, 2024

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[Pursuant to Section 708(a)(5) of the Sunshine Act, at 9:00 a.m. the Board entered into Executive Session with Ronald K. Rouse, Esquire, Board Counsel, to have attorney-client consultations and for the purpose of conducting quasi-judicial deliberations. The Board returned to open session at 10:30 a.m.]

[Ronald K. Rouse, Esquire, Board Counsel, informed everyone that the meeting of the State Board of Certified Real Estate Appraisers was being held in a hybrid format, in person and by livestreaming teleconference, pursuant to Act 100 of 2021, which requires boards to use a virtual platform to conduct business when a public meeting is held.

Mr. Rouse noted the meeting was being recorded and voluntary participation constituted consent to being recorded.

Mr. Rouse also noted the Board entered into Executive Session with Board Counsel to have attorney-client consultations and for the purpose of

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   conducting quasi-judicial deliberations.]
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        The regularly scheduled meeting of the State
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   Board of Certified Real Estate Appraisers was held on
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   Thursday, June 27, 2024. Mark V. Smeltzer Sr.,
   Chairman, Professional Member, officially called the
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   meeting to order at 10:30 a.m.
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   Roll Call
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   [Mark V. Smeltzer Sr., Chairman, Professional Member,
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   requested a roll call of Board members. A quorum was
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   present.]
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   Introduction of Attendees
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   [Mark V. Smeltzer Sr., Chairman, Professional Member,
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   also requested an introduction of attendees.]
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   Approval of minutes of the May 23, 2024 meeting
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   CHAIRMAN SMELTZER:
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                  Minutes from the May 23 meeting. Any
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                  discussion on those?
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   MR. HARTMAN:
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                  Motion to approve.
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   MR. AUSHERMAN:
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                  I'll second.
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   MS. HENNESSY HEMLER:
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                  William Stoerrle, accept; Michael
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                  McFarlane, aye; John Ausherman, aye;
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                  Chandra Mast, aye; Scott Hartman, aye;
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                  Martha Brown, abstain; Paul Edger, aye;
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                  Paul Wentzel, aye; Mark Smeltzer, aye.
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   [The motion carried. Martha Brown abstained from
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   voting on the motion.]
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   Report of Prosecutorial Division
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   [Timothy A. Fritsch, Esquire, Board Prosecutor, had
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   nothing to report.]
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   Report of Board Counsel - Miscellaneous
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   [Ronald K. Rouse, Esquire, Board Counsel, addressed
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   the Concept Paper assessing the college degree
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   requirement in the Appraiser Qualifications Board
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    (AQB) Qualification Criteria. He noted the AQB is
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   currently assessing the college degree requirement to
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   determine whether a college degree and/or completing
21
   college courses is essential for certification as a
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   real estate appraiser.
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        Mr. Rouse explained that support for the college
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   degree requirement began in the early 2000s and went
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   into effect in the 2008 edition of the AQB
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- 1 Qualification Criteria. He noted AQB became aware of
- 2 | the increasing prevalence of appraisal fraud,
- 3 unprofessional behavior, and inadequate regulatory
- 4 enforcement in 2001. He also noted complaints about
- 5 the quality of writing of appraisal reports. He
- 6 stated college degree requirements were initially
- 7 | considered by AQB and other stakeholders as one
- 8 | measure AQB could take to combat these issues and
- 9 uphold the public trust.
- Mr. Rouse mentioned that there started to be less
- 11 support for the college degree requirement around
- 12 2015 and that the Concept Paper is intended to
- 13 facilitate a public discussion by posing questions
- 14 concerning whether college requirements are
- 15 necessary. He noted AQB is requesting that written
- 16 comments be sent to
- 17 www.surveymonkey.com/r/AQBComments by July 27, 2024.
- 18 Mr. Rouse noted the first question in the Concept
- 19 | Paper asked whether individuals should be able to
- 20 obtain an appraisal credential with no postsecondary
- 21 education and to explain their opinion.
- 22 Mr. Stoerrle stated, prior to the certification
- 23 going into place, individuals had to have a real
- 24 estate broker's license in order to be an appraiser
- 25 | in the state of Pennsylvania, which meant they had

three years of experience for residential, including listing and selling properties. He stated there could be other avenues that could be considered in place of, such as someone in the brokerage business.

Mr. Hartman commented that his experience is in Pennsylvania and in Maryland, noting Maryland has licensed appraisers, and the Engagement Letter states in bold letters that licensed appraisers are not permitted to prepare the appraisal for most of the lenders.

Mr. Hartman believed the clients do not see the appraiser as fully qualified unless they had some college but not necessarily a degree. He also mentioned, if they would require a degree, that it should be directly related to what they do, but they credit somebody if they have a degree in anything.

Mr. Hartman stated licensed appraisers are very limited in Maryland and he has never seen a licensed appraiser report when reviewing reports for two different lenders.

Chair Smeltzer noted AQB has three classifications of appraiser, including certified general, certified residential, and licensed residential. He explained that a licensed residential appraiser is licensed to appraise

properties that are residential, noncomplex and the transaction amount has to be under \$1 million. He mentioned the Department of Housing and Urban Development (HUD) initiated a program where they would not accept licensed residential appraisers and is why a lot of people turned it down, which they have either reversed or considered reversing.

Chair Smeltzer stated a licensed residential appraiser does not have the college degree requirement and same experience requirement nor the same appraisal course requirements, where it is 150 hours instead of 200 hours for certified residential. He noted Pennsylvania has never had a licensed residential appraiser credential.

Mr. Hartman noted they have something very similar with the broker/appraiser, although no longer create broker appraisals. He mentioned those are the individuals who did not move forward with certification when the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) went into place because they were the individuals who were brokers doing appraisals that had a very short window in which they could declare that they wanted a broker certificate and get one. He also noted lenders will not accept their work.

Chair Smeltzer commented that they have an exam but do not test writing abilities, which is still going to be an issue. He believed there should be a requirement like an additional list of classes but not necessarily a four-year degree. He noted they have a skills-based exam but did not see how it is testing writing skills, which is a huge problem in the industry.

Ms. Mast believed that having a degree in liberal arts, in and of itself, has shown that going through that degree process can produce more objective thinking processes in people that come out of getting those four- year degree programs regardless of the program behind it. She mentioned if there is a business program behind it that it would be more applicable to appraisals. She commented that there is a much better level of discussion and rational thought process with people who have been certified and gone through college and believed having a degree is good for the profession.

Chair Smeltzer stated the appraisal field is becoming more and more technical and referred to the Uniform Standards of Professional Appraiser Practice (USPAP), where they have a requirement to understand and recognize techniques because technology changes.

He noted alternatives would be nice but did not believe it was a good idea to say no postsecondary education.

Mr. Wentzel stated the Department of Banking and Securities have bank examiners, non-depository examiners, and security examiners who are not required to have a college degree but are required to have a series of accounting courses. He mentioned they are great with numbers but have difficulty writing, which has been a problem for years.

Mr. McFarlane echoed some of the comments, particularly surrounding writing and the ability to communicate effectively, particularly for narrative-based reports. He noted the importance of that skillset being present in the appraisal population in being able to substantiate their position and value opinion. He suggested developing a series of courses in lieu of a college degree requirement.

Mr. Stoerrle commented that a lot of providers offer report writing and could definitely help. He mentioned that he is not saying no to a college degree but believed they should require certain courses.

Mr. Michalowski stated prosecution cannot require education but strongly suggests education when they

give warning letters. He noted they suggest 15 hours of USPAP, especially when people had not taken it in a long time. He mentioned the most common one they do now is suggest a course in report writing and provide several examples of places they can find He noted individuals know what they are doing but lack communication and analysis because they are not writing well.

Mr. Rouse noted question two of the Concept Paper asked whether there are specific college-related requirements that the Board believes makes certified residential and certified general credentials too high.

Mr. Smeltzer believed alternatives could be put together that could meet all the skills rather than having college-related requirements but that there definitely needs to be something postsecondary to improve the skills.

Ms. Mast commented that they are now seeing many appraisers without experience who are appraising without the knowledge of buyers and sellers and having that perspective is a little bit dislocating from a perspective standpoint and understanding how they are getting to their perspectives where they are. She mentioned that someone coming in without

experience and then without college would make her a little uncomfortable about where they are getting their support and rationality if they have no real estate experience or college.

Mr. Hartman mentioned that the certified residential is right where it should be because the certified residential allows a degree, but it also provides the five alternatives. He noted the five alternatives are fairly specific as far as what courses they can use or cannot use. He commented that the problem with certified general is what the degree is in and why bother if the courses do not include critical thinking, critical reading, mathematics, and economics.

Mr. Hartman believed that a certified general appraiser needs to have an alternative list just like the certified residential appraiser. He also suggested the certified general appraiser may need to have 60 credit hours rather than 30 and more training that are mandatory with the certified general appraiser, including a mathematics and statistics class so that they come into the appraisal profession with those skills at hand to properly protect the public and banking system at the same time.

Chair Smeltzer asked whether they can handle that

in appraisal education, where they need to take 300 hours of classes, where close to 200 hours they would spend more time on income approach and other training.

Mr. Hartman believed they could accept that because they see there is a great disparity in the courses that are offered by the different providers, noting some providers are well known as being weaker providers and some that are well known as being stronger providers.

Mr. Hartman mentioned that it could simply just be on their side as the regulatory side in that they would not approve a class if it does not include the requirements, but would be beholden on them to list those topics in advance so the providers know what they have to provide. He noted not having a problem with that but that the regulatory side has to be more specific and demanding because there is still too big of a gap in the education requirements.

Chair Smeltzer agreed and noted helping AQB with some suggestions, but if they were to get rid of the degree requirements or change the requirements going in, he asked whether this could be made up by adding more on the appraiser education side instead of residential, where they require a 60-hour class on

writing instead of 15.

Chair Smeltzer commented that putting that on the appraiser education requirements would expand those beyond where they are right now.

Mr. Rouse noted question three of the Concept
Paper asked whether appraisers should only be
required to learn appraiser-specific education and
leave skills and competency development to be learned
during the attainment of required experience if they
do not believe an appraiser should have college
requirements.

Chair Smeltzer commented that there should be some formal training if they are not getting it at the college level. He mentioned that one of the problems with the experience hours is they learn as much as their trainer, and if their trainer cannot write, they are not going to teach someone to write. He noted they will still get the experience hours, but there is going to be a problem when they get into the field.

Mr. Hartman mentioned that they have appraisers who are certified that were certified at the very beginning of FIRREA when they did not have to have a lot of coursework and the examination was much easier than it is now. He noted those people tend to be

supervisors because they tend to be people with 30 or 40 years of experience who were typically slowing down in their career and have taken on a trainee.

Mr. Hartman mentioned that it even further exaggerates the problem of not being able to teach what you do not know. He noted that they have to raise the bar on the education side and not depend on the trainer to do it because the trainer may not have the skills.

Mr. Hartman commented that the material in the course has to be controlled by either AQB or state boards to make sure the courses are at the high end of quality level.

Mr. Hartman noted that colleges are submitting their course syllabuses and their more detailed weekly instruction goals to the AQB for approval in order to get themselves approved overall, so someone who earned a master's degree at XYZ university is qualified educationally to be a certified general appraiser but just has to develop their 3000 hours of experience.

Mr. Ausherman commented that they need more education, not less. He referred to the latest certified general examination results, noting only about 30% passed in the state of Pennsylvania. He

mentioned that they need to have a long list of courses if they would replace the college degree requirement, including narrative report writing, especially for a commercial appraiser, where most of the work is a narrative format.

Mr. Hartman commented that if they would drop the college degree for certified general appraisers, then maybe they need to raise the classroom hours to give them the space to require a few writing classes and put an extra mathematics class in with a full-blown statistics class and training they would need.

Mr. Hartman explained that they do not really need the electives they take in college in order to be able to properly develop a commercial report but they do need some of those other skills.

Mr. Hartman mentioned that some of the students are not going to an education provider that has enough quality in their education and the students are not learning enough to pass the exam. He noted students are failing exams because they are not receiving the material.]

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23 [A Formal Hearing was held from 11:01 a.m. until 24 12:00 p.m. in the Matter of the Petition for

25 Reinstatement of the Certified Residential Real

1 Estate Appraiser License of Eugene Peter Kenworthy,

2 | Case No. 24-70-006783.]

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4 | [The Board recessed from 12:02 p.m. until 12:09 p.m.

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6 | [Paul H. Wentzel Jr., Senior Legislative Director,

7 Department of Banking and Securities designee, exited

8 | the meeting at 12:06 p.m.]

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10 Report of Board Counsel - Miscellaneous (cont.)

11 [Ronald K. Rouse, Esquire, Board Counsel, noted

12 question four of the Concept Paper says that the

13 licensed residential credential is the only

14 credential with no college-related qualifications,

15 options, or requirements, yet very few lender

16 clients, which are the first types of clients most

17 residential appraisers can gain, will hire a licensed

18 residential appraiser.

19 AQB asked whether the Board believes the lack of

20 a lender's willingness to hire licensed residential

21 appraisers stems from a view of underqualification or

22 something else.

23 Mr. Hartman noted Pennsylvania does not have

24 licensed residential appraisers.

25 Mr. Rouse noted question five asks whether there

is an imbalance in the criteria regarding the college requirement differences between licensed residential and certified residential credentials and what they would recommend to address this and why.

Mr. Hartman again noted Pennsylvania does not have licensed residential appraisers.

Mr. Rouse noted question six asked whether other requirements, such as more exams, appraisal-specific education, etc., need to be adjusted to ensure the criteria protects the public trust if the college requirements were removed. Board members already addressed other requirements.

Mr. Rouse noted question seven of the Concept Paper asked what training and abilities an aspiring appraiser should ideally possess to be credentialed and why.

Chair Smeltzer commented that they have to have an ability to analyze data and communicate.

Ms. Mast stated having a strong foundation in math is critical. She mentioned that writing is important but believed there should be more math education to support statistics.

Chair Smeltzer believed another key component is having strong classes on ethics because they are a profession of trust, along with having math skills,

communication, and analysis.

Mr. Rouse noted question eight of the Concept
Paper asked, from their perspective, what factors
determine an appraiser's readiness for engagement and
to what degree should the gap between minimal
qualifications and practice and competency be left
with the appraiser and regulatory system to manage,
assuming adequate enforcement measures and whether
there are gaps between existing qualifications and
competency expected in the marketplace that need to
be addressed.

Mr. Ausherman commented that one gap is geographical competency, where an appraiser is appraising an area they are not geographically familiar with. He noted they have that duty to become confident in that area but believed appraisers are failing to do that too many times.

Mr. Hartman stated they need to understand from a regulatory perspective where appraisal management companies (AMCs) are trying to pull appraisers from to send them in the markets. He believed they need to draw a line at some point, where it does not make logical sense to pull an appraiser from two states away and try to tell them they are geographically competent.

Mr. Hartman commented that people are given assignments, especially on hybrids, that are several states away and have no idea what they are doing in the market that they are talking about. He mentioned being hopeful that the AMC is following the rules, noting the truth of the matter is they are not.

Chair Smeltzer noted it being difficult to answer the question because they are not a user of appraisal services. He commented that what it seems to appraisers is what determines readiness for engagement is if they accept the fee and the turnaround time, which seems to be the big factor and should not be.

Chair Smeltzer noted qualification is a minimum bar and competency makes someone ready to take on the assignment, but appraisers self-judge whether they are competent or not. He stated property type is probably the next major one, where people are not competent. He noted that just because someone is a certified general appraiser does not mean they are competent to appraise any property and even certified residential does not mean they should be appraising any residence anywhere for any use.

Mr. McFarlane commented that the series of questions are issues that the Board has dealt with

over the years. He mentioned he did not have any direct answers but wanted to note they are tough questions, that they have put some time and effort into circumstantially when cases have presented themselves before, and conceptually about how the Board under the guidance of the federal system is to operate and consider the issues.

Chair Smeltzer addressed the competency issue and explained that The Appraisal Foundation sets the minimum requirements to become an appraiser but does not set the minimum requirements to be competent and what is required for competency in different types of appraisals.

Chair Smeltzer mentioned they talked quite a bit about the need to support adjustments, whether they are being supported and to what extent do they need to be supported is not established by anyone because there is no minimum.

Mr. Rouse reminded everyone that the AQB is requesting written comments by July 27, 2024, at www.surveymonkey.com/r/AQB Comments.]

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Regulations/Statute - Regulatory Report

[Ronald K. Rouse, Esquire, Board Counsel, provided a copy of the Regulatory Report for the Board's

1 review.]

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3 Regulations/Statute - Regulation 16A-7029

4 [Ronald K. Rouse, Esquire, Board Counsel, referred to

5 Regulation 16A-7029 regarding distance education and

6 PAREA. He noted the proposed rulemaking was

7 delivered to leadership in the Pennsylvania General

8 Assembly, as well as to the Independent Regulatory

9 Review Commission on June 3, 2024. He informed Board

10 members that it will be published this Saturday, on

11 June 29, 2024, in the Pennsylvania Bulletin for a 30-

12 day public comment period. He also noted the website

13 is www.pacodeandbulletin.gov.

14 Mr. Rouse stated the Independent Regulatory

15 Review Commission comments are due by August 28,

16 2024. He mentioned that a copy of the proposed

17 | rulemaking is currently on the Independent Regulatory

18 Review Commission's website at www.irrc.state.pa.us.

19 He explained that there will be final rulemaking

20 after they address any comments. He informed Board

21 members that they are currently in the proposed

22 rulemaking stage and looking at whether the

23 legislature, public, or IRRC has any comments. He

24 noted that after the Board votes on a final

25 rulemaking package that it again gets sent back to

IRRC and the legislature for a meeting with IRRC to determine whether or not the regulation is in the public interest.

Ms. Brown commented that the Board is very fortunate to have Mr. Rouse as their Board Counsel because of how quickly he moves regulations.]

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8 Regulations/Statute - Regulation 16A-7031

9 [Ronald K. Rouse, Esquire, Board Counsel, addressed

10 Regulation 16A-7031 regarding federally mandated

11 revisions. He mentioned at the last Board meeting

12 that the final rulemaking was going to be published

13 June 8, noting it was published in the Pennsylvania

14 Bulletin which means everything that was in that

15 regulation is officially part of their regulations.

Mr. Rouse reminded Board members that is the regulation includes the requirement of valuation bias and fair housing laws and regulations, as well as the amendments to the ownership limitations for AMCs and the corrected name for the USPAP continuing education course.

Chair Smeltzer commented that it took a while for those to get through and is a federally mandated revision.]

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1 | Regulations/Statute - Regulation 16A-7025

2 [Ronald K. Rouse, Esquire, Board Counsel, referred to

3 Regulation 16A-7025 regarding fees. He referred to

4 | the annex and § 36.6 of the regulations, noting

5 everything the Board is proposing to delete. He

6 mentioned looking at amending the fee regulation

7 regarding the initial application fees, initial

8 | certification, and other miscellaneous applications.

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Mr. Rouse referred to the current fees in their regulations, noting they added three lines for the effective dates of the graduated biennial renewal increases based on discussion with BFP, where the Board adopted the increases for a 23% increase within that FY26-28 period. He also noted the graduated increase of 8% effective July 1, 2027 and graduated increase of 10% effective July 1, 2029.

Mr. Rouse stated increases for applications are based on the cost of producing and reviewing the application and include the initial applications for certified real estate appraisers by exam, certified real estate appraisers by reciprocity, certified Pennsylvania evaluators, and licensed appraiser trainees.

Mr. Rouse mentioned there were no changes for

certification of certified real estate appraisers or certification for evaluators. He noted certification of scores stays the same and verification of certification or registration stays the same. He stated temporary practice registration would increase on reviewing those applications from \$30 to \$59 to \$62 to \$65 and applications for continuing education provider approval would increase from \$85 to \$88 to \$92 to \$96.

Mr. Hartman mentioned hearing from a number of appraisers that they were too easy on reciprocals and should have raised the application fee for licensure by reciprocity to a fee more related to what the primary appraisers in Pennsylvania pay. The argument is that people who are 5 miles away from the border and working in Pennsylvania as much as the other side should not be paying a way different fee.

Chair Smeltzer stated the reason for the difference is the cost to review an initial application because it takes a lot of time and effort, where reciprocity requires showing proof.

Ms. Hennessy Hemler explained that it is based on how long it takes to review an application, noting the initial application takes a lot of time and staff hours to review the initial application to get their

first initial certification with them.

Ms. Hennessy Hemler further explained that somebody applying for a reciprocal license is listed on the Appraisal Subcommittee (ASC) website, where somebody has already done that work and just require a criminal history background check. She noted staff hours involved in that processing are minimal compared to an initial application, which is how finance people justify the rates and the fees.

Chair Smeltzer commented that the cost to become certified and to renew certification is not just the cost to get them certified and includes all of the other costs that are associated with this, which is something they raised for everyone because costs are going up and their number of people is going down.

Mr. Rouse noted it is basically the cost to review the application, and anything else concerning raising fees is basically going to be with renewal fees.

Mr. Michalowski explained that initial applications are required by a law to be at cost and renewals are to fund the Board.

Mr. Rouse stated they are adding (b), where in terms of the increase, it is the 23%, 8%, and 10% based on a 5% decrease biennially of the licensee

population. He noted the annex is showing all of the numbers that BFP had presented to the Board, for which the Board stated they wanted to pursue a fee increase. He again noted the biennial renewal periods for the increase are July 1, 2025 through June 3, 2027; July 1, 2027 through June 3, 2029; and

July 1, 2029 through June 30, 2031.

Mr. Rouse noted not being sure whether they could get this in by July 2025 and asked the Board whether they wanted to release the annex as an exposure draft so that the regulated community would have an opportunity to get a copy and make written comments for the Board's review.

Chair Smeltzer asked whether it is mentioned for certified residential and general appraisers that the fee does not include the ASC fee. He asked whether they should include that it is not the fee they would be sending in, noting they have to send that fee in along with ASC's \$80 fee. He noted they may be adding licensed appraisers to their list and would add another fee to them.

Ms. Brown explained that it would be mentioned in the preamble that accompanies the regulation.

Mr. Ausherman asked why the AMC fee is staying the same.

28 1 Chair Smeltzer explained that it is the initial 2 fee based on cost. 3 Ms. Hennessy Hemler stated it is a matter of how 4 much staff time is used to process it, and the fee 5 was felt to be more than adequate. She explained 6 that processing an initial AMC application is 7 significantly less than processing an initial residential appraiser and general appraiser application.] 10 MR. ROUSE: Would the Board entertain a motion to 11 direct Board Counsel to release this 12 13 annex as an exposure draft to the 14 stakeholders? 15 CHAIR SMELTER: 16 I would entertain such a motion. 17 MR. STOERRLE: 18 I make a motion. MS. BROWN: 19 20 I second that motion. 21 MS. HENNESSY HEMLER: 22 William Stoerrle, yes; Michael 23 McFarlane, aye; John Ausherman, aye; 24 Chandra Mast, aye; Scott Hartman, aye; 25 Martha Brown, aye; Paul Edger, aye;

Mark Smeltzer, aye.

2 [The motion carried unanimously.]

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4 Regulations/Statute - House Bill 2220 of 2024

5 [Ronald K. Rouse, Esquire, Board Counsel, noted

6 House Bill 2220 of 2024 was passed in the House of

7 Representatives 202 to 0 on May 22, 2024. He also

8 | noted the bill was referred to the Senate Consumer

9 | Protection and Professional Licensure Committee on

10 May 29, 2024.

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Mr. Rouse reminded Board members that the bill states that appraiser trainees shall operate under the direct supervision of one certified residential appraiser or certified general appraiser per assignment for the purpose of completing the experience requirement for an appraiser credential and also that supervisory appraisers shall be in good standing, have at least three years of experience as a certified residential appraiser or certified

20 general appraiser, and shall not supervise more than

21 three appraiser trainings.

Mr. Hartman asked whether the department's liaison is asking the Senate to move the bill.

Mr. Rouse noted he would have to check but believed it was reviewed legislatively from their

1 | Department of State.]

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3 Regulations/Statute - Senate Bill 1196 of 2024

4 [Ronald K. Rouse, Esquire, Board Counsel, informed

5 | Board members that Senate Bill 1196 of 2024 was

6 introduced and referred to the Senate Consumer

7 | Protection and Professional Licensure Committee on

8 | May 17, 2024, to amend the Real Estate Appraisers

9 | Certification Act (REACA) to provide for the

10 qualifications and licensure of home inspectors, as

11 | well as the registration of home inspectors in

12 training.

Mr. Rouse stated the bill would amend Section 2
of the Real Estate Appraisers Certification Act

15 related to definitions by adding certain terms like

16 client, home inspection, home inspection report, home

17 inspector, home inspector in training, and material

18 defect.

Mr. Rouse noted Section 4(a) of REACA would be

20 amended to increase the number of Board members from

21 | 13 to 17, where members of the Board would include

22 the Secretary of the Commonwealth or designee,

23 Attorney General or designee, Secretary of Banking or

24 designee, and instead of 10 members who are citizens

25 of the United States and residents of the

Commonwealth for at least 2 years prior to

appointment, there would be 14 members to include 8

members who are state-certified real estate

appraisers instead of the current 6.

Mr. Rouse also noted the Board would add two members who are licensed home inspectors, and there would still be two certified Pennsylvania evaluators and two public positions.

Mr. Rouse explained that Section 5 regarding powers of the Board would be amended to empower the Board to pass upon the qualifications and fitness for licensure of home inspectors and registration of home inspectors in training, and to adopt and revise rules and regulations concerning them as well.

Mr. Rouse noted the Board would also be empowered to examine or deny, approve, issue, revoke, suspend, or renew registrations of home inspectors in training and licenses of home inspectors. He also noted the Board would be empowered to establish fees for the issuance of those licenses and registrations and the renewal of those licenses and registrations.

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[Chandra Mast, Professional Member, exited the meeting at 12:50 p.m.]

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Mr. Rouse addressed Section 6.1 relating to 1 2 application and qualifications of home inspectors and 3 home inspectors in training. He noted qualifications 4 for home inspectors includes having good character; 5 not be addicted to the habitual use of alcohol, 6 narcotics, or other drugs; no criminal history that 7 would impede the applicant's eligibility; must be at 8 least 18 years old; have a high school diploma or its 9 equivalent or equivalent life or occupational 10 experience; must have at least 80 hours of Board-11 approved instruction; must be registered as a home 12 inspector in training and completed at least 50 13 monitored home inspections supervised by a Commonwealth licensed home inspector; and they must 14 15 pass a Board-approved, psychometrically valid 16 licensing exam and pay the application fee. Ms. Rouse stated it also provides for the 17 18 issuance of licenses to persons who are currently 19 practicing, where the Board shall issue a license as 20 a home inspector to an applicant who applies within 21 two years of the effective date of this subsection 22 and complies with all of the following: They must be 23 an active home inspector, must meet the 24 qualifications described in (a)(2), (a)(3), (a)(6), 25 (a) (7), and (a) (8), except for the training and

examination requirements.

Mr. Rouse noted they must submit proof satisfactory to the Board that the applicant has been in active, continuous practice for at least five years immediately preceding the effective date of the section or performed or participated in 120 inspections and passed a recognized or an accredited examination testing knowledge of the proper procedures for conducting a home inspection.

Mr. Rouse explained that an individual cannot practice a home inspection or hold themselves out as a home inspector without a license issued by the Board unless the person is a licensed professional engineer, a licensed architect, or a home inspector in training practicing under the direct supervision of a licensed home inspector.

[Paul D. Edger, Esquire, Senior Deputy Attorney General in Charge, Office of Attorney General designee, exited the meeting at 12:52 p.m.]

* *

Mr. Rouse noted that only a home inspector licensed by the Board can use the term licensed home inspector (LHI) or hold themselves out as a home inspector.

Mr. Rouse mentioned there is also a provision for licensure without examination for persons who are licensed in another state. He noted the Board may issue a home inspector license without examination to an applicant holding an active home inspector license in another state who submits proof that the applicant is of good moral character, holds an unrestrictive active license from another state whose licensure requirements are substantially equivalent to the requirements for licensure in Pennsylvania, has no criminal history that would impede the applicant's eligibility, and pay the application fee.

Mr. Rouse stated the bill also requires licensed home inspectors to maintain insurance against errors and omissions in the performance of a home inspection and general liability with coverages of not less than \$250,000 per occurrence and \$500,000 in the aggregate and with deductibles of not more than \$15,000.

Mr. Rouse addressed the registration of home inspectors in training. He noted the Board shall issue a home inspector in training registration without examination and upon payment of the application fee to any person meeting the home inspector in training educational requirements set by the Board. The home inspector in training registrant

shall keep a record of mentored home inspections completed, which shall include the date and time of inspection; address of the residence inspected; and the name, license number, signature, and business name of the supervising inspector.

Mr. Rouse addressed Section 6.2 of the Real Estate Appraiser Certification Act related to conduct of home inspections. He stated home inspections must be conducted with a degree of care that a reasonably prudent home inspector would exercise, and immediate threats to health or safety of a home that is occupied must be disclosed to the property owner and occupants of the property at the conclusion of a home inspection.

Mr. Rouse stated posting of a notice on a form prescribed by the Board by regulation on the front door of the occupied home in a position that ensures the occupants can see the notice shall constitute proper disclosure.

Mr. Rouse noted Section 7 related to licensure by reciprocity would be amended to state that the Board may grant a reciprocal license to an applicant who is licensed as a home inspector in another state and has demonstrated qualifications which equal or exceed those required by the Real Estate Appraiser

1 Certification Act.

Mr. Rouse noted Section 10 related to certification, renewal licensure, and renewal records would state that the Board may prescribe limitations on the number of times a registered home inspector in training may renew a registration.

Mr. Rouse noted the continuing educational requirements for home inspectors would be 32 hours of continuing education courses and home inspections during the biennial renewal period and three other total required hours must focus on the difference between 42 US Code Chapter 70 related to manufactured home construction and safety standards and the Act of May 11 of 1972, which is the Industrialized Housing Act, and the installation of manufactured and modular homes.

Mr. Rouse noted Section 11 relating to disciplinary and corrective measures would include licensed home inspectors and registered home inspectors in training as subject to disciplinary and corrective actions of the Board.

Mr. Rouse noted Section 12 related to reinstatement of registration and certificate or license would include licensed home inspectors and registered home inspectors in training concerning

1 reinstatement of a license or registration that has 2 been revoked.

Mr. Rouse noted Section 13 would be amended to state that any home inspector licensed in the Commonwealth who is also certified for a license to perform home inspections in another state, territory, or country must report this information on their biennial renewal application.

Mr. Rouse noted Section 15 related to penalties would be amended to include licensed home inspectors and registered home inspectors in training as subject to civil penalty of up to \$10,000 for violating any provision under the Real Estate Appraisers

Certification Act or for any unlicensed individual who holds themselves out as a home inspector in Pennsylvania.

Mr. Rouse noted Section 17.1 would be amended to describe the acts that would be deemed unfair or deceptive acts as defined in the Unfair Trade Practices and Consumer Protection Law.

Mr. Rouse noted Section 17.2 would be added to describe the provisions that must be included in a home inspection contract, as well as provisions that are prohibited from inclusion in a home inspection contract.

Mr. Rouse noted Section 17.3 would be added to describe the required contents of a home inspection report.

Mr. Hartman commented that the Board previously took a really strong position against the home inspectors being included in their Board, and the Appraisal Institute defended the Board by stating it should go to the Architects Board. He mentioned, if the Board is still in the same agreement it was a few years ago, it should take that same strong position and let the Appraisal Institute take care of it.

Chair Smeltzer agreed with that position and stated they are not home inspectors. He mentioned seeing topics in the regulation that he wished appraisers could use, including limiting liability to the client, where no one else can come after them.

Mr. Michalowski stated a critical point to determining where a license class belongs is to note in there that if they are a licensed engineer or architect, they are exempt from this act, which means that it is a subdivision of those disciplines. He noted licensed or registered appraisers or assessors are not exempted and would require a separate license to do that.

Mr. Michalowski commented that the beacon as to

where this belongs is if that is exempted because they have a greater knowledge than this level of licensure, and those are the people who should be overseeing that. He mentioned being the senior prosecutor for landscape architects, architects, and engineering. He believed it belonged with the engineers but mentioned speaking with lobbyists who presented it last time, and his information was that they had a strong enough lobby to avoid that.

Chair Smeltzer believed they needed to take that position.

Mr. Hartman referred to his prior experience and believed that the relationship AI has with the Senate could stop this in its tracks if the Board takes a public position that they do not think they could adequately supervise. He noted the Board stated they did not have the expertise to do this last time and needed to look to a Board that has the expertise.

Mr. Michalowski mentioned that the architects have a smaller board, and engineering has a larger, more vibrant board but not as large as their Board. He noted the original law used to only exempt engineers, not architects.

Mr. Rouse remembered the discussion a few years

ago and the fact other boards had the expertise. He
mentioned this discussion was just to know what was
in the bill and to have the Board's voice heard. He
mentioned the Board's function is adjudicatory and
the Board does not have a legislative function but
that he brings legislation issues to the Board for a
discussion.

Mr. Hartman stated the bill is stuck in the Senate and has no chance of moving the whole way through this session. He noted it would have to start over again in January because the legislature is going to do the budget and go home for the summer. He noted they may come back in September for a few days and then come back in November after the election for a few days to clean up whatever is necessary.

Mr. Hartman suggested informing Mr. DiBiasio of the Board's strong concern, so AI could keep it from moving this session and until it gets put somewhere where everybody can agree.

Mr. Rouse commented that the Board should not try to get involved in the legislative part and just present what is out there to the public and the Board's discussion on this matter. He mentioned the Board feels the same way about the issue as they did

in 2019.

Chair Smeltzer mentioned that, according to the bill, home inspectors can get license approval from life experience, and they are not a Board that would recognize what life experiences would constitute as far as what is necessary to be a home inspector. He noted they are not the people who are supposed to approve an exam because they have no idea what they should have examined. He noted the Board does not have a background in education departments for training.

Chair Smeltzer stated appraisers' education requirements and experience comes from AQB, and the Board enforces that. He mentioned of the 17 people on their Board that only 2 have any background in this, where the engineers and architects all have the necessary background.

Mr. Michalowski commented that their enforcement costs would skyrocket.]

20 ***

21 Matters for Discussion

22 | [Mark V. Smeltzer Sr., Chairman, Professional Member,

23 | noted the Association of Appraiser Regulatory

24 Officials (AARO) Conference October 28-30, 2024, in

25 Boston, MA.]

42 1 MR. HARTMAN: 2 I'll make a motion that Mr. Stoerrle, 3 Mr. Smeltzer, and Mr. McFarlane be our 4 primary representatives at AARO in 5 Boston, October 28-30. MR. ROUSE: 6 7 Are you entertaining a motion to send Mike McFarlane, Bill Stoerrle, and Mark 9 Smeltzer to the AARO Conference, October 28-30 in Boston? 10 11 MR. HARTMAN: 12 I so move. 13 MR. AUSHERMAN: 14 I second. 15 MS. HENNESSY HEMLER: William Stoerrle, yes; Michael 16 17 McFarlane, aye; John Ausherman, aye; 18 Scott Hartman, aye; Martha Brown, aye; 19 Mark Smeltzer, aye. 20 [The motion carried unanimously.] * * * 21 MR. MCFARLANE: 22 23 I'd like to make a secondary motion 24 separate from the motion we just voted 25 on, whereby we identified three

alternates to attend the AARO

2 | Conference. Those alternates would be

3 Scott Hartman, Chandra Mast, and

4 Jonathan Schuck.

5 MS. BROWN:

10

11

I second that motion.

7 MS. HENNESSY HEMLER:

8 | William Stoerrle, aye; Michael

9 McFarlane, aye; John Ausherman, aye;

Scott Hartman, aye; Martha Brown, aye;

Mark Smeltzer, aye.

12 [The motion carried unanimously.]

13

14 Report of Board Chairman - No Report

15

16 Report of Board Administrator

17 [Kristel Hennessy Hemler, Board Administrator,

18 provided an update on the AMC National Registry. She

19 | stated the ASC's National Registry renewals are

20 annual, and an email blast went out to all of the

21 AMCs to get their annual renewals in. She reported

22 hearing from everyone except 12 individuals out of

23 | 139. She noted the deadline is the 30th to renew

24 the registry for the AMCs.

25 Ms. Hennessy Hemler noted placing calls to about

1 25 of them on Monday and are still down to 12 who

2 | have not replied.]

3

4 Report of Committees

5 | [John D. Ausherman, Professional Member, noted a

6 committee meeting is scheduled for July 18 at 1 p.m.

7 | with Scott Hartman, Mark Smeltzer, and himself to

8 discuss revising the logs. He would also be

9 presenting a report at the August 1 meeting.]

10

11 Report of Committees - Exploratory Committee

12 | [Michael McFarlane, Professional Member, noted

13 meeting with ASC representatives last week and going

14 through the application package upon its initial

15 | review. He reported small amendments were needed to

16 the application itself and will have those fixed and

17 resubmitted.

18 Mr. McFarlane requested permission to

19 substantiate the need for the PAREA and practicum

20 course, and he is able to receive permission from the

21 Board to be able to include some of the information

22 about their trends in licensure. He noted in order

23 to substantiate their request to institute a PAREA or

24 practicum course, he also wanted to bring to the

25 Board's attention that they are seeking funding for

1 both the practicum and PAREA course, and only one is 2 elective.

Mr. McFarlane noted that, at this point, it seems the choices are the PAREA program as opposed to the practicum course because they would need to show that the practicum course is fully developed and in compliance. He mentioned the time frame is they will submit the revised package and then go to the policy reviewer. He reported the anticipated funding date is sometime in mid-August, assuming the policy reviewer approves the merits of their request.]

MR. MCFARLANE:

I'll make a motion that I'm able to revise the submitted application with the two pieces of information that was brought forth in my discussion today, mainly including trends in our industry from the state that we are seeing regarding decline in licensure as well as choosing the PAREA course as opposed to including both the PAREA and the practicum course.

MS. BROWN:

I will second that motion.

25 MS. HENNESSY HEMLER:

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William Stoerrle, aye; Michael
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2
                  McFarlane, aye; John Ausherman, aye;
 3
                  Scott Hartman, aye; Martha Brown, aye;
 4
                  Mark Smeltzer, aye.
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    [The motion carried unanimously.]
                              * * *
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7
   Miscellaneous
   [Ronald K. Rouse, Esquire, Board Counsel, provided a
   copy of the 2023 Appraisal Subcommittee Annual Report
10
   and directed the Board's attention to page eight of
11
   the report, which identifies 12 states that have a
12
   significant impact on the nation's appraiser
13
   regulatory system because they represent collectively
14
   over 50% of the residential appraisers in the
15
   National Appraiser Registry, noting Pennsylvania is 1
16
   of those 12 states.]
                              * * *
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18
   Public Comment/Discussion
19
   [Hennessy Hemler, Board Administrator, read a comment
20
   from JR Hardester regarding the college degree,
21
   stating that his concern with any requirement of a
22
   college degree for the appraisal profession is
23
   twofold. First is the cost of a college education,
24
   where most people go to college for a specific degree
25
   and not really thinking about going to college to
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become an appraiser. The appraisal profession has been more of a fallback career for those who could not get a job without their degree, and after so long in the career, they just did not like it.

Ms. Hennessy Hemler, secondly, the biggest concern is the direction technology is taking over this profession, especially AI. In-person appraisers are now competing with a computer who does not have a degree or even a license, therefore, discouraging current appraisers in the profession.

By making the ability to get an appraiser license more difficult because of the college education, we would lose members to the AI portion of the profession. I agree with our Board coming up with their own specific education geared towards the appraisal profession and not just generic college classes.

Mr. Stoerrle had a question for a member from the Pennsylvania Association of Realtors (PAR) and referred to the settlement on August 12 for the buyer, broker, etc. He noted it to be his understanding that commission pay to the buyer's agent cannot appear in the Multiple Listing Service (MLS), which then turns the burden to the appraiser to contact the parties to the transaction to see what

monies were paid and who paid them.

Mr. Stoerrle mentioned that it cannot be in the MLS but asked whether the realtor is able to put how those fees were paid back into the MLS. He mentioned that tracking down agents to a sale is difficult and could probably add several days or weeks to receiving that data. He noted not being sure if that can happen because they are not advertising it while the home is on the market and just putting it in after the fact.

Emme Reiser, Political Programs Manager,

Pennsylvania Association of Realtors, could not

answer that but offered to speak with PAR's legal

department and to email a response.

Mr. Stoerrle informed Ms. Reiser that PAR's forms are excellent compared to other states.]

*

[Pursuant to Section 708(a)(5) of the Sunshine Act, at 1:30 p.m. the Board entered into Executive Session with Ronald K. Rouse, Esquire, Board Counsel, to have attorney-client consultations and for the purpose of conducting quasi-judicial deliberations on the Matter of the Petition for Reinstatement of the Certified Residential Real Estate Appraiser License of Eugene Peter Kenworthy, Case No. 24-70-006783. The Board

49 1 returned to open session at 1:49 p.m.] 2 3 MR. ROUSE: Pursuant to Section 708(a)(5) of the 4 5 Sunshine Act, the Board is coming back from Executive Session with Board 6 7 Counsel, where we had attorney-client consultations and for the purpose of 9 conducting quasi-judicial deliberations 10 on the hearing matter. CHAIRMAN SMELTZER: 11 The Board would entertain a motion. 12 MS. BROWN: 13 14 I make a motion in the Matter of the 15 Petition for Reinstatement of the 16 Certified Residential Real Estate 17 Appraiser Certification of Eugene Peter 18 Kenworthy, Case No. 24-70-006783, to instruct Board Counsel to draft an 19 20 Adjudication and Order based on the 21 discussion held in Executive Session. 22 MR. HARTMAN: 23 Second. 24 MS. HENNESSY HEMLER: 25 William Stoerrle, aye; Michael

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 1
                   McFarlane, aye; John Ausherman, aye;
 2
                   Scott Hartman, aye; Martha Brown, aye;
 3
                   Mark Smeltzer, aye.
 4
    [The motion carried unanimously.]
                               * * *
 5
 6
   Adjournment
 7
   MR. MCFARLANE:
 8
                   I'd like to make a motion to the Board
 9
                   Chair to adjourn today's meeting.
10
   MR. AUSHERMAN:
11
                   I second.
12
13
    [There being no further business, the State Board of
   Certified Real Estate Appraisers Meeting adjourned at
14
15
   1:51 p.m.]
                               * * *
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CERTIFICATE

I hereby certify that the foregoing summary minutes of the State Board of Certified Real Estate Appraisers meeting, was reduced to writing by me or under my supervision, and that the minutes accurately summarize the substance of the State Board of Certified Real Estate Appraisers meeting.

Emily cowfer

Service, Inc.

13 Emily Cowfer,

Minute Cler.

Minute Clerk
Sargent's Court Reporting

		52
1 2 3 4 5 6 7 8		STATE BOARD OF CERTIFIED REAL ESTATE APPRAISERS REFERENCE INDEX
		June 27, 2024
7 8 9	TIME	AGENDA
10 11 11 11 11 11 11 11 11 11 11 11 11 1	9:00 10:30	Executive Session Return to Open Session
	10:30	Official Call to Order
	10:31	Roll Call
	10:31	Introduction of Attendees
	10:31	Approval of Minutes
	10:34	Report of Board Counsel
	11:01 12:00	Formal Hearing - Eugene Peter Kenworthy
	12:02 12:09	Recess Return to Open Session
	12:09	Report of Board Counsel (cont.)
	12:20	Regulations/Statute
	1:12	Matters for Discussion
	1:19	Report of Board Administrator
	1:19	Report of Committees
	1:23	Miscellaneous
	1:24	Public Comment/Discussion
	1:30 1:49	Executive Session Return to Open Session
	1:50	Motion
48 49 50	1:51	Adjournment