

Minnesota Attorney General: Administrative Rules Proceedings

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Version 3
August 20, 2018

MJM
12-10-92

RULE REVIEW CHECKLIST

File No. 1981
DATE RECEIVED 12-10-92
REVIEW DATE ~~12-18-92~~ 12-21-92
DUE DATE 12-24-92
~~(DIS)~~APPROVED 12-23-92
WITHDRAWN _____

Docket No. 05.0009.0119
ADOPTED W/O HEARING _____
EMERGENCY RULE _____
TO REVISOR ON 12-10-92
REVISOR (DIS)APPROVED 12/15/92
FILED W/SEC. OF STATE 12-23-92
RETURNED TO AGENCY _____

✓ Rule as adopted (4 copies)

_____ Notice to Solicit Outside Information/Opinion (if applicable)
_____ Date published in State Register
_____ Comments

_____ Petition for Adoption of a Rule

_____ Board's Authorizing Resolution
_____ Date adopted

✓ Proposed Rule
✓ Revisor's Certificate

_____ Notice of Intent to Adopt Rule
45.023 82B.13 Statutory Authority
_____ Small Business Statement
_____ Expenditure of public money statement
9-25-92 Signature

_____ Statement of Need and Reasonableness (if applicable)
✓ Small Business Statement
_____ Fees - § 16A.128

✓ Affidavit of Mailing Notice of Intent to Adopt Rule
~~OCT 1, 1992~~ Dated 30/25 days before adoption
✓ Notice attached indicates it is attached
_____ Copy of rule or summary attached

✓ Publication in State Register
~~OCT 26, 1992~~ OCT 12, 1992 Date 30/25 days before adoption
✓ 180-day deadline from: OCT 26, 1992 - second

✓ Effective date of law requiring rule (14.12) (both rules) amendments don't apply not mandatory
✓ end of comment period (§ 14.26) (rules without hearing)
_____ effective date of statutory authority (§ 14.29) (emergency rules)

_____ Resolution Adopting
_____ Date adopted

✓ Findings of Fact, Conclusions & Order Adopting
~~DEC 3, 1992~~ Date

✓ Written Requests, Submissions or Comments

✓ Declaration of Attorney
Prentiss Cox Name of SAAG representing agency

_____ Notice of Submission to Attorney General (if applicable)

_____ Affidavit of Mailing Notice to Attorney General (if applicable)

STATE OF MINNESOTA

Office of the Attorney General

TO : DONNA M. WATZ
Department of Commerce

DATE : December 28, 1992

FROM : AMY V. KVALSETH
Special Assistant
Attorney General

PHONE : 296-9422

SUBJECT : **In the Matter of the Adopted Rules Relating to Real Estate Appraiser Licensing and Education**

The above-referenced rule has been approved as to its legality by the Attorney General on December 23, 1992.

Enclosed is your copy of the approved rule. This office has already filed two copies with the Secretary of State, who will forward one copy to the Revisor of Statutes. The fourth is being retained by this division of the Attorney General's Office for its records.

Also enclosed are any petitions, requests, submissions or comments along with any extra copies of documents which you submitted to the Attorney General.

Your next step is to arrange for publication of the Notice of Adoption in the State Register. In a day or two, you should receive from the Revisor's Office three copies of the notice of adoption of your rule. You should submit two copies of the Notice of Adoption to the State Register for publication. A permanent rule without a hearing does not become effective until five days after a notice of adoption is published in the State Register in accordance with Minn. Stat. § 14.27. An emergency rule becomes effective five working days after approval by the Attorney General; however, the agency must publish a notice in the State Register in accordance with Minn. Stat. § 14.34.

If you have any questions in this regard, please contact me.

Enclosures
cc: Prentiss Cox
William Brown, Chief Judge
MaryAnn Hruby

AVK:cr.rules.bf0

Department of Commerce

Adopted Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Rules as Adopted

2808.0100 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms defined in this part have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means an individual who has applied to the commissioner of commerce pursuant to Minnesota Statutes, chapter 82B, for a license as a real estate appraiser.

Subp. 3. **Appraisal foundation or foundation.** "Appraisal foundation" or "foundation" means the appraisal foundation established on November 30, 1987, as a nonprofit corporation under the laws of Illinois.

Subp. 4. **Appraisal standards board.** "Appraisal standards board" means the independent board of the appraisal foundation responsible for promulgation of minimum appraisal standards for federally related transactions.

Subp. 5. **Appraiser qualifications board.** "Appraiser qualifications board" means the independent board of the appraiser foundation responsible for promulgation of qualification criteria for licensure of real estate appraisers authorized to conduct appraisals on federally related transactions, and for issuing or endorsing a uniform state real estate appraiser qualification examination.

Subp. 6. **Certified federal residential real property appraiser.** "Certified federal residential real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on one- to four-family residential units or agricultural property regardless of transaction value or complexity.

Subp. 7. **Certified federal general real property appraiser.**

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"Certified federal general real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on all types of real property.

Subp. 8. **Classroom hour.** "Classroom hour" means 60 minutes out of each 60-minute segment.

Subp. 9. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subp. 10. **Coordinator.** "Coordinator" means an individual who is responsible for monitoring real estate appraisal education offerings.

Subp. 11. **Federal appraisal subcommittee.** "Federal appraisal subcommittee" means the appraisal subcommittee of the Federal Financial Institutions Examinations Council as set forth under United States Code, title 12, sections 3301 et. seq.

Subp. 12. **Federal financial institutions regulatory agency.** "Federal financial institutions regulatory agency" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, or the National Credit Union Administration.

Subp. 13. **Federal residential real property appraiser.** "Federal residential real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on noncomplex one- to four-family residential units or agricultural property having a transactional value of less than $1,000,000 and complex one- to four-family residential units or agricultural property having a transactional value of less than $250,000.

Subp. 14. **Federally related transaction.** "Federally related transaction" means any real estate-related financial transaction that a federal financial institutions regulatory agency or the federal Resolution Trust Corporation engages in, contracts for, or regulates; and that requires the services of a licensed or certified real estate appraiser.

Subp. 15. **Foundation appraisal organization.** "Foundation appraisal organization" means a member private appraisal trade

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organization of the appraisal foundation including, but not limited to, the following: American Institute of Real Estate Appraisers, American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, International Association of Assessing Officers, International Right of Way Association, National Association of Independent Fee Appraisers, National Society of Real Estate Appraisers, or Society of Real Estate Appraisers.

Subp. 16. **Instructor.** "Instructor" means an individual lecturing in a real estate appraisal education offering.

Subp. 17. **Person.** "Person" means a natural person, firm, institution, partnership, corporation, or association.

Subp. 18. **Real estate appraiser or real property appraiser.** "Real estate appraiser" or "real property appraiser" means a person who develops and communicates appraisals on real property and holds a current, valid license issued under Minnesota Statutes, chapter 82B.

Subp. 19. **Real estate-related financial transaction.** "Real estate-related financial transaction" means any transaction involving the sale, lease, purchase, investment in, or exchange of real property, including interests in property, or the financing thereof; the refinancing of real property or interests in real property; and the use of real property or interests in property as security for a loan or investments, including mortgage-backed securities.

Subp. 20. **Sponsor.** "Sponsor" means a person offering or providing real estate appraisal education.

Subp. 21. **State real property appraiser.** "State real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on residential real property or agricultural acreage which does not require a net income capitalization analysis under the uniform standards of professional appraisal practice.

LICENSING

2808.1000 PAYMENT OF FEES.

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Subpart 1. **Cash not accepted.** All fees shall be paid by check, draft, or other negotiable or nonnegotiable instrument or order of withdrawal that is drawn against funds held by a financial institution. Cash will not be accepted.

Subp. 2. **Overpayment of fees.** An overpayment of a fee paid pursuant to Minnesota Statutes, chapter 82B, shall be refunded within a reasonable time after a letter requesting the refund is received by the commissioner and signed by the person making the overpayment.

Refunds shall not be given other than for overpayment of fees. A request for a refund of an overpayment must be received by the commissioner within six months of the date of deposit or it will be forfeited.

Subp. 3. **Fees to federal appraisal subcommittee.** In addition to the fees required for licensure under Minnesota Statutes, section 82B.09, the commissioner shall collect and remit such other fees as are required by the federal appraisal subcommittee.

2808.1100 LICENSE.

Subpart 1. **Application for real estate appraiser license.** After successful completion of the appropriate prelicensing education requirements and real estate appraiser licensing examination, an individual shall have one year from the date of the examination to apply for a real estate appraiser license. Application shall be on forms prescribed by the commissioner.

Failure to apply for a license will require reexamination.

Subp. 2. **Cancellation of license.** A real estate appraiser's license shall be canceled by the commissioner for failure of a licensee to complete continuing education requirements. In this case, the license must be returned to the commissioner within ten days of receipt of notice of cancellation.

Subp. 3. **Reinstatement of license.** Within two years of a license cancellation, a person who was previously licensed may reinstate the license without examination by completing the

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required application, paying the required fee for a new license application, and reporting successful completion of all outstanding continuing education requirements for the period during which the license was canceled. The license shall be reinstated without reexamination by completing the required instruction, filing an application, and paying the fee for the license within two years of the cancellation date.

2808.1200 CHANGE OF INFORMATION; NOTICE TO COMMISSIONER.

A licensee must notify the commissioner in writing of any change in the information contained in the license application no later than ten days after the change.

2808.1300 NONRESIDENT APPOINTMENT OF COMMISSIONER FOR SERVICE OF PROCESS.

Subpart 1. **Requirement for appointment.** Each real estate license applicant who is a nonresident of the state shall appoint the commissioner to serve as attorney for the applicant upon whom may be served all legal process in any action or proceeding to which that person may be a party and which relates to or involves any transaction governed by Minnesota Statutes, chapter 82B.

Subp. 2. **Form for consent to service of process.** The form for appointment of the commissioner as attorney for service of process shall be as provided in this subpart.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
LICENSING UNIT
133 East Seventh Street
Saint Paul, Minnesota 55101
INDIVIDUAL APPOINTMENT OF ATTORNEY FOR
SERVICE OF PROCESS
KNOW ALL PERSONS BY THESE PRESENTS:

That in compliance with the Laws of the State of Minnesota, ..., a nonresident, does hereby appoint the Commissioner of Commerce of the State of Minnesota, successor or successors in office as his/her true and lawful attorney upon

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whom may be served all legal process in any action or proceeding in which he/she may be a party and which relates to or involves any transaction covered by Minnesota Statutes, chapter 82B, and does hereby expressly consent and agree that service upon such attorney shall be as valid and binding as if due and personal service had been made upon him/her and that such appointment shall be irrevocable.

IN WITNESS WHEREOF, I have hereunto set my hand this .... day of ....., 19..

.....

.....

STATE OF .....)

COUNTY OF .....) SS.

On this .... day of ....., 19.., personally appeared before me, a notary public in and for said County and State, ..., to me known to be the person described in and who executed the foregoing instrument and who, being by me first sworn, acknowledged that he/she executed the same as his/her free act and deed.

.....

Notary Public, ... County .....

(NOTARIAL SEAL) My Commission expires .....

2808.1400 WITHDRAWAL OF LICENSE OR APPLICATION.

A licensee or license applicant may at any time file with the commissioner a request to withdraw from the status of licensee or to withdraw a pending license application. Withdrawal from the status of licensee or withdrawal of the license application becomes effective upon receipt by the commissioner unless a revocation, suspension, or denial proceeding is pending when the request to withdraw is filed or a proceeding to revoke, suspend, deny, or to impose conditions upon the withdrawal is instituted within 30 days after the request to withdraw is filed. If a proceeding is pending or instituted, withdrawal becomes effective at the time and upon the conditions the commissioner by order determines. If no

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proceeding is pending or instituted and withdrawal automatically becomes effective, the commissioner shall institute a revocation or suspension proceeding within one year after withdrawal became effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1500 FAILURE TO RENEW LICENSE.

If a license lapses or becomes ineffective due to the licensee's failure to timely file a renewal application and the licensee continues to conduct business for which a license is required, the commissioner shall institute a revocation or suspension proceeding within two years after the license was last effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1600 REVOCATIONS.

If the commissioner finds that any licensee or applicant is no longer in existence or has ceased to do business as a real estate appraiser or is subject to an adjudication of mental incompetence or to the control of a committee, conservator, or guardian, or cannot be located after reasonable search, the commissioner may by order revoke the license or deny the application of that person.

2808.1700 COURSE COMPLETION CERTIFICATES FOR REAL ESTATE APPRAISER LICENSE.

Subpart 1. **Submitting to commissioner.** Applicants for a real estate appraiser license shall submit to the commissioner, along with their application for licensure, a copy of the course completion certificate for all required prelicensing education coursework applicable to the class of license sought.

Subp. 2. **Forms.** The real estate appraiser prelicensing education course completion certificate must be on forms provided by the commissioner.

Subp. 3. **Copies to be maintained.** Students are responsible for maintaining copies of course completion certificates.

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EXAMINATION AND EXPERIENCE

2808.2000 PASSING GRADE FOR EXAMINATION.

A passing grade for a real estate appraiser licensing examination shall be a score of 75 percent or higher.

The commissioner shall not accept the scores of a person who has cheated on an examination. Cheating on a real estate appraiser examination shall be grounds for denying an application for an appraiser's license.

2808.2100 EXAMINATION REQUIREMENTS.

Subpart 1. **State real property appraiser examination.** To qualify for a license as a state real property appraiser, an applicant must pass a current uniform state residential real property appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 2. **Federal residential real property appraiser examination.** To qualify for a license as a federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 3. **Certified federal residential real property appraiser examination.** To qualify for a license as a certified federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 4. **Certified federal general real property appraiser examination.** To qualify for a license as a certified federal

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general real property appraiser, an applicant must pass a current uniform state general real estate appraiser (Level II) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7100.

2808.2200 EXPERIENCE REQUIREMENTS.

Subpart 1. **Verification of experience.** Each applicant for licensure as a real estate appraiser who is required to provide evidence of experience before licensing shall do so by affidavit on forms and in a manner prescribed by the commissioner.

Subp. 2. **Acceptable appraisal experience.** Acceptable appraisal experience includes, but is not limited to, fee and staff appraisal, ad valorem tax appraisal, review appraisal, appraisal analysis, real estate counseling, highest and best use analysis, feasibility analysis and study, and teaching appraisal courses. Teachers may request credit for either the classroom hour or experience requirement, but not both.

Subp. 3. **Education may not substitute.** Education, other than teaching, may not substitute for experience.

Subp. 4. **One year equivalent.** For purposes of this part, 1,000 cumulative hours constitutes one year of appraisal experience.

Subp. 5. **State real property appraiser.** To be eligible for licensure as a state real property appraiser, an applicant need not demonstrate evidence of experience in real estate appraising.

Subp. 6. **Federal residential real property appraiser.** To be eligible for licensure as a federal residential real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 7. **Certified federal residential real property appraiser.** To be eligible for licensure as a certified federal residential real property appraiser, an applicant must provide

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the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 8. **Certified federal general real property appraiser.** To be eligible for licensure as a certified federal general real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising. At least 50 percent, or 1,000 hours, must be in nonresidential appraisal work.

PRELICENSING EDUCATION

2808.3000 PRELICENSE EDUCATION REQUIREMENTS.

Subpart 1. **State real property appraiser.** To qualify for a license as a state real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200

Subp. 2. **Federal residential real property appraiser.** To qualify for a license as a federal residential real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3. **Certified federal residential real property appraiser.** To qualify for a license as a certified federal residential real property appraiser, an applicant must provide

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evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved particular emphasis on the appraisal of one- to four-family residential units and included coverage of all topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3a. **Education requirement prior to January 1, 1994.** Prior to January 1, 1994, an approved course of prelicensing education for licensure as a certified federal residential real property appraiser shall consist of 105 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved an emphasis on the appraisal of one- to four-family residential units and included coverage of the topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 4. **Certified federal general real property appraiser.** To qualify for a license as a certified federal general real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 hours of instruction in appraisal ethics and the uniform standard of professional appraisal practice. Applicants must demonstrate that their education involved an emphasis on the appraisal of nonresidential properties and included coverage of the topics listed in part 2808.7400.

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Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 5. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days prior to the date on which the course is to be held. Each application for approval of a course offering must be accompanied by the application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 6. **Approval of subsequent offerings.** If approval has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 7. **Approval of courses not submitted for approval.** Licensees may receive credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 8. **Successful completion of prelicensing education.** Successful completion of prelicensing education requires full-time classroom attendance throughout the course, completion of required assignments or reading materials, and passage of a written examination designated by the sponsor that is sufficiently comprehensive to measure the student's knowledge of all aspects of the course.

Subp. 9. **Additional course content.** Prelicensing courses may include coverage of subject matter not prescribed in this part; however, the subject matter must be presented in addition to, and may not be substituted for, the course content or hours specified in this part.

Subp. 10. **Textbooks.** Each real estate appraiser prelicensing course must require the use of a text or other written materials. Texts and materials must be approved by the commissioner prior to initiation of the course. The

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commissioner may also require the use of additional materials as appropriate to assure thorough coverage of the topic areas prescribed in this part.

Subp. 11. **Prelicensing education courses; access.** All prelicensing education course offerings shall be open to any interested individual. Access may be restricted by the sponsor based on class size only, not by membership in any group or on any other basis.

Subp. 12. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered ~~on the basis approved by the department in the course approval~~.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. The fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

A sponsor may have a refund policy addressing cancellation by students or student failure to complete a course, so long as the policy is clear to potential students.

Subp. 13. **Adequate facilities to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and is adequate to comfortably accommodate the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or affiliate thereof.

Subp. 14. **Limitation on use toward continuing education.** Prelicensing education courses may not be taken for credit toward continuing education requirements unless the student is currently licensed as a real estate appraiser and has not taken the same prelicensing education course within the prior

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five-year period.

2808.3100 CERTIFICATION OF COURSE COMPLETION.

Subpart 1. **Forms.** Applicants for real estate appraiser licensure must provide evidence of successful completion of all required prelicensing instruction at the time of license application.

Certification of successful course completion of prelicensing education must be provided on forms prescribed by the commissioner.

Subp. 2. **Certification after completion.** A certificate of prelicensing education course completion issued prior to the last scheduled class meeting for the course will not be accepted by the commissioner.

Subp. 3. **Records maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain copies of all applicants' grades and attendance records on file for five years from the beginning date of the courses.

Grade and attendance records must be made available to the commissioner upon request.

Subp. 4. **Examinations maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain a master copy of each course examination, answer key, course date, and instructor's name on file for two years from the date of completion of the course.

Examination files must be made available to the commissioner upon request.

2808.3200 PRELICENSING EDUCATION COORDINATORS.

Each course of real estate appraisal licensing education must have at lease one coordinator, approved by the commissioner, who is responsible for supervising the education program and assuring compliance with the statutes and rules governing the offering of real estate appraisal education courses.

Part 2808.4100 constitutes the general requirements for real estate appraiser prelicensing education coordinators.

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2808.3300 PRELICENSING EDUCATION INSTRUCTORS.

Subpart 1. **General requirement.** Each course of real estate appraisal prelicensing education must be taught by an instructor, approved by the commissioner, who is qualified by education, training, or experience to assure competent instruction. Failure to have only approved instructors teach at an approved prelicensing education offering will result in loss of course approval. If, after approval of a course, the instructor named in the application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credit may be earned for the course;

(2) a full refund will be given if the enrollee decides not to attend the course; and

(3) if the enrollee does attend the course and does not earn credit for the course, a refund will be automatically made. The refund will be made when the department's determination is made as to the disapproval of the substitute instructor.

Subp. 2. **Instructor qualifications.** To qualify for approval by the commissioner, an instructor must meet the requirements in items A and B.

A. An instructor who teaches prelicensing education

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to persons seeking licensure as either state real property appraisers or federal residential real property appraisers must have completed 75 classroom hours of real estate appraiser education, have two years of full-time experience as a real estate appraiser within the preceding seven years, and be licensed as a real estate appraiser.

B. An instructor who teaches prelicensing education to persons seeking licensure as either certified residential real property appraisers or certified federal general real property appraisers must have completed 165 classroom hours of real estate appraiser education, have five years of full-time experience as a real estate appraiser within the previous seven years with at least 50 percent of the experience being in income property appraising, and be licensed as a certified residential real property appraiser or a certified federal general real property appraiser.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser prelicensing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

REAL ESTATE APPRAISER CONTINUING EDUCATION

2808.4000 GENERAL CONTINUING EDUCATION REQUIREMENTS.

Subpart 1. **Continuing education requirements.** To be eligible for continuous licensing, each real estate appraiser licensee is required to successfully complete 15 classroom hours of continuing education within the 12-month period immediately

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preceding license renewal.

Subp. 2. **Courses approved for continuing education credit.** Only courses which impart substantive and procedural knowledge relating to the real estate appraisal field will be approved for credit. The burden of demonstrating that courses impart substantive or procedural knowledge in the real estate appraisal field is on the person seeking approval or credit.

Credit will be granted for educational offerings that cover the real estate-related appraisal topics in part 2808.7400.

Subp. 3. **Courses not approved for continuing education.** Courses that include the following topics will not be approved for continuing education credit:

A. courses designed to prepare students for a license examination, except as permitted by part 2808.3000, subpart 14;

B. courses in mechanical office or business skills, including typing, speed-reading, or use of calculators or other machines or equipment;

C. courses in sales promotion, including meetings held in conjunction with the general business of the licensee;

D. courses in motivation, salesmanship, psychology, time management, or communication;

E. courses related to office management or intended to improve the operation of the licensee's business;

F. courses that can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the Department of Commerce; or

G. courses that do not otherwise offer substantive or procedural knowledge in the field of real estate appraisal as determined by the Department of Commerce.

Subp. 4. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days before the date on which the course is to be held. Each application for approval of a course offering must be accompanied by the application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

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Subp. 5. **Approval of subsequent offerings.** If approval has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 6. **Approval of continuing education courses not submitted for approval.** Licensees may receive continuing education credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 7. **Credit hours.** Credit toward satisfaction of continuing education requirements will only be granted where course offerings are at least one-half hour in length. The number of hours approved will only include time spent on educational activities.

Continuing education courses must be attended in their entirety in order for a licensee to receive full credit. Sponsors may not issue certificates of completion to students who have not attended a continuing education course in its entirety. Proportional credit may not be given for partial attendance at a continuing education course. Certificates of completion, however, may be issued to students who have completed the entire course even if the student did so by attending more than one offering of the course.

Upon completion of approved courses, students shall receive credit for the number of hours approved for the course based on one hour of credit for each classroom hour of attendance.

The approved instructor for a continuing education course shall earn 1-1/2 hours of continuing education credit for each classroom hour of instruction of approved continuing education courses.

Neither students nor instructors may earn continuing education credit for attending or instructing at any subsequent offering of the same continuing education course for three years

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after attending or teaching the course.

Subp. 8. **Examinations.** Course examinations will not be required for continuing education courses unless the sponsor requires an examination.

Subp. 9. **Textbooks.** Textbooks are not required for real estate appraiser continuing education courses. If textbooks are not used, students must be provided with a syllabus containing, at a minimum, the course title, the times and dates of the course offering, the names and addresses or telephone numbers of the course coordinator and instructor, and a detailed outline of the subject matter to be covered. A textbook or syllabus must be available for the use of each student during the course. Any printed material disbursed to the students must be of a readable quality. Any textbook required must contain accurate and current information relating to the subject being taught.

Subp. 10. **Continuing education courses; access.** Continuing education course offerings must be open to any interested individuals. Access may be restricted by the sponsor based on class size only, not on membership in any group or on any other basis.

Subp. 11. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. Fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

A sponsor may have a refund policy addressing cancellation by students or a student's failure to complete a course, as long as that policy is clear to potential students.

Subp. 12. **Adequate facility to be used.** Each course of study shall be conducted in a classroom or other facility that

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is conducive to learning and adequate to comfortably accommodate the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or an affiliate thereof.

Subp. 13. **National examination preparatory course.** Courses offered in preparation for a recognized national appraisal organization accreditation examination shall be assigned continuing education credit hours in the same manner as other courses.

Subp. 14. **Extensions.** Upon appropriate showing of a bona fide financial or medical hardship, the commissioner shall extend, for up to 90 days, the time period during which the continuing education must be successfully completed. Loss of income from either attendance at courses or cancellation of a license is not a bona fide financial hardship.

Requests for extensions must be submitted in writing no later than June 1 of the year due and shall include an explanation with verification of the hardship, plus verification of enrollment at an approved course of study.

Subp. 15. **Waiver of continuing education classroom requirement.** If a licensee provides satisfactory documentation to the commissioner that the licensee is unable, and will continue to be unable, to attend actual classroom course work because of a physical handicap, medical condition, or similar reason, classroom attendance at continuing education courses shall be waived for a period not to exceed one year.

The commissioner shall require that the individual read a sufficient number of real estate appraisal textbooks or listen to a sufficient number of real estate appraisal-related tapes as would be necessary for the licensee to satisfy the licensee's educational credit hour needs. The commissioner shall award the licensee credit hours for reading books or listening to tapes by determining how many credit hours would be granted to a classroom course involving the same material and giving the licensee the same number of credit hours.

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The licensee may apply each year for a new waiver upon the same terms and conditions as were necessary to secure the original waiver. The commissioner may request the documentation of the condition upon which the request for waiver is based as shall be necessary to satisfy the commissioner of the existence of the condition and that the condition does preclude attendance at continuing education courses.

2808.4100 CONTINUING EDUCATION COURSE COORDINATOR.

Subpart 1. **General requirement.** Each course of study shall have at least one coordinator, approved by the commissioner, who is responsible for supervising the program and assuring compliance with the statutes and rules governing the offering of real estate appraiser education courses. Assistants may be hired by the sponsor; however, the approved coordinator remains responsible for compliance with the laws.

Subp. 2. **Qualifications.** Course coordinators shall possess one of the following qualifications:

A. a minimum of five years of experience during the immediately preceding five-year period as a full-time real estate appraiser;

B. at least three years of practical experience during the immediately preceding five-year period in the administration of an education program; or

C. a degree in education plus at least two years of practical real estate appraisal experience during the immediately preceding five-year period.

Subp. 3. **Applications; forms.** Applications for coordinator approval shall be submitted on forms prescribed by the commissioner.

Subp. 4. **Responsibilities.** The coordinator must:

A. assure compliance with all laws and rules pertaining to real estate appraiser education;

B. notify the commissioner of any material change in applications for course or instructor approval;

C. assure that students are provided with current and

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accurate information;

D. supervise and evaluate courses and instructors. The commissioner may request written evaluations of courses and/or instructors either by students or coordinators;

E. investigate written complaints relating to course offerings and/or instructors, and forward a copy of the written complaints to the Department of Commerce;

F. maintain accurate records relating to course offerings, instructors, and student attendance for a period of five years from the date the course was completed. If the coordinator leaves the employ of the sponsor, the records must be turned over to the replacement coordinator or an officer of the sponsor. If a sponsor ceases operation, the coordinator is responsible for maintaining the records or providing a custodian of the records acceptable to the commissioner. In order to be acceptable, custodians must agree to make copies of student records available to students at a reasonable fee. Under no circumstances will the commissioner act as custodian of the records;

G. be available to instructors and students throughout the course offerings, and provide the name of the coordinator and a telephone number at which the coordinator can be reached; and

H. provide students with a course completion certificate, on a form prescribed by the commissioner, within 30 days of completion of the course. However, a coordinator may require payment of the course tuition as a condition for receiving the course completion certificate.

2808.4200 CONTINUING EDUCATION INSTRUCTORS.

Subpart 1. **General requirements.** Each course of real estate appraiser continuing education must be taught by an instructor who is qualified by education, training, or experience to ensure competent instruction. Failure to have only approved instructors teach at an approved continuing education offering will result in loss of course approval.

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If, after approval of a course, the instructor named in the application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, proportional credit will be given for those parts of the course taught by approved instructors.

Credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credits or fewer credit hours may be earned for the course than the course was originally approved for;

(2) a full refund will be given if the enrollee decides not to attend the course;

(3) if the enrollee does attend the course and does not earn the number of credit hours for which the course was originally approved, a refund will automatically be made in proportion to the reduction in credit hours earned. The refund will be paid when the department's determination is made as to the approval of the substitute instructor.

Subp. 2. **Instructor qualifications.** The provisions in items A to D apply to the approval and qualification of continuing education instructors. Continuing education instructors must have:

A. a degree in any area plus two years of practical experience in the subject area being taught;

B. five years of practical experience in the subject

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area being taught;

C. a college or graduate degree in the subject area being taught; or

D. held an appraiser's license for three years or have three years of practical experience in the subject area being taught. These individuals shall also have completed at least 60 hours of approved continuing education in the subject area being taught.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser continuing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

Subp. 5. **Guest lecturers.** Guest lecturers who do not meet the requirements of subpart 2 may be used to teach up to one-third of any course, provided the guest lecturer possesses training or experience directly related to the particular subject matter covered in the course. Coordinators have the responsibility for assuring that the requirements of this subpart are met.

GENERAL REQUIREMENTS FOR
PRELICENSING AND CONTINUING EDUCATION

2808.5000 ADVERTISING OF COURSES.

Subpart 1. **Truth in advertising.** Advertising of course offerings must be truthful and not deceptive or misleading. Courses may not be advertised in any manner as being approved unless approval has been granted, in writing, by the

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commissioner.

Subp. 2. **Approval statement.** No advertisement, pamphlet, circular, or other similar materials pertaining to an approved course offering may be circulated or distributed in this state unless one of the following statements is prominently displayed on the cover of the materials used to advertise education courses:

A. for prelicense education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser prelicensing education";

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education."

Subp. 3. **Course hours approved.** The number of hours for which a course has been approved or for which approval is pending shall be displayed as provided in subpart 2 on any advertisement for the course. If a course offering involves attendance for a period that is longer than the number of hours of credit approved, the advertisement must clearly state that credit will not be earned for the entire course.

Subp. 4. **Advertising pending approval.** Upon submission of a request for prelicensing or continuing education course approval, a sponsor may also request permission to use the term "approval pending" in course advertisements. Upon receipt of the request, the commissioner will grant written permission for use of the term. When used, the words "approval pending" must be clearly visible in the advertisement.

Subp. 5. **Nonapproved courses to be distinguished.** Advertising of approved courses must be clearly distinguishable from the advertisement of other nonapproved courses and services.

2808.5100 MANDATORY NOTICE TO STUDENTS.

At the beginning of each approved real estate appraiser education offering, one of the following notices, as appropriate, shall be read to the students:

A. for prelicensing education courses, "This course

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has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser prelicensing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101"; or

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101."

2808.5200 EDUCATION REPORTING REQUIREMENTS.

Subpart 1. **Requirement; forms.** Real estate appraiser education credit must be reported by the licensee on forms and in a manner prescribed by the commissioner.

Forms will not be accepted unless they reflect completion of all required hours. Licensees are encouraged to submit the appropriate forms as soon as they have completed the required hours of real estate appraiser education. Incomplete forms will be returned to the licensee.

Subp. 2. **Continuing education reporting deadlines.** Forms for reporting completion of continuing education requirements must be received by the commissioner no later than August 31 of the year due.

Forms submitted between June 15 and August 31 must be accompanied by the appropriate application and fees for license renewal. Forms that are personally submitted or postmarked no later than August 1 shall be considered timely received and the licensee shall be considered to be continuously licensed regardless of whether a renewed license is issued to the licensee before August 31. Persons who have failed to make a timely application for renewal of a license and who have not received the renewal license as of September 1 are unlicensed until the time the license has been issued by the commissioner and is received.

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Forms submitted by mail must be addressed to Minnesota Department of Commerce, Licensing Unit, 133 East Seventh Street, Saint Paul, Minnesota 55101.

Subp. 3. **New licensees; waiver of reporting requirement.** Persons licensed for the first time on or after June 1 in any year shall not be subject to the continuing education requirements of Minnesota Statutes, section 82B.19, subdivision 1, until the next annual reporting period begins.

2808.5300 FALSIFICATION OF REPORTS.

A licensee or applicant found to have falsified a real estate appraiser education report to the commissioner shall be considered to have violated Minnesota Statutes, section 82B.13 or 82B.19, and shall be subject to suspension or revocation of the licensee's real estate appraiser license or denial of the applicant's application for licensing.

2808.5400 GENERAL POWERS OF COMMISSIONER.

Subpart 1. **Action against approval.** The commissioner may deny, censure, suspend, or revoke the approval of a coordinator, instructor, or course if any is determined not to be in compliance with the statutes or rules governing the offering of real estate appraiser education courses. The commissioner may also refuse to approve courses by specific sponsors if it is determined that past offerings have not been in compliance with real estate appraiser education laws and rules.

Subp. 2. **Right to audit.** The commissioner has the right to audit an education course offering with or without notice to the sponsor.

2808.5500 MANAGEMENT RESPONSIBILITY OF SPONSORS.

Sponsors of real estate appraisal education courses are responsible for the actions of the coordinators and instructors.

2808.5600 PROHIBITED PRACTICES FOR SPONSORS, COORDINATORS, AND INSTRUCTORS.

Subpart 1. **Prohibitions.** In connection with an approved course, sponsors, coordinators, and instructors shall not:

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A. recommend or promote the services or practices of a particular real estate appraiser or appraisal firm, real estate brokerage, franchise, coordinator, instructor, or sponsor;

B. encourage or recruit individuals to engage the services of, or become associated with, a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

C. use materials, clothing, or other evidence of affiliation with a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

D. require students to participate in other programs or services offered by the sponsor, coordinator, or instructor;

E. take a Minnesota real estate appraiser licensing examination without the prior approval of the commissioner;

F. attempt, either directly or indirectly, to discover questions or answers on a real estate appraiser licensing examination; or

G. disseminate to any other person specific questions, problems, or information known or believed to be included in licensing examinations.

Subp. 2. **Notification of misconduct.** Coordinators and instructors must notify the commissioner within ten days after the occurrence of any of the following:

A. a felony or gross misdemeanor conviction of or disciplinary action taken against the real estate appraiser license or other occupational license held by the coordinator or instructor, which may be grounds for denying or revoking instructor or coordinator approval; and

B. any change of information contained in an application for approval as a coordinator or instructor.

STANDARDS OF APPRAISER CONDUCT

2808.6000 STANDARDS OF CONDUCT.

Subpart 1. **Compliance with the uniform standards of professional appraisal practice.** In addition to an act compelled or prohibited by Minnesota Statutes, chapter 82B, or

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this chapter, an appraiser must act in accordance with the standards of professional appraisal practice as defined in Minnesota Statutes, section 82B.02, subdivision 12.

Subp. 2. **Disclosure requirements.** In addition to the requirements of the standards of professional appraisal practice as defined by Minnesota Statutes, section 82B.02, subdivision 12, an appraiser must, prior to performing any appraisal service which requires licensing pursuant to Minnesota Statutes, chapter 82B, disclose in writing to the person contracting for the appraisal service the information identified in item D. In addition, an appraiser must prepare a written disclosure providing the information identified in items A to M. The written disclosure must be included as part of the final written appraisal report. As specified in this subpart, an appraiser must:

A. disclose who has employed the appraiser;

B. disclose who the appraisal is rendered for, if not the person who employed the appraiser;

C. disclose the purpose of the appraisal, including an explanation of the difference between the appraisal being given and an appraisal of fee simple market valuation;

D. disclose any conflict of interest or situation which might reasonably be perceived to be a conflict of interest which shall include, but not be limited to, the following situations:

(1) whether the appraiser has any ownership interest in the subject property or contiguous properties;

(2) whether there is an ownership interest by a spouse, parent, or child of the appraiser in the property or contiguous properties; and

(3) whether the appraiser has a continuing business relationship with one of the parties, for example, any part-time or full-time employment of the appraiser, spouse, children living at home, or dependent children.

Failure to promptly give notification of a conflict shall be considered a violation of the standards of professional

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appraisal practice;

E. disclose that the appraisal is a reevaluation and identify the areas of difference between the two appraisals and the justification for the changes;

F. disclose any facts concerning the valuation needed for loan purposes or similar information that was provided to the appraiser before or during the appraisal;

G. disclose that the appraiser has not performed appraisals of the type requested or for the type of property to be appraised as a regular part of the appraiser's business in the preceding five-year period, provided that if the appraiser asserts qualification by training or related experience to perform the appraisal, the appraiser shall set forth the training or experience and how it is applicable to the appraisal;

H. disclose the license classification of the appraiser and the types of appraisals that the appraiser is authorized to conduct under the licensure;

I. disclose any lack of experience or training that would affect the ability of the appraiser to perform the appraisal or could cause rejection of the appraisal by the party requiring the appraisal;

J. disclose any appraisal on the same property made by the appraiser in the last three years;

K. disclose all pertinent assumptions upon which a valuation based upon income from the property is derived such as expected occupancy rates, rental rates, construction of future improvements, roads, or highways;

L. prior to performing the appraisal, disclose whether the appraiser has previously been to the property; and

M. disclose any other fact or circumstance that could bring the reliability of the appraisal or the impartiality of the appraiser into question.

Subp. 3. **Additional requirements.** In addition to the requirements of subparts 1 and 2, an appraiser must:

A. not knowingly make any of the following

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unacceptable appraisal practices:

(1) include inaccurate or misleading factual data about the subject neighborhood, site, improvements, or comparable sales;

(2) fail to comment on negative factors with respect to the subject neighborhood, subject property, or proximity of the subject property to adverse influences;

(3) unless otherwise disclosed in the appraisal report, use comparables in the valuation process that the appraiser has not at least personally inspected from the exterior by driving by them;

(4) select and use inappropriate comparable sales or fail to use comparables that are physically and by location the most similar to the subject property;

(5) use data, particularly comparable sales data, that was provided by parties who have a financial interest in the sale or financing of the subject property without the appraiser's verification of the information from a disinterested source. For example, it would be inappropriate for an appraiser to use comparable sales provided by the real estate broker who is handling the sale of the subject property, unless the appraiser verifies the accuracy of the data provided through another source and makes an independent investigation to determine that the comparables provided were the best ones available;

(6) use adjustments to the comparable sales that do not reflect the market's reaction to the differences between the subject property and the comparables, or fail to make adjustments when they are clearly indicated;

(7) develop a valuation conclusion that is based either partially or completely on factors identified in Minnesota Statutes, chapter 363, including race, color, creed, religion, sex, marital status, status with regard to public assistance, disability, familial status of the owner or occupants of nearby property, or national origin of either the prospective owners or occupants of the properties in the

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vicinity of the subject property; or

(8) develop a valuation conclusion that is not supported by available market data;

B. provide a resume, current within six months of the date it is provided, to anyone who employs the appraiser, indicating all professional degrees and licenses held by the appraiser;

C. prior to performing the appraisal, view the entire property, inside and out, as well as confirm the existence of any contiguous highways, buildings, or other factors that affect the valuation of the property; and

D. reject any request by the person who has employed the appraiser that is in conflict with the requirements of Minnesota law or this chapter and withdraw from the appraisal assignment if the employing party persists in the request.

Subp. 4. **Enforcement.** Failure to comply with the provisions of this part is a prohibited practice under Minnesota Statutes, section 82B.20, subdivision 2, clause (17).

2808.7000 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE

RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION (1-4 Units)

	% WEIGHT	LEVEL OF DIFFICULTY
I. INFLUENCES ON REAL ESTATE VALUE	3-4%	Conceptual
A. Physical and Environmental		
B. Economic		
C. Governmental and Legal		
D. Social		
II. LEGAL CONSIDERATIONS IN APPRAISAL	6-8%	Conceptual, Definitions
A. Real estate vs. real property		
B. Real property vs. personal property		
C. Limitations on real estate ownership		
1. Private		
a. Deed restrictions		
b. Leases		
c. Mortgages		
d. Easements		
e. Liens		
f. Encroachments		
2. Public		
a. Police power		
(1) Zoning		
(2) Building and fire codes		
(3) Environmental regulations		
b. Taxation		
(1) Property tax		
(2) Special assessments		
c. Eminent domain		
d. Escheat		

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	D. Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
	E. Forms of property ownership		
	1. Individual		
	2. Tenancies and undivided interests		
	3. Special ownership forms		
	a. Condominiums		
	b. Cooperative		
	c. Timesharing		
	F. Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
	G. Transfer of title		
	1. Basic types of deeds		
	2. Recordation		
III.	TYPES OF VALUE	3-5%	Conceptual,
	A. Market Value or Value in Exchange		Definitions
	B. Price		
	C. Cost		
	D. Investment Value		
	E. Value in Use		
	F. Assessed Value		
	G. Insurable Value		
IV.	ECONOMIC PRINCIPLES	7-9%	Conceptual,
	A. Anticipation		Definitions
	B. Balance		
	C. Change		
	D. Competition		
	E. Conformity		
	F. Contribution		
	G. Increasing and Decreasing Returns		
	H. Substitution		
	I. Supply and Demand		
	J. Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual
	A. Characteristics of real estate markets		
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
	B. Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	C. Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
	D. Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		

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a. Conventional		
b. Insured		
VI. VALUATION PROCESS	4-6%	Conceptual
A. Definition of the problem		
1. Purpose and use of appraisal		
2. Interests to be appraised		
3. Type of value to be estimated		
4. Date of the value estimate		
5. Limiting conditions		
B. Collection and analysis of data		
1. National and regional trends		
2. Economic base		
3. Local area and neighborhood		
a. Employment		
b. Income		
c. Trends		
d. Access		
e. Locational convenience		
4. Site and improvements		
C. Analysis of highest and best use		
D. Application and limitations of each approach to value		
1. Sales comparison		
2. Cost		
3. Income capitalization		
E. Reconciliation and final value estimate		
F. The appraisal report		
VII. PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
A. Site Description		
1. Utilities		
2. Access		
3. Topography		
4. Size		
B. Improvement description		
1. Size		
2. Condition		
3. Utility		
C. Basic construction and design		
1. Techniques and materials		
a. Foundations		
b. Framing		
c. Finish (exterior and interior)		
2. Functional utility		
VIII. HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
A. Four tests		
1. Physically possible		
2. Legally permitted		
3. Economically feasible		
4. Maximally productive		
B. Vacant site or as if vacant		
C. As improved		
D. Interim use		
IX. APPRAISAL STATISTICAL CONCEPTS	1-3%	Conceptual, Analysis/ Application
A. Mean		
B. Median		
C. Mode		
D. Range		
E. Standard deviation		
X. SALES COMPARISON APPROACH	21-24%	Conceptual, Definitions, Analysis/ Application
A. Research and selection of comparables		
1. Data sources		
2. Verification		
3. Units of comparison		
a. Data sources		

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	b. Size		
	(1) Square foot		
	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Rooms		
	(2) Beds		
	(3) Other		
B.	Elements of comparison		
	1. Property rights conveyed		
	a. Leased fee/leasehold		
	b. Easements		
	c. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
C.	Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
D.	Application of sales comparison approach		
XI.	SITE VALUE	4-6%	Conceptual, Definitions, Analysis/ Application
A.	Sales comparison		
B.	Land residual		
C.	Allocation		
D.	Extraction		
E.	Plottage and Assemblage		
XII.	COST APPROACH	8-10%	Conceptual, Definitions, Analysis/ Application
A.	Steps in cost approach		
	1. Reproduction vs. replacement cost		
	a. Comparative unit method		
	b. Unit-in-place method		
	c. Quantity survey method		
	d. Cost service index		
	2. Accrued depreciation		
	a. Types of depreciation		
	(1) Physical deterioration		
	(a) Curable		
	(b) Incurable		
	(c) Short-lived		
	(d) Long-lived		
	(2) Functional obsolescence		
	(a) Curable		
	(b) Incurable		
	(3) External obsolescence		
	(a) Locational		
	(b) Economic		
	b. Methods of estimating depreciation		
	(1) Age-life method		
	(2) Breakdown method and sequence of deductions		
	(3) Market extraction of depreciation		
B.	Application of the cost approach		
XIII.	INCOME APPROACH	7-9%	Conceptual, Definitions, Analysis/
A.	Estimation of income and expenses		
	1. Gross market income		

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	2. Effective gross income		Application
	a. Vacancy		
	b. Collection loss		
	3. Operating expenses		
	a. Fixed expenses		
	b. Variable expenses		
	c. Reserve for replacements		
	4. Net operating income		
B.	Operating expense ratios		
C.	Gross rent multiplier		
XIV.	VALUATION OF PARTIAL INTERESTS	1-3%	Conceptual, Definitions
A.	Life estates		
B.	Undivided interest in commonly held property		
C.	Easements		
D.	Timeshares		
E.	Cooperatives		
F.	Leased fee estate		
G.	Leasehold estate		
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7100 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION

		% WEIGHT	LEVEL OF DIFFICULTY
I.	INFLUENCES ON REAL ESTATE VALUE	2-3%	Conceptual
A.	Physical and Environmental		
B.	Economic		
C.	Governmental and Legal		
D.	Social		
II.	LEGAL CONSIDERATIONS IN APPRAISAL	7-8%	Conceptual, Definitions
A.	Real estate vs. real property		
B.	Real property vs. personal property		
	1. Fixtures		
	2. Trade Fixtures		
	3. Machinery and equipment		
C.	Limitations on real estate ownership		
	1. Private		
	a. Deed restrictions		
	b. Leases		
	c. Mortgages		
	d. Easements		
	e. Liens		
	f. Encroachments		
	2. Public		
	a. Police power		
	(1) Zoning		
	(2) Building and fire codes		
	(3) Environmental regulations		
	b. Taxation		
	(1) Property tax		
	(2) Special assessments		
	c. Eminent domain		
	d. Escheat		
D.	Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
E.	Forms of property ownership		
	1. Individual		

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	2. Tenancies and undivided interests		
	3. Special ownership forms		
	a. Condominiums		
	b. Cooperative		
	F. Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
	G. Transfer of title		
	1. Basic types of deeds		
	2. Recordation		
III.	TYPES OF VALUE	2-3%	Conceptual,
	A. Market Value or Value in Exchange		Definitions
	B. Price		
	C. Cost		
	D. Investment Value		
	E. Value in Use		
	F. Assessed Value		
	G. Insurable Value		
	H. Going Concern Value		
IV.	ECONOMIC PRINCIPLES	3-5%	Conceptual,
	A. Anticipation		Definitions
	B. Balance		
	C. Change		
	D. Competition		
	E. Conformity		
	F. Contribution		
	G. Increasing and Decreasing Returns		
	H. Opportunity Cost		
	I. Substitution		
	J. Supply and Demand		
	K. Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual,
	A. Characteristics of real estate markets		Analysis/ Application
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
	B. Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	5. Existing space inventory		
	6. Current and projected space surplus		
	7. New space		
	C. Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
	D. Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		
	a. Conventional		
	b. Insured		
VI.	VALUATION PROCESS	2-4%	Conceptual
	A. Definition of the problem		
	1. Purpose and use of appraisal		

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	2. Interests to be appraised		
	3. Type of value to be estimated		
	4. Date of the value estimate		
	5. Limiting conditions		
	B. Collection and analysis of data		
	1. National and regional trends		
	2. Economic base		
	3. Local area and neighborhood		
	a. Employment		
	b. Income		
	c. Trends		
	d. Access		
	e. Locational convenience		
	4. Site and improvements		
	C. Analysis of highest and best use		
	D. Application and limitations of each approach to value		
	1. Sales comparison		
	2. Cost		
	3. Income capitalization		
	E. Reconciliation and final value estimate		
	F. The appraisal report		
VII.	PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
	A. Site Description		
	1. Utilities		
	2. Access		
	3. Topography		
	4. Size		
	B. Improvement description		
	1. Size		
	2. Condition		
	3. Utility		
	C. Basic construction and design		
	1. Techniques and materials		
	a. Foundations		
	b. Framing		
	c. Finish (exterior and interior)		
	d. Mechanical		
	2. Functional utility		
VIII.	HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
	A. Four tests		
	1. Physically possible		
	2. Legally permitted		
	3. Economically feasible		
	4. Maximally productive		
	B. Vacant site or as if vacant		
	C. As improved		
	D. Interim use		
IX.	APPRAISAL MATH AND STATISTICS	3-5%	Conceptual, Analysis/ Application
	A. Compound interest concepts		
	1. Future value of $1		
	2. Present value of $1		
	3. Future value of an annuity of $1 per period		
	4. Present value of an annuity of $1 per period		
	5. Sinking fund factor		
	6. Installment to amortize $1 (loan constant)		
	B. Statistical concepts used in appraisal		
	1. Mean		
	2. Median		
	3. Mode		
	4. Range		
	5. Standard deviation		

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X. SALES COMPARISON APPROACH	10-12%	Conceptual, Definitions, Analysis/ Application
A. Research and selection of comparables		
1. Data sources		
2. Verification		
3. Units of comparison		
a. Income		
(1) Potential gross income multiplier		
(2) Effective gross income multiplier		
(3) Overall rate		
b. Size		
(1) Square foot		
(2) Acres		
(3) Other		
c. Utility (examples only)		
(1) Motel and apartment units		
(2) Theater seats		
(3) Other		
B. Elements of comparison		
1. Property rights conveyed		
a. Easements		
b. Leased fee/Leasehold		
c. Mineral rights		
d. Others		
2. Financing terms and cash equivalency		
a. Loan payment		
b. Loan balance		
3. Conditions of sale		
a. Arms length sale		
b. Personalty		
4. Market conditions at time of contract and closing		
5. Location		
6. Physical characteristics		
7. Tenant improvements		
C. Adjustment process		
1. Sequence of adjustments		
2. Dollar adjustments		
3. Percentage adjustments		
4. Paired sales analysis		
D. Application of sales comparison approach		
XI. SITE VALUE	3-5%	Conceptual, Definitions, Analysis/ Application
A. Sales comparison		
B. Land residual		
C. Allocation		
D. Extraction		
E. Ground rent capitalization		
F. Subdivision analysis		
1. Development cost: direct and indirect		
2. Contractor's overhead and profit		
3. Forecast absorption and gross sales		
4. Entrepreneurial profit		
5. Discounted value conclusion		
G. Plottage and Assemblage		
XII. COST APPROACH	9-12%	Conceptual, Definitions, Analysis/ Application
A. Steps in cost approach		
1. Reproduction vs. replacement cost		
a. Comparative unit method		
b. Unit-in-place method		
c. Quantity survey method		
d. Cost service index		
2. Accrued depreciation		

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a. Types of depreciation
(1) Physical deterioration
(a) Curable
(b) Incurable
(c) Short-lived
(d) Long-lived
(2) Functional obsolescence
(a) Curable
(b) Incurable
(3) External obsolescence
(a) Locational
(b) Economic
b. Methods of estimating depreciation
(1) Age-life method
(2) Breakdown method and sequence of deductions
(3) Market extraction of depreciation

B. Application of the cost approach

XIII. INCOME APPROACH 20-24% Conceptual, Definitions, Analysis/ Application

A. Estimation of income and expenses
1. Gross market income
2. Effective gross income
a. Vacancy
b. Collection loss
3. Operating expenses
a. Fixed expenses
b. Variable expenses
c. Reserve for replacements
4. Net operating income

B. Operating statement ratios
1. Operating expense ratio
2. Net income ratio
3. Break-even ratio

C. Direct capitalization
1. Relevance and limitations
2. Overall capitalization rate
3. Gross income multiplier and net income ratio
4. Band of investment (mortgage equity) techniques
5. Residual techniques
a. Land (building value given)
b. Building (land value given)
c. Equity (mortgage value given)

D. Cash flow estimates (before tax only)
1. Operating years
a. Estimating NOI with a change in NOI
b. Estimating NOI using lease information
c. Cash flow (NOI less mortgage payment)
2. Reversion
a. Estimating resale with a change in value
b. Estimating resale with a terminal capitalization rate
c. Cash flow (sale price less mortgage balance)
d. Deductions for costs of sale and legal fees to arrive at a net reversion

E. Measures of cash flow
1. Equity dividend rate (cash on cash rate)
2. Debt coverage ratio

F. Discounted cash flow analysis (DCF)
1. Relevance and limitations

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	2. Potential gross income and expense estimate a. Market vs. contract rents b. Vacancy and lease commissions c. Tenant improvements and concessions 3. Discount rates and yield rates (definition and concept but no calculations of yield rate) 4. Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts and tables or calculators can be used)		
XIV.	VALUATION OF PARTIAL INTERESTS A. Interests created by a lease 1. Leased fee 2. Leasehold 3. Subleasehold 4. Renewal options 5. Tenant improvements 6. Concessions B. Lease Provisions 1. Overage rent 2. Expense stops 3. Net leases 4. Minimum rent 5. Percentage rent 6. CPI adjustments 7. Excess rent C. Valuation considerations 1. Identifying the cash flows, to the different interests, including turnover ratios 2. Discount rate selection for different interests 3. Relationship between the values of the interests D. Other partial interests 1. Life estates 2. Undivided interest in commonly held property 3. Easements 4. Timeshares 5. Cooperatives	4-6%	Conceptual, Definitions, Analysis/ Application
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7200 CERTIFIED STATE AND FEDERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 75 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

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E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses; and

(3) operating expense ratios;

N. valuation of partial interests; and

O. appraisal standards and ethics.

2808.7300 CERTIFIED FEDERAL RESIDENTIAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

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(2) estimation of income and expenses;

(3) operating expense ratios; and

(4) direct capitalization;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

2808.7400 CERTIFIED FEDERAL GENERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education included coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal math and statistics;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) estimation of income and expenses;

(2) operating statement ratios;

(3) direct capitalization;

(4) cash flow estimates;

(5) measures of cash flow; and

(6) discounted cash flow analysis;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

Approved by Revisor _____

REPEALER. Minnesota Rules, part 2808.3000, subpart 3a, is repealed on January 1, 1994. Minnesota Rules, part 2808.3000, subpart 7, is repealed on December 1, 1995.

Approved
by Revisor _____

Office of the Revisor of Statutes

Administrative Rules

TITLE: Adopted Permanent Rules Relating to Real Estate Appraiser Licensing and Education

AGENCY: Department of Commerce

MINNESOTA RULES: Chapter 2808

APPROVED AS TO FORM AND LEGALITY
12-23 1992
HUBERT H. HUMPHREY, III
ATTORNEY GENERAL
BY Amy V. Kvalseth
SPECIAL ASSISTANT ATTORNEY GENERAL

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
DEC 23 1992
Joan Anderson Growe
Secretary of State

3:25 PM

The attached rules are approved for filing with the Secretary of State

Paul M. Marinac
Deputy Revisor

STATE OF MINNESOTA
Department of Commerce

In the Matter of Proposed Adoption of the Rules Relating to Real Estate Appraiser Licensing and Education

AMENDED FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULES WITHOUT PUBLIC HEARING

Notice of the Commissioner's intent to adopt the above-entitled rules was published in the State Register on October 12, 1992 and was sent by United States mail to all persons on the list maintained by the Department of Commerce pursuant to Minnesota Statutes, section 14.14, subdivision 1a and 14.22 on October 1, 1992. The Statement of Need and Reasonableness was prepared before the Notice of Intent to Adopt a Rule without a Public Hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public. A correction to the Notice of Intent to Adopt the above-referenced rules was published in the State Register on October 26, 1992. This correction was necessary because of a typographical error in the original Notice of Intent to Adopt Rules in which the ending date of the comment period was listed as October 19, 1992 instead of November 19, 1992. The correction, as published in the State Register on October 26, 1992, identified a new ending date for the comment period. The public was given a full 30 days after the correction was published in the State Register to submit comments on the proposed rules. On October 22, 1992, the correction was mailed to all persons and associations who have requested that their names be placed on our department's rulemaking mailing list.

All persons were given the opportunity to submit comments on the rules for 30 days after notice of proposed rulemaking. The department received one written comment on the rules, however, no requests for a public hearing on the rules were received by the department. No requests for notice of submission to the Attorney General were received by the department.

Based on the comments and evidence in the record before the department, I find the following:

1. Subpart 5 of Part 2808.3000 of the rules has been changed to correct a typographical error. Language was inadvertently omitted from this subpart which explains that an application for course approval must be accompanied by the application for approval of the instructor. This requirement is discussed in the statement of need and reasonableness for the proposed rules. The requirements under this subpart, as amended, are identical to the requirements for approval of course offerings for insurance agent licensees under Minnesota Rules Part 2725.0110 subpart 7. The change to the above-captioned rules is necessary to clarify the requirement under Subpart 5. The change does not constitute a substantial change from the rules as originally published in the State Register.

2. Subpart 12 of Part 2808.3000 of the above-captioned rules has been changed because the language as originally proposed tended to be confusing and could be interpreted as creating an additional course approval requirement. The purpose of

this provision was merely to allow discounts on course fees which is all that the new language now states. Consequently, this is not a substantial change to the rules as original proposed.

3. The above-captioned rules, as amended, are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rules identified as the Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education are adopted this 22nd day of December, 1992, pursuant to the authority vested in me by Minnesota Statutes, sections 82B.13, 82B.19 and 45.023.

Bert J. McKasy
Commissioner of Commerce

Department of Commerce

Adopted Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Rules as Adopted

2808.0100 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms defined in this part have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means an individual who has applied to the commissioner of commerce pursuant to Minnesota Statutes, chapter 82B, for a license as a real estate appraiser.

Subp. 3. **Appraisal foundation or foundation.** "Appraisal foundation" or "foundation" means the appraisal foundation established on November 30, 1987, as a nonprofit corporation under the laws of Illinois.

Subp. 4. **Appraisal standards board.** "Appraisal standards board" means the independent board of the appraisal foundation responsible for promulgation of minimum appraisal standards for federally related transactions.

Subp. 5. **Appraiser qualifications board.** "Appraiser qualifications board" means the independent board of the appraiser foundation responsible for promulgation of qualification criteria for licensure of real estate appraisers authorized to conduct appraisals on federally related transactions, and for issuing or endorsing a uniform state real estate appraiser qualification examination.

Subp. 6. **Certified federal residential real property appraiser.** "Certified federal residential real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on one- to four-family residential units or agricultural property regardless of transaction value or complexity.

Subp. 7. **Certified federal general real property appraiser.**

"Certified federal general real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on all types of real property.

Subp. 8. **Classroom hour.** "Classroom hour" means 60 minutes out of each 60-minute segment.

Subp. 9. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subp. 10. **Coordinator.** "Coordinator" means an individual who is responsible for monitoring real estate appraisal education offerings.

Subp. 11. **Federal appraisal subcommittee.** "Federal appraisal subcommittee" means the appraisal subcommittee of the Federal Financial Institutions Examinations Council as set forth under United States Code, title 12, sections 3301 et. seq.

Subp. 12. **Federal financial institutions regulatory agency.** "Federal financial institutions regulatory agency" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, or the National Credit Union Administration.

Subp. 13. **Federal residential real property appraiser.** "Federal residential real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on noncomplex one- to four-family residential units or agricultural property having a transactional value of less than $1,000,000 and complex one- to four-family residential units or agricultural property having a transactional value of less than $250,000.

Subp. 14. **Federally related transaction.** "Federally related transaction" means any real estate-related financial transaction that a federal financial institutions regulatory agency or the federal Resolution Trust Corporation engages in, contracts for, or regulates; and that requires the services of a licensed or certified real estate appraiser.

Subp. 15. **Foundation appraisal organization.** "Foundation appraisal organization" means a member private appraisal trade

organization of the appraisal foundation including, but not limited to, the following: American Institute of Real Estate Appraisers, American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, International Association of Assessing Officers, International Right of Way Association, National Association of Independent Fee Appraisers, National Society of Real Estate Appraisers, or Society of Real Estate Appraisers.

Subp. 16. **Instructor.** "Instructor" means an individual lecturing in a real estate appraisal education offering.

Subp. 17. **Person.** "Person" means a natural person, firm, institution, partnership, corporation, or association.

Subp. 18. **Real estate appraiser or real property appraiser.** "Real estate appraiser" or "real property appraiser" means a person who develops and communicates appraisals on real property and holds a current, valid license issued under Minnesota Statutes, chapter 82B.

Subp. 19. **Real estate-related financial transaction.** "Real estate-related financial transaction" means any transaction involving the sale, lease, purchase, investment in, or exchange of real property, including interests in property, or the financing thereof; the refinancing of real property or interests in real property; and the use of real property or interests in property as security for a loan or investments, including mortgage-backed securities.

Subp. 20. **Sponsor.** "Sponsor" means a person offering or providing real estate appraisal education.

Subp. 21. **State real property appraiser.** "State real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on residential real property or agricultural acreage which does not require a net income capitalization analysis under the uniform standards of professional appraisal practice.

LICENSING

2808.1000 PAYMENT OF FEES.

Subpart 1. **Cash not accepted.** All fees shall be paid by check, draft, or other negotiable or nonnegotiable instrument or order of withdrawal that is drawn against funds held by a financial institution. Cash will not be accepted.

Subp. 2. **Overpayment of fees.** An overpayment of a fee paid pursuant to Minnesota Statutes, chapter 82B, shall be refunded within a reasonable time after a letter requesting the refund is received by the commissioner and signed by the person making the overpayment.

Refunds shall not be given other than for overpayment of fees. A request for a refund of an overpayment must be received by the commissioner within six months of the date of deposit or it will be forfeited.

Subp. 3. **Fees to federal appraisal subcommittee.** In addition to the fees required for licensure under Minnesota Statutes, section 82B.09, the commissioner shall collect and remit such other fees as are required by the federal appraisal subcommittee.

2808.1100 LICENSE.

Subpart 1. **Application for real estate appraiser license.** After successful completion of the appropriate prelicensing education requirements and real estate appraiser licensing examination, an individual shall have one year from the date of the examination to apply for a real estate appraiser license. Application shall be on forms prescribed by the commissioner.

Failure to apply for a license will require reexamination.

Subp. 2. **Cancellation of license.** A real estate appraiser's license shall be canceled by the commissioner for failure of a licensee to complete continuing education requirements. In this case, the license must be returned to the commissioner within ten days of receipt of notice of cancellation.

Subp. 3. **Reinstatement of license.** Within two years of a license cancellation, a person who was previously licensed may reinstate the license without examination by completing the

required application, paying the required fee for a new license application, and reporting successful completion of all outstanding continuing education requirements for the period during which the license was canceled. The license shall be reinstated without reexamination by completing the required instruction, filing an application, and paying the fee for the license within two years of the cancellation date.

2808.1200 CHANGE OF INFORMATION; NOTICE TO COMMISSIONER.

A licensee must notify the commissioner in writing of any change in the information contained in the license application no later than ten days after the change.

2808.1300 NONRESIDENT APPOINTMENT OF COMMISSIONER FOR SERVICE OF PROCESS.

Subpart 1. **Requirement for appointment.** Each real estate license applicant who is a nonresident of the state shall appoint the commissioner to serve as attorney for the applicant upon whom may be served all legal process in any action or proceeding to which that person may be a party and which relates to or involves any transaction governed by Minnesota Statutes, chapter 82B.

Subp. 2. **Form for consent to service of process.** The form for appointment of the commissioner as attorney for service of process shall be as provided in this subpart.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
LICENSING UNIT
133 East Seventh Street
Saint Paul, Minnesota 55101
INDIVIDUAL APPOINTMENT OF ATTORNEY FOR
SERVICE OF PROCESS
KNOW ALL PERSONS BY THESE PRESENTS:

That in compliance with the Laws of the State of Minnesota, ..., a nonresident, does hereby appoint the Commissioner of Commerce of the State of Minnesota, successor or successors in office as his/her true and lawful attorney upon

whom may be served all legal process in any action or proceeding in which he/she may be a party and which relates to or involves any transaction covered by Minnesota Statutes, chapter 82B, and does hereby expressly consent and agree that service upon such attorney shall be as valid and binding as if due and personal service had been made upon him/her and that such appointment shall be irrevocable.

IN WITNESS WHEREOF, I have hereunto set my hand this .... day of ....., 19..

.....

.....

STATE OF .....)

COUNTY OF .....) SS.

On this .... day of ....., 19.., personally appeared before me, a notary public in and for said County and State, ..., to me known to be the person described in and who executed the foregoing instrument and who, being by me first sworn, acknowledged that he/she executed the same as his/her free act and deed.

.....

Notary Public, ... County .....

(NOTARIAL SEAL) My Commission expires .....

2808.1400 WITHDRAWAL OF LICENSE OR APPLICATION.

A licensee or license applicant may at any time file with the commissioner a request to withdraw from the status of licensee or to withdraw a pending license application. Withdrawal from the status of licensee or withdrawal of the license application becomes effective upon receipt by the commissioner unless a revocation, suspension, or denial proceeding is pending when the request to withdraw is filed or a proceeding to revoke, suspend, deny, or to impose conditions upon the withdrawal is instituted within 30 days after the request to withdraw is filed. If a proceeding is pending or instituted, withdrawal becomes effective at the time and upon the conditions the commissioner by order determines. If no

proceeding is pending or instituted and withdrawal automatically becomes effective, the commissioner shall institute a revocation or suspension proceeding within one year after withdrawal became effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1500 FAILURE TO RENEW LICENSE.

If a license lapses or becomes ineffective due to the licensee's failure to timely file a renewal application and the licensee continues to conduct business for which a license is required, the commissioner shall institute a revocation or suspension proceeding within two years after the license was last effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1600 REVOCATIONS.

If the commissioner finds that any licensee or applicant is no longer in existence or has ceased to do business as a real estate appraiser or is subject to an adjudication of mental incompetence or to the control of a committee, conservator, or guardian, or cannot be located after reasonable search, the commissioner may by order revoke the license or deny the application of that person.

2808.1700 COURSE COMPLETION CERTIFICATES FOR REAL ESTATE APPRAISER LICENSE.

Subpart 1. **Submitting to commissioner.** Applicants for a real estate appraiser license shall submit to the commissioner, along with their application for licensure, a copy of the course completion certificate for all required prelicensing education coursework applicable to the class of license sought.

Subp. 2. **Forms.** The real estate appraiser prelicensing education course completion certificate must be on forms provided by the commissioner.

Subp. 3. **Copies to be maintained.** Students are responsible for maintaining copies of course completion certificates.

EXAMINATION AND EXPERIENCE

2808.2000 PASSING GRADE FOR EXAMINATION.

A passing grade for a real estate appraiser licensing examination shall be a score of 75 percent or higher.

The commissioner shall not accept the scores of a person who has cheated on an examination. Cheating on a real estate appraiser examination shall be grounds for denying an application for an appraiser's license.

2808.2100 EXAMINATION REQUIREMENTS.

Subpart 1. **State real property appraiser examination.** To qualify for a license as a state real property appraiser, an applicant must pass a current uniform state residential real property appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 2. **Federal residential real property appraiser examination.** To qualify for a license as a federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 3. **Certified federal residential real property appraiser examination.** To qualify for a license as a certified federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 4. **Certified federal general real property appraiser examination.** To qualify for a license as a certified federal

general real property appraiser, an applicant must pass a current uniform state general real estate appraiser (Level II) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7100.

2808.2200 EXPERIENCE REQUIREMENTS.

Subpart 1. **Verification of experience.** Each applicant for licensure as a real estate appraiser who is required to provide evidence of experience before licensing shall do so by affidavit on forms and in a manner prescribed by the commissioner.

Subp. 2. **Acceptable appraisal experience.** Acceptable appraisal experience includes, but is not limited to, fee and staff appraisal, ad valorem tax appraisal, review appraisal, appraisal analysis, real estate counseling, highest and best use analysis, feasibility analysis and study, and teaching appraisal courses. Teachers may request credit for either the classroom hour or experience requirement, but not both.

Subp. 3. **Education may not substitute.** Education, other than teaching, may not substitute for experience.

Subp. 4. **One year equivalent.** For purposes of this part, 1,000 cumulative hours constitutes one year of appraisal experience.

Subp. 5. **State real property appraiser.** To be eligible for licensure as a state real property appraiser, an applicant need not demonstrate evidence of experience in real estate appraising.

Subp. 6. **Federal residential real property appraiser.** To be eligible for licensure as a federal residential real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 7. **Certified federal residential real property appraiser.** To be eligible for licensure as a certified federal residential real property appraiser, an applicant must provide

the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 8. **Certified federal general real property appraiser.** To be eligible for licensure as a certified federal general real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising. At least 50 percent, or 1,000 hours, must be in nonresidential appraisal work.

PRELICENSING EDUCATION

2808.3000 PRELICENSE EDUCATION REQUIREMENTS.

Subpart 1. **State real property appraiser.** To qualify for a license as a state real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200

Subp. 2. **Federal residential real property appraiser.** To qualify for a license as a federal residential real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3. **Certified federal residential real property appraiser.** To qualify for a license as a certified federal residential real property appraiser, an applicant must provide

evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved particular emphasis on the appraisal of one- to four-family residential units and included coverage of all topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3a. **Education requirement prior to January 1, 1994.** Prior to January 1, 1994, an approved course of prelicensing education for licensure as a certified federal residential real property appraiser shall consist of 105 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved an emphasis on the appraisal of one- to four-family residential units and included coverage of the topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 4. **Certified federal general real property appraiser.** To qualify for a license as a certified federal general real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 hours of instruction in appraisal ethics and the uniform standard of professional appraisal practice. Applicants must demonstrate that their education involved an emphasis on the appraisal of nonresidential properties and included coverage of the topics listed in part 2808.7400.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 5. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days prior to the date on which the course is to be held. Each application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 6. **Approval of subsequent offerings.** If approval has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 7. **Approval of courses not submitted for approval.** Licensees may receive credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 8. **Successful completion of prelicensing education.** Successful completion of prelicensing education requires full-time classroom attendance throughout the course, completion of required assignments or reading materials, and passage of a written examination designated by the sponsor that is sufficiently comprehensive to measure the student's knowledge of all aspects of the course.

Subp. 9. **Additional course content.** Prelicensing courses may include coverage of subject matter not prescribed in this part; however, the subject matter must be presented in addition to, and may not be substituted for, the course content or hours specified in this part.

Subp. 10. **Textbooks.** Each real estate appraiser prelicensing course must require the use of a text or other written materials. Texts and materials must be approved by the commissioner prior to initiation of the course. The commissioner may also require the use of additional materials as

appropriate to assure thorough coverage of the topic areas prescribed in this part.

Subp. 11. **Prelicensing education courses; access.** All prelicensing education course offerings shall be open to any interested individual. Access may be restricted by the sponsor based on class size only, not by membership in any group or on any other basis.

Subp. 12. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

~~Reasonable discounts of tuition may be offered on the basis approved by the department in the course approval~~.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. The fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

A sponsor may have a refund policy addressing cancellation by students or student failure to complete a course, so long as the policy is clear to potential students.

Subp. 13. **Adequate facilities to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and is adequate to comfortably accommodate the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or affiliate thereof.

Subp. 14. **Limitation on use toward continuing education.** Prelicensing education courses may not be taken for credit toward continuing education requirements unless the student is currently licensed as a real estate appraiser and has not taken the same prelicensing education course within the prior five-year period.

2808.3100 CERTIFICATION OF COURSE COMPLETION.

Subpart 1. **Forms.** Applicants for real estate appraiser licensure must provide evidence of successful completion of all required prelicensing instruction at the time of license application.

Certification of successful course completion of prelicensing education must be provided on forms prescribed by the commissioner.

Subp. 2. **Certification after completion.** A certificate of prelicensing education course completion issued prior to the last scheduled class meeting for the course will not be accepted by the commissioner.

Subp. 3. **Records maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain copies of all applicants' grades and attendance records on file for five years from the beginning date of the courses.

Grade and attendance records must be made available to the commissioner upon request.

Subp. 4. **Examinations maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain a master copy of each course examination, answer key, course date, and instructor's name on file for two years from the date of completion of the course.

Examination files must be made available to the commissioner upon request.

2808.3200 PRELICENSING EDUCATION COORDINATORS.

Each course of real estate appraisal licensing education must have at lease one coordinator, approved by the commissioner, who is responsible for supervising the education program and assuring compliance with the statutes and rules governing the offering of real estate appraisal education courses.

Part 2808.4100 constitutes the general requirements for real estate appraiser prelicensing education coordinators.

2808.3300 PRELICENSING EDUCATION INSTRUCTORS.

Subpart 1. **General requirement.** Each course of real estate appraisal prelicensing education must be taught by an instructor, approved by the commissioner, who is qualified by education, training, or experience to assure competent instruction. Failure to have only approved instructors teach at an approved prelicensing education offering will result in loss of course approval. If, after approval of a course, the instructor named in the application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credit may be earned for the course;

(2) a full refund will be given if the enrollee decides not to attend the course; and

(3) if the enrollee does attend the course and does not earn credit for the course, a refund will be automatically made. The refund will be made when the department's determination is made as to the disapproval of the substitute instructor.

Subp. 2. **Instructor qualifications.** To qualify for approval by the commissioner, an instructor must meet the requirements in items A and B.

A. An instructor who teaches prelicensing education to persons seeking licensure as either state real property

appraisers or federal residential real property appraisers must have completed 75 classroom hours of real estate appraiser education, have two years of full-time experience as a real estate appraiser within the preceding seven years, and be licensed as a real estate appraiser.

B. An instructor who teaches prelicensing education to persons seeking licensure as either certified residential real property appraisers or certified federal general real property appraisers must have completed 165 classroom hours of real estate appraiser education, have five years of full-time experience as a real estate appraiser within the previous seven years with at least 50 percent of the experience being in income property appraising, and be licensed as a certified residential real property appraiser or a certified federal general real property appraiser.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser prelicensing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

REAL ESTATE APPRAISER CONTINUING EDUCATION

2808.4000 GENERAL CONTINUING EDUCATION REQUIREMENTS.

Subpart 1. **Continuing education requirements.** To be eligible for continuous licensing, each real estate appraiser licensee is required to successfully complete 15 classroom hours of continuing education within the 12-month period immediately preceding license renewal.

Subp. 2. **Courses approved for continuing education credit.** Only courses which impart substantive and procedural knowledge relating to the real estate appraisal field will be approved for credit. The burden of demonstrating that courses impart substantive or procedural knowledge in the real estate appraisal field is on the person seeking approval or credit.

Credit will be granted for educational offerings that cover the real estate-related appraisal topics in part 2808.7400.

Subp. 3. **Courses not approved for continuing education.** Courses that include the following topics will not be approved for continuing education credit:

A. courses designed to prepare students for a license examination, except as permitted by part 2808.3000, subpart 14;

B. courses in mechanical office or business skills, including typing, speed-reading, or use of calculators or other machines or equipment;

C. courses in sales promotion, including meetings held in conjunction with the general business of the licensee;

D. courses in motivation, salesmanship, psychology, time management, or communication;

E. courses related to office management or intended to improve the operation of the licensee's business;

F. courses that can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the Department of Commerce; or

G. courses that do not otherwise offer substantive or procedural knowledge in the field of real estate appraisal as determined by the Department of Commerce.

Subp. 4. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days before the date on which the course is to be held. Each application for approval of a course offering must be accompanied by the application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 5. **Approval of subsequent offerings.** If approval

has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 6. **Approval of continuing education courses not submitted for approval.** Licensees may receive continuing education credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 7. **Credit hours.** Credit toward satisfaction of continuing education requirements will only be granted where course offerings are at least one-half hour in length. The number of hours approved will only include time spent on educational activities.

Continuing education courses must be attended in their entirety in order for a licensee to receive full credit. Sponsors may not issue certificates of completion to students who have not attended a continuing education course in its entirety. Proportional credit may not be given for partial attendance at a continuing education course. Certificates of completion, however, may be issued to students who have completed the entire course even if the student did so by attending more than one offering of the course.

Upon completion of approved courses, students shall receive credit for the number of hours approved for the course based on one hour of credit for each classroom hour of attendance.

The approved instructor for a continuing education course shall earn 1-1/2 hours of continuing education credit for each classroom hour of instruction of approved continuing education courses.

Neither students nor instructors may earn continuing education credit for attending or instructing at any subsequent offering of the same continuing education course for three years after attending or teaching the course.

Subp. 8. **Examinations.** Course examinations will not be required for continuing education courses unless the sponsor requires an examination.

Subp. 9. **Textbooks.** Textbooks are not required for real estate appraiser continuing education courses. If textbooks are not used, students must be provided with a syllabus containing, at a minimum, the course title, the times and dates of the course offering, the names and addresses or telephone numbers of the course coordinator and instructor, and a detailed outline of the subject matter to be covered. A textbook or syllabus must be available for the use of each student during the course. Any printed material disbursed to the students must be of a readable quality. Any textbook required must contain accurate and current information relating to the subject being taught.

Subp. 10. **Continuing education courses; access.** Continuing education course offerings must be open to any interested individuals. Access may be restricted by the sponsor based on class size only, not on membership in any group or on any other basis.

Subp. 11. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. Fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

A sponsor may have a refund policy addressing cancellation by students or a student's failure to complete a course, as long as that policy is clear to potential students.

Subp. 12. **Adequate facility to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and adequate to comfortably accommodate

the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or an affiliate thereof.

Subp. 13. **National examination preparatory course.** Courses offered in preparation for a recognized national appraisal organization accreditation examination shall be assigned continuing education credit hours in the same manner as other courses.

Subp. 14. **Extensions.** Upon appropriate showing of a bona fide financial or medical hardship, the commissioner shall extend, for up to 90 days, the time period during which the continuing education must be successfully completed. Loss of income from either attendance at courses or cancellation of a license is not a bona fide financial hardship.

Requests for extensions must be submitted in writing no later than June 1 of the year due and shall include an explanation with verification of the hardship, plus verification of enrollment at an approved course of study.

Subp. 15. **Waiver of continuing education classroom requirement.** If a licensee provides satisfactory documentation to the commissioner that the licensee is unable, and will continue to be unable, to attend actual classroom course work because of a physical handicap, medical condition, or similar reason, classroom attendance at continuing education courses shall be waived for a period not to exceed one year.

The commissioner shall require that the individual read a sufficient number of real estate appraisal textbooks or listen to a sufficient number of real estate appraisal-related tapes as would be necessary for the licensee to satisfy the licensee's educational credit hour needs. The commissioner shall award the licensee credit hours for reading books or listening to tapes by determining how many credit hours would be granted to a classroom course involving the same material and giving the licensee the same number of credit hours.

The licensee may apply each year for a new waiver upon the

same terms and conditions as were necessary to secure the original waiver. The commissioner may request the documentation of the condition upon which the request for waiver is based as shall be necessary to satisfy the commissioner of the existence of the condition and that the condition does preclude attendance at continuing education courses.

2808.4100 CONTINUING EDUCATION COURSE COORDINATOR.

Subpart 1. **General requirement.** Each course of study shall have at least one coordinator, approved by the commissioner, who is responsible for supervising the program and assuring compliance with the statutes and rules governing the offering of real estate appraiser education courses. Assistants may be hired by the sponsor; however, the approved coordinator remains responsible for compliance with the laws.

Subp. 2. **Qualifications.** Course coordinators shall possess one of the following qualifications:

A. a minimum of five years of experience during the immediately preceding five-year period as a full-time real estate appraiser;

B. at least three years of practical experience during the immediately preceding five-year period in the administration of an education program; or

C. a degree in education plus at least two years of practical real estate appraisal experience during the immediately preceding five-year period.

Subp. 3. **Applications; forms.** Applications for coordinator approval shall be submitted on forms prescribed by the commissioner.

Subp. 4. **Responsibilities.** The coordinator must:

A. assure compliance with all laws and rules pertaining to real estate appraiser education;

B. notify the commissioner of any material change in applications for course or instructor approval;

C. assure that students are provided with current and accurate information;

D. supervise and evaluate courses and instructors. The commissioner may request written evaluations of courses and/or instructors either by students or coordinators;

E. investigate written complaints relating to course offerings and/or instructors, and forward a copy of the written complaints to the Department of Commerce;

F. maintain accurate records relating to course offerings, instructors, and student attendance for a period of five years from the date the course was completed. If the coordinator leaves the employ of the sponsor, the records must be turned over to the replacement coordinator or an officer of the sponsor. If a sponsor ceases operation, the coordinator is responsible for maintaining the records or providing a custodian of the records acceptable to the commissioner. In order to be acceptable, custodians must agree to make copies of student records available to students at a reasonable fee. Under no circumstances will the commissioner act as custodian of the records;

G. be available to instructors and students throughout the course offerings, and provide the name of the coordinator and a telephone number at which the coordinator can be reached; and

H. provide students with a course completion certificate, on a form prescribed by the commissioner, within 30 days of completion of the course. However, a coordinator may require payment of the course tuition as a condition for receiving the course completion certificate.

2808.4200 CONTINUING EDUCATION INSTRUCTORS.

Subpart 1. **General requirements.** Each course of real estate appraiser continuing education must be taught by an instructor who is qualified by education, training, or experience to ensure competent instruction. Failure to have only approved instructors teach at an approved continuing education offering will result in loss of course approval.

If, after approval of a course, the instructor named in the

application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, proportional credit will be given for those parts of the course taught by approved instructors.

Credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credits or fewer credit hours may be earned for the course than the course was originally approved for;

(2) a full refund will be given if the enrollee decides not to attend the course;

(3) if the enrollee does attend the course and does not earn the number of credit hours for which the course was originally approved, a refund will automatically be made in proportion to the reduction in credit hours earned. The refund will be paid when the department's determination is made as to the approval of the substitute instructor.

Subp. 2. **Instructor qualifications.** The provisions in items A to D apply to the approval and qualification of continuing education instructors. Continuing education instructors must have:

A. a degree in any area plus two years of practical experience in the subject area being taught;

B. five years of practical experience in the subject area being taught;

C. a college or graduate degree in the subject area being taught; or

D. held an appraiser's license for three years or have three years of practical experience in the subject area being taught. These individuals shall also have completed at least 60 hours of approved continuing education in the subject area being taught.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser continuing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

Subp. 5. **Guest lecturers.** Guest lecturers who do not meet the requirements of subpart 2 may be used to teach up to one-third of any course, provided the guest lecturer possesses training or experience directly related to the particular subject matter covered in the course. Coordinators have the responsibility for assuring that the requirements of this subpart are met.

GENERAL REQUIREMENTS FOR PRELICENSING AND CONTINUING EDUCATION

2808.5000 ADVERTISING OF COURSES.

Subpart 1. **Truth in advertising.** Advertising of course offerings must be truthful and not deceptive or misleading. Courses may not be advertised in any manner as being approved unless approval has been granted, in writing, by the commissioner.

Subp. 2. **Approval statement.** No advertisement, pamphlet, circular, or other similar materials pertaining to an approved course offering may be circulated or distributed in this state unless one of the following statements is prominently displayed on the cover of the materials used to advertise education courses:

A. for prelicense education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser prelicensing education";

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education."

Subp. 3. **Course hours approved.** The number of hours for which a course has been approved or for which approval is pending shall be displayed as provided in subpart 2 on any advertisement for the course. If a course offering involves attendance for a period that is longer than the number of hours of credit approved, the advertisement must clearly state that credit will not be earned for the entire course.

Subp. 4. **Advertising pending approval.** Upon submission of a request for prelicensing or continuing education course approval, a sponsor may also request permission to use the term "approval pending" in course advertisements. Upon receipt of the request, the commissioner will grant written permission for use of the term. When used, the words "approval pending" must be clearly visible in the advertisement.

Subp. 5. **Nonapproved courses to be distinguished.** Advertising of approved courses must be clearly distinguishable from the advertisement of other nonapproved courses and services.

2808.5100 MANDATORY NOTICE TO STUDENTS.

At the beginning of each approved real estate appraiser education offering, one of the following notices, as appropriate, shall be read to the students:

A. for prelicensing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for

(number) hours of real estate appraiser prelicensing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101"; or

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101."

2808.5200 EDUCATION REPORTING REQUIREMENTS.

Subpart 1. **Requirement; forms.** Real estate appraiser education credit must be reported by the licensee on forms and in a manner prescribed by the commissioner.

Forms will not be accepted unless they reflect completion of all required hours. Licensees are encouraged to submit the appropriate forms as soon as they have completed the required hours of real estate appraiser education. Incomplete forms will be returned to the licensee.

Subp. 2. **Continuing education reporting deadlines.** Forms for reporting completion of continuing education requirements must be received by the commissioner no later than August 31 of the year due.

Forms submitted between June 15 and August 31 must be accompanied by the appropriate application and fees for license renewal. Forms that are personally submitted or postmarked no later than August 1 shall be considered timely received and the licensee shall be considered to be continuously licensed regardless of whether a renewed license is issued to the licensee before August 31. Persons who have failed to make a timely application for renewal of a license and who have not received the renewal license as of September 1 are unlicensed until the time the license has been issued by the commissioner and is received.

Forms submitted by mail must be addressed to Minnesota

Department of Commerce, Licensing Unit, 133 East Seventh Street, Saint Paul, Minnesota 55101.

Subp. 3. **New licensees; waiver of reporting requirement.** Persons licensed for the first time on or after June 1 in any year shall not be subject to the continuing education requirements of Minnesota Statutes, section 82B.19, subdivision 1, until the next annual reporting period begins.

2808.5300 FALSIFICATION OF REPORTS.

A licensee or applicant found to have falsified a real estate appraiser education report to the commissioner shall be considered to have violated Minnesota Statutes, section 82B.13 or 82B.19, and shall be subject to suspension or revocation of the licensee's real estate appraiser license or denial of the applicant's application for licensing.

2808.5400 GENERAL POWERS OF COMMISSIONER.

Subpart 1. **Action against approval.** The commissioner may deny, censure, suspend, or revoke the approval of a coordinator, instructor, or course if any is determined not to be in compliance with the statutes or rules governing the offering of real estate appraiser education courses. The commissioner may also refuse to approve courses by specific sponsors if it is determined that past offerings have not been in compliance with real estate appraiser education laws and rules.

Subp. 2. **Right to audit.** The commissioner has the right to audit an education course offering with or without notice to the sponsor.

2808.5500 MANAGEMENT RESPONSIBILITY OF SPONSORS.

Sponsors of real estate appraisal education courses are responsible for the actions of the coordinators and instructors.

2808.5600 PROHIBITED PRACTICES FOR SPONSORS, COORDINATORS, AND INSTRUCTORS.

Subpart 1. **Prohibitions.** In connection with an approved course, sponsors, coordinators, and instructors shall not:

A. recommend or promote the services or practices of

a particular real estate appraiser or appraisal firm, real estate brokerage, franchise, coordinator, instructor, or sponsor;

B. encourage or recruit individuals to engage the services of, or become associated with, a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

C. use materials, clothing, or other evidence of affiliation with a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

D. require students to participate in other programs or services offered by the sponsor, coordinator, or instructor;

E. take a Minnesota real estate appraiser licensing examination without the prior approval of the commissioner;

F. attempt, either directly or indirectly, to discover questions or answers on a real estate appraiser licensing examination; or

G. disseminate to any other person specific questions, problems, or information known or believed to be included in licensing examinations.

Subp. 2. **Notification of misconduct.** Coordinators and instructors must notify the commissioner within ten days after the occurrence of any of the following:

A. a felony or gross misdemeanor conviction of or disciplinary action taken against the real estate appraiser license or other occupational license held by the coordinator or instructor, which may be grounds for denying or revoking instructor or coordinator approval; and

B. any change of information contained in an application for approval as a coordinator or instructor.

STANDARDS OF APPRAISER CONDUCT

2808.6000 STANDARDS OF CONDUCT.

Subpart 1. **Compliance with the uniform standards of professional appraisal practice.** In addition to an act compelled or prohibited by Minnesota Statutes, chapter 82B, or this chapter, an appraiser must act in accordance with the

standards of professional appraisal practice as defined in Minnesota Statutes, section 82B.02, subdivision 12.

Subp. 2. **Disclosure requirements.** In addition to the requirements of the standards of professional appraisal practice as defined by Minnesota Statutes, section 82B.02, subdivision 12, an appraiser must, prior to performing any appraisal service which requires licensing pursuant to Minnesota Statutes, chapter 82B, disclose in writing to the person contracting for the appraisal service the information identified in item D. In addition, an appraiser must prepare a written disclosure providing the information identified in items A to M. The written disclosure must be included as part of the final written appraisal report. As specified in this subpart, an appraiser must:

A. disclose who has employed the appraiser;

B. disclose who the appraisal is rendered for, if not the person who employed the appraiser;

C. disclose the purpose of the appraisal, including an explanation of the difference between the appraisal being given and an appraisal of fee simple market valuation;

D. disclose any conflict of interest or situation which might reasonably be perceived to be a conflict of interest which shall include, but not be limited to, the following situations:

(1) whether the appraiser has any ownership interest in the subject property or contiguous properties;

(2) whether there is an ownership interest by a spouse, parent, or child of the appraiser in the property or contiguous properties; and

(3) whether the appraiser has a continuing business relationship with one of the parties, for example, any part-time or full-time employment of the appraiser, spouse, children living at home, or dependent children.

Failure to promptly give notification of a conflict shall be considered a violation of the standards of professional appraisal practice;

E. disclose that the appraisal is a reevaluation and identify the areas of difference between the two appraisals and the justification for the changes;

F. disclose any facts concerning the valuation needed for loan purposes or similar information that was provided to the appraiser before or during the appraisal;

G. disclose that the appraiser has not performed appraisals of the type requested or for the type of property to be appraised as a regular part of the appraiser's business in the preceding five-year period, provided that if the appraiser asserts qualification by training or related experience to perform the appraisal, the appraiser shall set forth the training or experience and how it is applicable to the appraisal;

H. disclose the license classification of the appraiser and the types of appraisals that the appraiser is authorized to conduct under the licensure;

I. disclose any lack of experience or training that would affect the ability of the appraiser to perform the appraisal or could cause rejection of the appraisal by the party requiring the appraisal;

J. disclose any appraisal on the same property made by the appraiser in the last three years;

K. disclose all pertinent assumptions upon which a valuation based upon income from the property is derived such as expected occupancy rates, rental rates, construction of future improvements, roads, or highways;

L. prior to performing the appraisal, disclose whether the appraiser has previously been to the property; and

M. disclose any other fact or circumstance that could bring the reliability of the appraisal or the impartiality of the appraiser into question.

Subp. 3. **Additional requirements.** In addition to the requirements of subparts 1 and 2, an appraiser must:

A. not knowingly make any of the following unacceptable appraisal practices:

(1) include inaccurate or misleading factual data about the subject neighborhood, site, improvements, or comparable sales;

(2) fail to comment on negative factors with respect to the subject neighborhood, subject property, or proximity of the subject property to adverse influences;

(3) unless otherwise disclosed in the appraisal report, use comparables in the valuation process that the appraiser has not at least personally inspected from the exterior by driving by them;

(4) select and use inappropriate comparable sales or fail to use comparables that are physically and by location the most similar to the subject property;

(5) use data, particularly comparable sales data, that was provided by parties who have a financial interest in the sale or financing of the subject property without the appraiser's verification of the information from a disinterested source. For example, it would be inappropriate for an appraiser to use comparable sales provided by the real estate broker who is handling the sale of the subject property, unless the appraiser verifies the accuracy of the data provided through another source and makes an independent investigation to determine that the comparables provided were the best ones available;

(6) use adjustments to the comparable sales that do not reflect the market's reaction to the differences between the subject property and the comparables, or fail to make adjustments when they are clearly indicated;

(7) develop a valuation conclusion that is based either partially or completely on factors identified in Minnesota Statutes, chapter 363, including race, color, creed, religion, sex, marital status, status with regard to public assistance, disability, familial status of the owner or occupants of nearby property, or national origin of either the prospective owners or occupants of the properties in the vicinity of the subject property; or

(8) develop a valuation conclusion that is not supported by available market data;

B. provide a resume, current within six months of the date it is provided, to anyone who employs the appraiser, indicating all professional degrees and licenses held by the appraiser;

C. prior to performing the appraisal, view the entire property, inside and out, as well as confirm the existence of any contiguous highways, buildings, or other factors that affect the valuation of the property; and

D. reject any request by the person who has employed the appraiser that is in conflict with the requirements of Minnesota law or this chapter and withdraw from the appraisal assignment if the employing party persists in the request.

Subp. 4. **Enforcement.** Failure to comply with the provisions of this part is a prohibited practice under Minnesota Statutes, section 82B.20, subdivision 2, clause (17).

2808.7000 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE

RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION (1-4 Units)

	% WEIGHT	LEVEL OF DIFFICULTY
I. INFLUENCES ON REAL ESTATE VALUE	3-4%	Conceptual
A. Physical and Environmental		
B. Economic		
C. Governmental and Legal		
D. Social		
II. LEGAL CONSIDERATIONS IN APPRAISAL	6-8%	Conceptual, Definitions
A. Real estate vs. real property		
B. Real property vs. personal property		
C. Limitations on real estate ownership		
1. Private		
a. Deed restrictions		
b. Leases		
c. Mortgages		
d. Easements		
e. Liens		
f. Encroachments		
2. Public		
a. Police power		
(1) Zoning		
(2) Building and fire codes		
(3) Environmental regulations		
b. Taxation		
(1) Property tax		
(2) Special assessments		
c. Eminent domain		
d. Escheat		
D. Legal rights and interests		
1. Fee simple estate		

		2. Life estate		
		3. Leasehold interest		
		4. Leased fee interest		
		5. Other legal interests		
		a. Easement		
		b. Encroachment		
	E.	Forms of property ownership		
		1. Individual		
		2. Tenancies and undivided interests		
		3. Special ownership forms		
		a. Condominiums		
		b. Cooperative		
		c. Timesharing		
	F.	Legal descriptions		
		1. Metes and bounds		
		2. Government survey		
		3. Lot and block		
	G.	Transfer of title		
		1. Basic types of deeds		
		2. Recordation		
III.		TYPES OF VALUE	3-5%	Conceptual,
	A.	Market Value or Value in Exchange		Definitions
	B.	Price		
	C.	Cost		
	D.	Investment Value		
	E.	Value in Use		
	F.	Assessed Value		
	G.	Insurable Value		
IV.		ECONOMIC PRINCIPLES	7-9%	Conceptual,
	A.	Anticipation		Definitions
	B.	Balance		
	C.	Change		
	D.	Competition		
	E.	Conformity		
	F.	Contribution		
	G.	Increasing and Decreasing Returns		
	H.	Substitution		
	I.	Supply and Demand		
	J.	Surplus Productivity		
V.		REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual
	A.	Characteristics of real estate markets		
		1. Availability of information		
		2. Changes in supply vs. demand		
		3. Immobility of real estate		
		4. Segmented markets		
		5. Regulations		
	B.	Absorption analysis		
		1. Demographic data		
		2. Competition		
		3. Absorption		
		4. Forecasts		
	C.	Role of money and capital markets		
		1. Competing investments		
		2. Sources of capital		
	D.	Real estate financing		
		1. Mortgage terms and concepts		
		a. Mortgagor		
		b. Mortgagee		
		c. Principal and Interest		
		2. Mortgage payment plans		
		a. Fixed rate, level payment		
		b. Adjustable rate		
		c. Buydown		
		d. Other		
		3. Types of mortgages		
		a. Conventional		
		b. Insured		

VI. VALUATION PROCESS	4-6%	Conceptual
A. Definition of the problem		
1. Purpose and use of appraisal		
2. Interests to be appraised		
3. Type of value to be estimated		
4. Date of the value estimate		
5. Limiting conditions		
B. Collection and analysis of data		
1. National and regional trends		
2. Economic base		
3. Local area and neighborhood		
a. Employment		
b. Income		
c. Trends		
d. Access		
e. Locational convenience		
4. Site and improvements		
C. Analysis of highest and best use		
D. Application and limitations of each approach to value		
1. Sales comparison		
2. Cost		
3. Income capitalization		
E. Reconciliation and final value estimate		
F. The appraisal report		
VII. PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
A. Site Description		
1. Utilities		
2. Access		
3. Topography		
4. Size		
B. Improvement description		
1. Size		
2. Condition		
3. Utility		
C. Basic construction and design		
1. Techniques and materials		
a. Foundations		
b. Framing		
c. Finish (exterior and interior)		
2. Functional utility		
VIII. HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
A. Four tests		
1. Physically possible		
2. Legally permitted		
3. Economically feasible		
4. Maximally productive		
B. Vacant site or as if vacant		
C. As improved		
D. Interim use		
IX. APPRAISAL STATISTICAL CONCEPTS	1-3%	Conceptual, Analysis/ Application
A. Mean		
B. Median		
C. Mode		
D. Range		
E. Standard deviation		
X. SALES COMPARISON APPROACH	21-24%	Conceptual, Definitions, Analysis/ Application
A. Research and selection of comparables		
1. Data sources		
2. Verification		
3. Units of comparison		
a. Data sources		
b. Size		
(1) Square foot		

	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Rooms		
	(2) Beds		
	(3) Other		
B.	Elements of comparison		
	1. Property rights conveyed		
	a. Leased fee/leasehold		
	b. Easements		
	c. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
C.	Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
D.	Application of sales comparison approach		
XI.	SITE VALUE	4-6%	Conceptual, Definitions, Analysis/ Application
A.	Sales comparison		
B.	Land residual		
C.	Allocation		
D.	Extraction		
E.	Plottage and Assemblage		
XII.	COST APPROACH	8-10%	Conceptual, Definitions, Analysis/ Application
A.	Steps in cost approach		
	1. Reproduction vs. replacement cost		
	a. Comparative unit method		
	b. Unit-in-place method		
	c. Quantity survey method		
	d. Cost service index		
	2. Accrued depreciation		
	a. Types of depreciation		
	(1) Physical deterioration		
	(a) Curable		
	(b) Incurable		
	(c) Short-lived		
	(d) Long-lived		
	(2) Functional obsolescence		
	(a) Curable		
	(b) Incurable		
	(3) External obsolescence		
	(a) Locational		
	(b) Economic		
	b. Methods of estimating depreciation		
	(1) Age-life method		
	(2) Breakdown method and sequence of deductions		
	(3) Market extraction of depreciation		
B.	Application of the cost approach		
XIII.	INCOME APPROACH	7-9%	Conceptual, Definitions, Analysis/ Application
A.	Estimation of income and expenses		
	1. Gross market income		
	2. Effective gross income		
	a. Vacancy		

	b. Collection loss		
	3. Operating expenses		
	a. Fixed expenses		
	b. Variable expenses		
	c. Reserve for replacements		
	4. Net operating income		
	B. Operating expense ratios		
	C. Gross rent multiplier		
XIV.	VALUATION OF PARTIAL INTERESTS	1-3%	Conceptual, Definitions
	A. Life estates		
	B. Undivided interest in commonly held property		
	C. Easements		
	D. Timeshares		
	E. Cooperatives		
	F. Leased fee estate		
	G. Leasehold estate		
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7100 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION

		% WEIGHT	LEVEL OF DIFFICULTY
I.	INFLUENCES ON REAL ESTATE VALUE	2-3%	Conceptual
	A. Physical and Environmental		
	B. Economic		
	C. Governmental and Legal		
	D. Social		
II.	LEGAL CONSIDERATIONS IN APPRAISAL	7-8%	Conceptual, Definitions
	A. Real estate vs. real property		
	B. Real property vs. personal property		
	1. Fixtures		
	2. Trade Fixtures		
	3. Machinery and equipment		
	C. Limitations on real estate ownership		
	1. Private		
	a. Deed restrictions		
	b. Leases		
	c. Mortgages		
	d. Easements		
	e. Liens		
	f. Encroachments		
	2. Public		
	a. Police power		
	(1) Zoning		
	(2) Building and fire codes		
	(3) Environmental regulations		
	b. Taxation		
	(1) Property tax		
	(2) Special assessments		
	c. Eminent domain		
	d. Escheat		
	D. Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
	E. Forms of property ownership		
	1. Individual		
	2. Tenancies and undivided interests		
	3. Special ownership forms		

	a. Condominiums		
	b. Cooperative		
F.	Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
G.	Transfer of title		
	1. Basic types of deeds		
	2. Recordation		
III.	TYPES OF VALUE	2-3%	Conceptual, Definitions
A.	Market Value or Value in Exchange		
B.	Price		
C.	Cost		
D.	Investment Value		
E.	Value in Use		
F.	Assessed Value		
G.	Insurable Value		
H.	Going Concern Value		
IV.	ECONOMIC PRINCIPLES	3-5%	Conceptual, Definitions
A.	Anticipation		
B.	Balance		
C.	Change		
D.	Competition		
E.	Conformity		
F.	Contribution		
G.	Increasing and Decreasing Returns		
H.	Opportunity Cost		
I.	Substitution		
J.	Supply and Demand		
K.	Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual, Analysis/ Application
A.	Characteristics of real estate markets		
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
B.	Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	5. Existing space inventory		
	6. Current and projected space surplus		
	7. New space		
C.	Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
D.	Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		
	a. Conventional		
	b. Insured		
VI.	VALUATION PROCESS	2-4%	Conceptual
A.	Definition of the problem		
	1. Purpose and use of appraisal		
	2. Interests to be appraised		
	3. Type of value to be estimated		

	4. Date of the value estimate		
	5. Limiting conditions		
	B. Collection and analysis of data		
	1. National and regional trends		
	2. Economic base		
	3. Local area and neighborhood		
	a. Employment		
	b. Income		
	c. Trends		
	d. Access		
	e. Locational convenience		
	4. Site and improvements		
	C. Analysis of highest and best use		
	D. Application and limitations of each approach to value		
	1. Sales comparison		
	2. Cost		
	3. Income capitalization		
	E. Reconciliation and final value estimate		
	F. The appraisal report		
VII.	PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
	A. Site Description		
	1. Utilities		
	2. Access		
	3. Topography		
	4. Size		
	B. Improvement description		
	1. Size		
	2. Condition		
	3. Utility		
	C. Basic construction and design		
	1. Techniques and materials		
	a. Foundations		
	b. Framing		
	c. Finish (exterior and interior)		
	d. Mechanical		
	2. Functional utility		
VIII.	HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
	A. Four tests		
	1. Physically possible		
	2. Legally permitted		
	3. Economically feasible		
	4. Maximally productive		
	B. Vacant site or as if vacant		
	C. As improved		
	D. Interim use		
IX.	APPRAISAL MATH AND STATISTICS	3-5%	Conceptual, Analysis/ Application
	A. Compound interest concepts		
	1. Future value of $1		
	2. Present value of $1		
	3. Future value of an annuity of $1 per period		
	4. Present value of an annuity of $1 per period		
	5. Sinking fund factor		
	6. Installment to amortize $1 (loan constant)		
	B. Statistical concepts used in appraisal		
	1. Mean		
	2. Median		
	3. Mode		
	4. Range		
	5. Standard deviation		
X.	SALES COMPARISON APPROACH	10-12%	Conceptual,
	A. Research and selection		Definitions,

	of comparables		Analysis/ Application
	1. Data sources		
	2. Verification		
	3. Units of comparison		
	a. Income		
	(1) Potential gross income multiplier		
	(2) Effective gross income multiplier		
	(3) Overall rate		
	b. Size		
	(1) Square foot		
	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Motel and apartment units		
	(2) Theater seats		
	(3) Other		
B.	Elements of comparison		
	1. Property rights conveyed		
	a. Easements		
	b. Leased fee/Leasehold		
	c. Mineral rights		
	d. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
	7. Tenant improvements		
C.	Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
D.	Application of sales comparison approach		
XI.	SITE VALUE	3-5%	Conceptual, Definitions, Analysis/ Application
A.	Sales comparison		
B.	Land residual		
C.	Allocation		
D.	Extraction		
E.	Ground rent capitalization		
F.	Subdivision analysis		
	1. Development cost: direct and indirect		
	2. Contractor's overhead and profit		
	3. Forecast absorption and gross sales		
	4. Entrepreneurial profit		
	5. Discounted value conclusion		
G.	Plottage and Assemblage		
XII.	COST APPROACH	9-12%	Conceptual, Definitions, Analysis/ Application
A.	Steps in cost approach		
	1. Reproduction vs. replacement cost		
	a. Comparative unit method		
	b. Unit-in-place method		
	c. Quantity survey method		
	d. Cost service index		
	2. Accrued depreciation		
	a. Types of depreciation		
	(1) Physical deterioration		

(a) Curable
(b) Incurable
(c) Short-lived
(d) Long-lived
(2) Functional obsolescence
(a) Curable
(b) Incurable
(3) External obsolescence
(a) Locational
(b) Economic
b. Methods of estimating depreciation
(1) Age-life method
(2) Breakdown method and sequence of deductions
(3) Market extraction of depreciation

B. Application of the cost approach

XIII. INCOME APPROACH 20-24% Conceptual, Definitions, Analysis/ Application

A. Estimation of income and expenses
1. Gross market income
2. Effective gross income
a. Vacancy
b. Collection loss
3. Operating expenses
a. Fixed expenses
b. Variable expenses
c. Reserve for replacements
4. Net operating income

B. Operating statement ratios
1. Operating expense ratio
2. Net income ratio
3. Break-even ratio

C. Direct capitalization
1. Relevance and limitations
2. Overalll capitalization rate
3. Gross income multiplier and net income ratio
4. Band of investment (mortgage equity) techniques
5. Residual techniques
a. Land (building value given)
b. Building (land value given)
c. Equity (mortgage value given)

D. Cash flow estimates (before tax only)
1. Operating years
a. Estimating NOI with a change in NOI
b. Estimating NOI using lease information
c. Cash flow (NOI less mortgage payment)
2. Reversion
a. Estimating resale with a change in value
b. Estimating resale with a terminal capitalization rate
c. Cash flow (sale price less mortgage balance)
d. Deductions for costs of sale and legal fees to arrive at a net reversion

E. Measures of cash flow
1. Equity dividend rate (cash on cash rate)
2. Debt coverage ratio

F. Discounted cash flow analysis (DCF)
1. Relevance and limitations
2. Potential gross income and expense estimate

	a. Market vs. contract rents		
	b. Vacancy and lease commissions		
	c. Tenant improvements and concessions		
	3. Discount rates and yield rates (definition and concept but no calculations of yield rate)		
	4. Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts and tables or calculators can be used)		
XIV.	VALUATION OF PARTIAL INTERESTS	4-6%	Conceptual, Definitions, Analysis/ Application
	A. Interests created by a lease		
	1. Leased fee		
	2. Leasehold		
	3. Subleasehold		
	4. Renewal options		
	5. Tenant improvements		
	6. Concessions		
	B. Lease Provisions		
	1. Overage rent		
	2. Expense stops		
	3. Net leases		
	4. Minimum rent		
	5. Percentage rent		
	6. CPI adjustments		
	7. Excess rent		
	C. Valuation considerations		
	1. Identifying the cash flows, to the different interests, including turnover ratios		
	2. Discount rate selection for different interests		
	3. Relationship between the values of the interests		
	D. Other partial interests		
	1. Life estates		
	2. Undivided interest in commonly held property		
	3. Easements		
	4. Timeshares		
	5. Cooperatives		
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7200 CERTIFIED STATE AND FEDERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 75 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses; and

(3) operating expense ratios;

N. valuation of partial interests; and

O. appraisal standards and ethics.

2808.7300 CERTIFIED FEDERAL RESIDENTIAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses;

(3) operating expense ratios; and

(4) direct capitalization;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

2808.7400 CERTIFIED FEDERAL GENERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education included coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal math and statistics;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) estimation of income and expenses;

(2) operating statement ratios;

(3) direct capitalization;

(4) cash flow estimates;

(5) measures of cash flow; and

(6) discounted cash flow analysis;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

REPEALER. Minnesota Rules, part 2808.3000, subpart 3a, is

repealed on January 1, 1994. Minnesota Rules, part 2808.3000, subpart 7, is repealed on December 1, 1995.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

In the Matter of the Proposed Rules Governing Licensing and Education of Real Estate Appraisers

STATEMENT OF NEED AND REASONABLENESS OF PROPOSED RULES

STATEMENT OF AUTHORITY

Minnesota Statutes §§ 82B.13, subd. 3. and 82B.19, subd. 2., allows the Commissioner of Commerce to adopt rules to carry out the pre-licensing education, examination and continuing education requirements for licensure of real estate appraisers under Minnesota Statutes Chapter 82B as well as assuring that those persons who receive licenses "will provide a high degree of service and protection to (the) public". These rules are proposed pursuant to that authority. The purpose of the rules is to provide procedures for the operation of Minnesota's real estate appraiser licensing law as required by the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989 (Public Law 100-73, Title XI) ("FIRREA") - Real Estate Appraisal Reform Amendments.

Specifically, these proposed rules set forth procedures for the authorization of appraiser prelicensing education, verification of education, verification of experience requirements, examination of applicants, collection of fees, issuance, suspension, revocation and denial of licenses, and standards of conduct. With regard to prelicensing education, the statute mandates that "[these rules must, to the extent practicable, conform to the rules adopted for real estate and insurance education." Minn. Stat. § 82B.13, subd. 3. For appraiser continuing education, the rules must coordinate "with real estate continuing education requirements." Minn. Stat. § 82B.19, subd. 2 (3). Giving attention to these directives, the rules have been drafted to conform in style and content as closely as possible to the rules governing the education and licensing of real estate and insurance licensees.

Minnesota Statutes § 82B.05 provides for the creation of a real estate appraiser advisory board appointed by the commissioner. The board is responsible for making recommendations to the commissioner, upon the Commissioner's request, on, among other things:

"(1) rules with respect to each category of licensed real estate appraiser, the type of educational experience, appraisal experience, and equivalent experience that will meet the requirements of this chapter;...
(3) rules with respect to each category of licensed real estate appraiser, the continuing education requirements for the renewal of licensing...

Minn. Stat. § 82B.06. The fifteen members of the advisory board have been provided copies of the rules in their various stages of development and copies of these proposed rules and have been given opportunity to comment and make recommendations. The rules as published incorporate the input of the board.

In addition to the real estate advisory board the department created two additional panels to provide their perspective on what was needed in regard to these rules. The two panels were composed of "consumers" of appraiser services. One panel consisted of persons dealing in the commercial real estate area, the other in the residential area. These groups were very useful in pointing out where current practices did not give them adequate information or protection. The standards of conduct in particular reflect attempts to deal with their concerns.

Input by the consumer groups was considered to be of extreme importance because the two federal entities that have authority for creating licensing standards are composed almost exclusively of representatives of the various appraiser groups.

The savings and loan crisis as well as similar experiences in other fields resulted in FIRREA's real estate appraiser licensing requirement. Whether fairly or not, appraisals performed either by incompetent appraisers or by appraisers whose appraisal reports showed property values that were dictated by the person who employed the appraiser and not market forces, were seen as significant factors in the crisis. Accordingly reform was mandated.

These rules consist of two parts, education and examination of appraisers which sets minimum entrance requirements to the profession, and the standards of conduct which govern their activities once in the profession.

FACTS ESTABLISHING NEED AND REASONABLENESS

As more specifically set forth below, the proposed rules are necessary to implement Minnesota's real estate appraiser licensing law. State licensing of appraisers was mandated

by the United States Congress through FIRREA in 1989. Under that Act, all states are required to establish procedures for the education and licensing of appraisers who conduct appraisals of real property financed through financial institutions regulated by one of six agencies of the federal government. All appraisals on "federally-related transactions" performed after January 1, 1993 must be conducted by a state licensed or certified appraiser.

Guidance in the development of Minnesota's real estate appraiser licensing law was provided by the Federal Appraisal Subcommittee (FAS) of the Federal Financial Institutions Examinations Council and the Appraisal Foundation. These entities were designated under FIRREA to provide guidance to the states in the development of appraiser licensing statutes and monitor their implementation and operation. Information published by the FAS and the Appraisal Foundation, as well as information gained through direct inquiry of these entities, was incorporated into these proposed rules. Every effort was made to assure that Minnesota's appraiser licensing law and rules conform to the federal requirements and guidelines without unduly limiting the ability of appraisers to exercise their profession.

ANALYSIS

Part 2808.0100 DEFINITIONS.

Part 2808.0100 defines terms as they relate to real estate appraiser education, examination, licensing, continuing education and standards of conduct. These definitions clarify the terms used in the body of the rules.

Subp. 2. Applicant. This subpart defines the reference to individuals who apply for licensure as a real estate appraiser. It specifies that applicant must be the person seeking to be licensed. No one else can make the application. See also Rules Part 2725.0100 subp. 1a.

Subp. 3. Appraisal foundation or foundation. This subpart defines the term "Appraisal Foundation" to make certain that the terms applies to the Appraisal Foundation specified in under Public Law 100-73 § 1121(9) (FIRREA).

Subp. 4. Appraisal standards board. This subpart defines the board of the Appraisal Foundation responsible for establishing federal appraisal standards as set forth in the Uniform Code of Professional Appraisal Practice. This definition specifically references the entity identified under Minn. Stat. § 82B.02, subd. 12, which is responsible for promulgation of these professional practice standards. Licensees are required to be knowledgeable in these standards and conduct appraisals consistent with them. Minn. Stat. §§ 82B.12, Subdivisions 1 and 2, and 82B.20, subd. 2 (13).

Subp. 5. Appraiser qualifications board. This subpart identifies the federally authorized entity responsible for determining the requirements for state licensure and certification of appraisers. It is also responsible for approval of the uniform real estate appraiser examination used in Minnesota and other states to assure consistency of knowledge among appraisers across the United States.

Subp. 6. Certified federal residential real property appraiser. This subpart restates the definition set forth the Minn. Stat. § 82B.11, subd. 4.

Subp. 7. Certified federal general real property appraiser. This subpart restates the definition set forth in Minn. Stat. § 82B.11, subd. 5.

Subp. 8. Classroom hour. This subpart defines "classroom hour". It is consistent with the definition used in real estate, insurance and other types of continuing education under the Department's authority and presumes that each classroom hour consists of 60

minutes of classroom instruction.

Subp. 9. Commissioner. This subpart restates the definition set forth in Minn. Stat. § 82B.02, subd. 7.

Subp. 10. Coordinator. This definition identifies the person responsible for monitoring appraisal education offerings as opposed to a teacher, instructor or other persons who might otherwise have responsibility for oversight of the educational offering. It is similar to the definition used for real estate continuing education. Part 2800.7400 and insurance continuing education Part 2725.0100 subp. 2.

Subp. 11. Federal appraisal subcommittee. This definition is adopted from Public Law 100-73, § 1121 (2), and refers to the entity required under federal statute to guide and monitor the implementation of Title XI of FIRREA - the Real Estate Appraisal Reform Amendments.

Subp. 12. Federal financial institutions regulatory agency. The subpart defines the various federal agencies responsible for regulation of financial institutions as identified in Public Law 1000-73, § 1121 (6).

Subp. 13. Federal residential real property appraiser. This subpart restates the definition set forth in Minn. Stat. § 82B, subd. 3.

Subp. 14. Federally related transaction. This subpart adopts the definition set forth in Public Law 100-73, § 1121 (4).

Subp. 15. Foundation appraisal organization. This subpart identifies the professional appraisal organizations that constitute the Appraisal Foundation.

Subp. 16. Instructor. This subpart's broad definition is designed to include anyone who lectures in an appraisal prelicensing education or continuing education offering thereby requiring all such persons to comply with the licensing statutes and these rules. It is consistent with the definitions used for insurance and real estate education instructors. See Parts 2800.7500 & 2725.0100. It is designed to remove any question as to whether a person appearing before students is a lecturer.

Subp. 17. Person. This subpart adopts the insurance continuing education rules, Part 2725.0100 Subp. 7 definition of "person" provided in Minn. Stat. § 60A.02, subd. 7, general insurance powers; Minnesota Statutes § 82.17, subd. 2., real estate statutes, real

estate rules, Part 2800.0100 subpart 7 to make this definition consistent with those statutes as required under the consistency mandate of appraiser rules promulgation authority. The definition covers both natural persons and a wide variety of business entities that are likely to come under these rules.

Subp. 18. Real estate appraiser or real property appraiser. This subpart adopts the definition set forth in Minn. Stat. § 82B.02, subd. 8.

Subp. 19. Real estate-related financial transaction. This subpart incorporates the board definition set forth in Public Law 100-73, § 1121 (5). It is designed to cover all types of transactions which, under federal law, require the services of a state licensed or certified appraiser. Likewise, it is consistent with the definition of "real estate" and "real property" set forth in Minn. Stat. § 82B.02, Subdivisions 10 and 11.

Subp. 20. Sponsor. Sponsor is defined as any "person" offering or providing real estate appraisal education of any type. This is an expansive definition designed to remove any doubt that anyone offering any type of real estate appraisal education comes within the scope of these rules.

Subp. 21. State real property appraiser. This subpart adopts the definition set forth in Minn. Stat.§ 82B.02, subd. 8.

LICENSING

Part 2808.1000 PAYMENT OF FEES

The requirements of Parts 2808.1000 to .1700 duplicate similar provisions found in the rules governing the licensing of insurance agents (1991 Rules of Minnesota, § 2795.0100 et. seq.) and real estate brokers and agents (1991 Rules of Minnesota, § 2800.0100 et. seq.). In doing so, it is the intention of the Department of Commerce to not only comply with the consistency mandate for development of rules under Minn. Stat. § 82B, but also to make the rules governing similar professional activities more accessible and easier to understand.

Subpart 1. Cash not accepted. This subpart specifies the methods that an applicant may use to tender the required fees for licensure. The methods allowed are generally available to the public. Cash is not allowed so as to reduce the potential for mishandling of proceeds and to make proof of payment easier to verify. The real estate rules contain a

similar provision. See Real Estate Rules Part 2800.1100.

Subp. 2. Overpayment of fees. Within six months of payment and upon a written request, an applicant may receive a refund of any overpayment of licensing fees. This provision allows a reasonable time for discovering an overpayment and making a request for a refund before forfeiture is required. The real estate rules contain a similar provision. See Real Estate Rules Part 2800.1100.

Subp. 3. Fee to federal appraisal subcommittee. Federal activities related to the monitoring of state appraiser licensing agencies are to be financed through appraiser registration fees. Public Law 100-73, § 1109, requires state appraiser licensing agencies to annually collect and transmit to the Federal Appraisal Subcommittee a registration fee of not more than $25 per individual conducting appraisals. This subpart authorizes the commissioner to collect and transmit these required fees which is also authorized by §82B.23.

Part 2808.1100 LICENSE.

Subpart 1. Application for real estate appraiser license. Applicants are allowed one year from the date of completion of the required examination to make application for a license. This period allows an applicant sufficient time to apply for a license while not requiring the department to maintain extensive files on individuals who may never wish to further their application process. More importantly it means that the education and proof of competency by means of passing the examination are current reflections of the applicant's abilities at the time of licensing. If repeats the requirement of §82B.10 subd. 4 as well as Real Estate Rules Part 2800.1300 Subp. 1.

Subp. 2. Cancellation of license. Minn. Stat. § 82B.19 requires each licensee to complete 15 hours of continuing education during the year preceding license renewal or the Commissioner cannot renew their license. The ten day time period for return of a canceled license allows the licensee sufficient time to comply without subjecting the public to extensive exposure to persons who are not in compliance with the law. This is similar to the real estate rules Part 2800.1300 subp. 1.

Subp. 3. Reinstatement of license. This subpart allows for reinstatement of a license after cancellation without requiring the former licensee to submit to re-examination.

The licensee must complete appropriate requirements for reinstatement including finishing all outstanding continuing education, filing an application and paying the required fees. The two-year time frame allows a former licensee sufficient time to achieve reinstatement without allowing an individual to conduct appraisals after having been out of the profession for an extensive period of time. The individual's experience and education are still current enough to protect the public without the necessity of an examination. It also follows the practices of the real estate and insurance statute rules. (See Minnesota Statute §60A.17, Subd. 1(10)(7), §82.22 Subd. 3). This is also the standard of §82B.10, Subd. 10.

Part 2808.1200 CHANGE OF INFORMATION; NOTICE TO THE COMMISSIONER

This subpart allows the commissioner to maintain current records on appraiser licensees by requiring them to file changes of information with the department within 10 days. It paraphrases §82B.08, Subd. 6 and is similar to §82.20 Subd. 11 and Minnesota Rules Part 2800.1600 Subp. 2 for Real Estate Agents.

Part 2808.1300 NONRESIDENT APPOINTMENT OF COMMISSIONER FOR SERVICE OF PROCESS.

Subpart 1. Requirement for appointment. Nonresident licensees are required to appoint the commissioner to receive service of process in actions or proceedings to which the licensee may be a party. This requirement facilitates the public's access to a nonresident licensee for service of process and overcomes most questions regarding appropriate jurisdiction that could arise under legal action. This is identical to the requirements for real estate and insurance licenses (§82.31, Subd. 1 and 60A.17, Subd. 1(a) (c) (2)) and §82B.15, Subd. 1.

Subp. 2. Form for consent to service of process. This subpart sets forth the standard format used by the department for appointment of the commissioner for service of process in other license situations.

Part 2808.1400 WITHDRAWAL OF LICENSE OR APPLICATION.

This part provides a procedure for a licensee to resign a license or an applicant to withdraw an application. Resignation or withdrawal becomes effective immediately upon receipt of a written request by the commissioner. However, a license or application may not be withdrawn if a proceeding to revoke, suspend or deny license is pending. This allows the

commissioner's authority to continue over appraisers or applicants in situations where those person's professional activities have or could prove injurious to the public. Likewise, the commissioner retains authority to institute an administrative action against a licensee or applicant for one year after withdrawal. Both of these reservations of authority help to assure that the commissioner is properly empowered to maintain the integrity of the appraisal profession within the state. Without these provisions a licensee who had caused significant harm to the public could resign their license and then reapply later and legitimately say that they had never had administration actions taken against them, that they had a clean record.

Part 2808.1500 FAILURE TO RENEW LICENSE.

This part maintains the commissioner's authority to institute administrative proceedings against an appraiser who conducts business without having fulfilled the legal requirements for continued licensure. This reservation of authority assures that the commissioner is properly empowered to maintain the integrity of the appraisal profession within the state.

Part 2808.1600 REVOCATIONS.

This part sets forth a number of conditions under which the commissioner is empowered to revoke an appraiser license or deny an application. The commissioner's authority extends to situations where an individual is judged incompetent or under the legal control of another and, therefore, unable to properly perform appraisals.

Likewise, the commissioner may revoke or deny an application for housekeeping purposes in situations where an appraiser ceases to do business or cannot be located.

Part 2808.1700 COURSE COMPLETION CERTIFICATES FOR REAL ESTATE APPRAISER LICENSE.

Subpart 1. Submitting to commissioner. This subpart sets forth a procedure for applicants to provide the commissioner with evidence of course completion as required by Minn. Stat. § 82B.13.

Subp. 2. Forms. For consistency and ease of processing, applicants are required to use standard forms developed by the commissioner when submitting evidence of prelicensing education course completion.

Subp. 3. Copies to be maintained. To assure backup evidence of course

completion, this subpart requires students to maintain copies of their course completion certificates.

EXAMINATION AND EXPERIENCE

Part 2808.2000 PASSING GRADE FOR EXAMINATION

This part requires that an applicant receive a grade of 75 percent or better to pass a licensing examination. This score is consistent with the score required to pass an insurance or real estate licensing test. Likewise, it is within the range acceptable to the Appraisal Qualification Board for passing the uniform national examination as a demonstration of minimum competency.

The part also specifically prohibits cheating on examinations to ensure the integrity and fairness of the testing program and assure that applicants have at least a minimum amount of the knowledge required to conduct sound appraisals. The penalty for cheating is denial of the application for licensure. Since integrity is an essential qualification cheating is an indication that the applicant lacks that quality.

Part 2808.2100 EXAMINATION REQUIREMENTS

Subpart 1. State real property appraiser examination. This subpart sets forth the examination requirements for licensure as a state real property appraiser as provided in Minn. Stat. § 82B.12. An applicant must successfully complete a uniform real estate appraiser examination, Level I, that tests the person's knowledge of terms, principles, theories, and ethics. The subpart references the Part 2808.7000 which incorporates the examination content outline approved by the Appraisal Qualifications Board of the Appraisal Foundation which is the norm that all states will need to satisfy. The outline details the subject matter to be covered in the examination and the amount of weight and the level of difficulty each matter is assigned. Minnesota has chosen to use the national uniform appraiser examination approved by the Appraisal Qualifications Board both to reduce the expense of preparing its own examination and to maintain consistency in the level of knowledge required of appraisers throughout the nation.

Subp. 2. Federal residential real property appraiser examination. This subpart sets forth the examination requirements for licensure as a federal residential real property

appraiser as provided in Minn. Stat. § 82B.12. An applicant must successfully complete a uniform real estate appraiser examination, Level I, that tests the person's knowledge of terms, principles, theories, and ethics. The subpart references the Part 2808.7000 which incorporates the examination content outline approved by the Appraisal Qualifications Board of the Appraisal Foundation. The outline details the subject matter to be covered in the examination and the amount of weight and the level of difficulty each matter is assigned. Minnesota has chosen to use the national uniform appraiser examination approved by the Appraisal Qualifications Board both to reduce the expense of preparing its own examination and to maintain consistency in the level of knowledge required of appraisers throughout the nation.

Subp. 3. Certified federal residential real property appraiser examination. This subpart sets forth the examination requirements for licensure as a certified federal residential real property appraiser as provided in Minn. Stat. § 82B.12. An applicant must successfully complete a uniform real estate appraiser examination, Level I, that tests the person's knowledge of terms, principles, theories, and ethics. The subpart references the Part 2808.7000 which incorporates the examination content outline approved by the Appraisal Qualifications Board of the Appraisal Foundation. The outline details the subject matter to be covered in the examination and the amount of weight and the level of difficulty each matter is assigned. Minnesota has chosen to use the national uniform appraiser examination approved by the Appraisal Qualifications Board both to reduce the expense of preparing its own examination and to maintain consistency in the level of knowledge required of appraisers throughout the nation.

Subp. 4. Certified federal general real property appraiser examination. This subpart sets the examination requirements for licensure as a certified federal general real property appraiser as provided in Minn. Stat. § 82B.12. An applicant must successfully complete a uniform real estate appraiser examination, Level II, that tests the person's knowledge of terms, principles, theories, and ethics. The subpart references the Part 2808.7100 which incorporates the examination content outline approved by the Appraisal Qualifications Board of the Appraisal Foundation. The outline details the subject matter to be covered in the examination and the amount of weight and the level of difficulty each

matter is assigned. Minnesota has chosen to use the national uniform appraiser examination approved by the Appraisal Qualifications Board both to reduce the expense of preparing its own examination and to maintain consistency in the level of knowledge required of appraisers throughout the nation.

Part 2808.2200 EXPERIENCE REQUIREMENTS.

Public Law 100-73, § 1116, delegated the authority for setting minimum experience requirements for state certified appraisers to the Appraisal Qualifications Board of the Appraisal Foundation. The Board has determined that certification to perform appraisals on federally-related transaction properties that are complex or have values of over $1,000,000 requires that the applicant have at least two years of appraisal experience. In addition, the Board has determined that persons licensed by the state to conduct appraisals on all other federally-related transaction properties must also have a "meaningful" amount of experience. It is the Board's position that a "meaningful" amount of experience for this purpose must be at least two years. Minn. Stat. § 82B.14 was amended by the legislature in 1991 to reflect these requirements.

Subpart 1. Verification of experience. This subpart reiterates the requirement of Minn. Stat. § 82B.14 that where applicable applicants for licensure provide evidence of experience to the commissioner prior to receiving a license.

Subp. 2. Acceptable appraisal experience. The Appraisal Qualifications Board has prescribed the types of activities that may qualify as meeting the experience requirement for licensure by the state. The list set forth in this subpart is inclusive of all type of eligible experience recognized by the Board. The department believes that the activities listed encompass a range of meaningful experiences that is broad enough to allow applicants to gain credit for their efforts.

Subp. 3. Education may not substitute. The Appraisal Qualifications Board in its Interpretations/Clarifications of the Appraiser Qualification Criteria, August 14, 1991, specifically prohibits the approval of education activities, except teaching, as a substitute for experience in meeting this requirement. This subpart reiterates that federal restriction.

Subp. 4. One year equivalent. This subpart specifies that for purposes of the appraiser experience requirement, one year's experience is equivalent to 1,000 hours. This

standard is consistent with the guidelines published by the Appraisal Qualifications Board in its Interpretations/Clarifications of the Appraiser Qualification Criteria, August 14, 1991.

Subp. 5. State real property appraiser. Minn. Stat. § 82B.14 sets forth the experience requirement of at least two years for applicants seeking licensure as other than state real property appraisers. This is consistent with the standards established by the Appraisal Qualifications Board for licensees who conduct appraisals on federally-related transaction properties. State real property appraisers are restricted from conducting these types of appraisals and, therefore, need no experience to qualify for such a license. This subpart clearly articulates that evidence of experience is not required to qualify for this class of license which is intended to be used as an entry level license which can be used to gain the experience required for other licenses.

Subp. 6. Federal residential real property appraiser. The Appraisal Qualifications Board as determined that individuals conducting appraisals on federally-related transaction properties must have the equivalent of at least two years' experience prior to licensure. The Board provided no limitation on the time period during which such experience may be acquired. The legislature concurred in this requirement through amendments adopted in 1991 and 1992 to Minn. Stat. § 82B.14. This subpart reiterates the two year experience requirement set forth under the statute.

Subp. 7. Certified federal residential real property appraiser. The Appraisal Qualifications Board has determined that individuals conducting appraisals on federally-related transaction properties must have the equivalent of at least two years' experience prior to licensure. The Board provided no limitation on the time period during which such experience may be acquired. The legislature concurred in this requirement through amendments adopted in 1991 and 1992 to Minn. Stat. § 82B.14. This subpart reiterates the two year experience requirement set forth under the statute.

Subp. 8. Certified federal general real property appraiser. The Appraisal Qualifications Board has determined that individuals conducting appraisals on federally-related transaction properties must have the equivalent of at least two years' experience prior to licensure. The Board provided no limitation on the time period during which such experience may be acquired. The legislature concurred in this requirement through

amendments adopted in 1991 and 1992 to Minn. Stat. § 82B.14. This subpart reiterates the two year experience requirement set forth under the statute. Because federal general real property appraisers are allowed to conduct appraisals on all types of property, the subpart also adds the requirement that at least half of an applicants experience be acquired though work on non-residential properties. This provision is, therefore, also consistent with the standard set by the Board for this class of license.

PRELICENSING EDUCATION

Part 2808.3000 PRELICENSING EDUCATION REQUIREMENTS.

The Appraisal Qualifications Board of the Appraisal Foundation has prescribed minimum educational requirements for persons who apply for licensure to conduct appraisals on properties financed by federally regulated financial institutions. The Minnesota legislature has adopted requirements its 1991 amendments to Minn. Stat. § 82B.13. The state has also taken the position appraisers who may be restricted from working on federally-related transaction properties must still have basic training in the appraisal field as a requirement for licensing. In addition, and in all cases, the education of appraisers must contain a 15-hour component on the standards of professional appraisal practice.

Subpart 1. State real property appraiser. This subpart reiterates the educational requirement that an applicant must meet before receiving a license as provided in Minn. Stat. § 82B.13. By statute, an applicant must successfully complete 60 hours of education in general real estate appraisal principles and 15 hours related to the standards of professional appraisal practice and the legal requirements for appraising in Minnesota. The total of 75 hours of prelicensing education is consistent with the minimum amount required by the Appraisal Qualifications Board for federal residential real property appraisers. With regard to state real property appraisers, the legislature set the same standard for both classes of licensees.

This subpart also references Part 2808.7200 which lists the topics that must be covered in the 75 hours of prelicensing instruction. The contents of this Part 2808.7200 includes all those topic areas that the Appraisal Qualifications Board has determined must be included in an applicant's prelicensing education course of study. The topics to be covered

must include:

(a) Influences on Real Estate Value
(b) Legal Considerations in Appraisal
(c) Types of Value
(d) Economic Principles
(e) Real Estate Markets and Analysis
(f) Valuation Process
(g) Property Description
(h) Highest and Best Use Analysis
(i) Appraisal Statistical Concepts
(j) Sales Comparison Approach
(k) Site Value
(l) Cost Approach
(m) Income Approach
- Gross Rent Multiplier Analysis
- Estimation of Income and Expenses
- Operating Expense Ratios

(n) Valuation of Partial Interests
(o) Appraisal Standards and Ethics

Subp. 2. Federal residential real property appraiser. This subpart reiterates the educational requirement that an applicant must meet before receiving a license as provided in Minn. Stat. § 82B.13. By statute, an applicant must successfully complete 60 hours of education in general real estate appraisal principles and 15 hours related to the standards of professional appraisal practice and the legal requirements for appraising in Minnesota. The total of 75 hours of prelicensing education is consistent with the minimum amount required by the Appraisal Qualifications Board. Likewise, the topics to be covered in the applicant's prelicensing course of study are consistent with the Board's requirements and are set forth in Part 2808.7200 of the rules.

The Board also requires that prelicensing education course work be successfully completed as a prerequisite to taking a licensing examination. This subpart simply restates this requirement.

Subp. 3. Certified federal residential real property appraiser. This subpart restates the education requirement for licensure as set forth in Minn. Stat. § 82B.13, subd. 4. Consistent with the requirement of the Appraisal Qualifications Board for this class of license, the minimum course of study must include 165 classroom hours with particular emphasis on the appraisal of one-to-four family residential properties. Applicants for

licensure must demonstrate that the education covered all of the topics listed in Part 2808.7300. The topics listed in Part 2808.7300 are ones that the Appraisal Qualification Board has determined as essential for prelicensing education. Because of the increased level of this class of license, additional education requirements are included under Part 2808.7300 as compared with those under Part 2808.7200. These additional requirements are needed to ensure that the applicant will have the training necessary for increased responsibilities associated with a certified federal residential license.

Subp. 3a. Education requirement prior to January 1, 1994. This subpart restates an exception to the prelicensing education requirement enacted by the legislature in 1991 Laws of Minnesota, Chapter 97, § 16. The exception requires that an applicant for licensure as a certified federal residential real property appraiser need only complete 105 hours of study prior to sitting for a licensing examination. This statutory exception is consistent with the recommendation of the Appraisal Qualifications Board. An applicant must cover all pertinent topics of study required for this class of license prior to testing however, the time spent in study may be reduced. This exception is no longer available to applicants after January 1, 1994.

Subp. 4. Certified federal general real property appraiser. This subpart restates the education requirement for licensure as set forth in Minn. Stat. § 82B.13, subd. 5. Consistent with the requirement of the Appraisal Qualifications Board for this class of license, the minimum course of study must include 165 classroom hours with particular emphasis on the appraisal of non-residential properties. Applicants for this class of license must demonstrate that their education covered all of the topics listed in Part 2808.7400. The topics listed in Part 2808.7400 are ones that the Appraisal Qualification Board has determined as essential for acquiring this class of license. Adoption of these Board recommended provisions is necessary to ensure that appraisers receiving this license classification will meet federal requirements.

Subp. 5. Approval of course offerings. This subpart requires that sponsors must submit their materials to the commissioner at least 30 days prior to the date on which the course is to be taught. This period allows the commissioner sufficient time to review the course, the sponsors and the instructors and advise the sponsors as to any problems so that

they can be corrected in a timely fashion. The 30-day period is a minimum. Sponsors may submit courses for approval prior to this deadline. Additional information pertaining to the approval of instructors must accompany an application if those persons have not be previously approved to teach the course. Applicants must use forms prescribed by the commissioner to assure that all necessary information is provided and to assist in the expeditious process of applications. This is similar to the procedures in real estate and insurance education.

Subp. 6. Approval of subsequent course offerings. As a means of reducing the burden of course approval for sponsors and the department, this subpart allows subsequent offerings of previously approved education courses upon the submission of a "notice of subsequent course offering' to the commissioner. As with initial approvals, the notice must be filed at least 30 days before the course is taught. This period allows the department time to reconsider its prior approval if problems have subsequently arisen. This is similar to the procedures in real estate and insurance education.

Subp. 7. Approval of courses not submitted for approval. In certain instances, potential appraisal applicants may attend courses sponsored by parties that have not sought the approval of the commissioner. If such a course would otherwise meet the requirements for a portion of the prelicensing education course work requirement, this subpart offers a procedure by which the applicant may submit a request for approval and be granted course credit. Applicants must use forms prescribed by the commissioner to assure that all necessary information is provided and to assist in the expeditious process of applications.

Subp. 8. Successful completion of prelicensing education. This subpart sets out the requirements for successful completion of prelicensing education courses. To gain the maximum exposure to topics covered, students are required to be in full-time attendance throughout the term of the course, complete readings and assignments. In addition, to determine whether students understand the material present, they must pass an examination that fully tests their comprehension of the topics covered. This is similar to the procedures in real estate and insurance education.

Subp. 9. Additional course content. This subpart allows for flexibility in the material covered in prelicensing education courses but assures that course of study includes at

least the information required for a basic understanding of appraisal practice. This is similar to the procedures in real estate and insurance education.

Subp. 10. Textbooks. This subpart requires that students be provided with at least a minimum of written study materials. Textbooks approved by the commissioner are preferred however, at least some form of written material must be made available to supplement classroom instruction. The commissioner reserves the right to prescribe additional written materials if those submitted for approval with the course offering do not adequately address the topics to be covered. This requirement is designed to assure that students gain an adequate understanding of appraisal practice sufficient to assure their ability to conduct sound appraisals. This is similar to the procedures in real estate and insurance education.

Subp. 11. Prelicensing education courses; access. This subpart is designed to prevent discrimination and increase the access of students to prelicensing education courses. It requires that courses offered by any entity, such as a particular appraisal organization, must be open to all students, including those who may not chose to become a member of the organization. Provision is made, however, for restricting class size to allow for an educational experience conducive to good learning. This is similar to the procedures in real estate and insurance education.

Subp. 12. Fees; refunds. This subpart articulates the basic premise that all information provided to students regarding fees must be clear and understandable. Likewise, the fees charged must be reasonable in regard to the courses offered. Discounts are allowed but, they must also be reasonable. The basis for any discounts is not set forth in the rule to allow sponsors a wide latitude that should help keep the market for courses competitive and provide a good value to students. Because the refund process can lead to numerous complaints in regard to how promptly the fees for cancellation of a course are returned, this rule specifies that under all circumstances fees must be returned no later than 30 days after cancellation. To allow students better scheduling options in the case of postponement of a course, the choice of attending the rescheduled course or receiving a tuition refund must be provided. The refund must be made within 30 days of the postponement to protect the rights of the students and preclude sponsors and others offering courses from withholding fees that students may need as tuition for alternatives courses for an undue length of time. This

subpart also requires that a sponsor must have a refund policy regarding the student's cancellation or failure to complete a course. The policy must be fully disclosed to potential students to reduce possible misunderstandings and problems in advance by informing the students of what they have a right to expect.

Subp. 13. Adequate facilities to be used. This subpart states that classrooms and other locations where courses are offered must provide a conducive atmosphere for learning. It is the intent of theses rules that students receive what they pay for, namely a good learning environment. Noisy, poorly ventilated or poor lighted facilities are considered unacceptable. Sponsors will not be allowed to sacrifice learning opportunities to reduce costs. This is similar to the procedures in real estate and insurance education.

Subp. 14. Limitation on use toward continuing education. This subpart is intended to reinforce the purpose of continuing education, namely to keep licensees current and knowledgeable of trends and developments in the appraisal field. Taking the same courses time after time will not accomplish this objective. However, the subpart does acknowledge that basic skills can be refreshed and new techniques learned through participation in prelicensing education after a reasonable period has passed from the initial instruction.

Part 2808.3100 CERTIFICATION OF COURSE COMPLETION.

Subpart 1. Forms. This subpart restates the requirements of Minn. Stat. §§ 82B..08 and .13 that require applicants to present evidence of completion of their prelicensing education requirement when they apply for licensure. To assure that all the required information is provided and to provide consistency in its presentation, certification of course completion must be presented on forms prescribed by the commissioner.

Subp. 2. Certification after completion. To avoid fraud or the failure of a student to complete all required prelicensing coursework, this subpart restricts sponsors from issuing certification of completion prior to the end of the class.

Subp. 3. Records maintained. To assure that accurate records of student participation in prelicensing education courses are available to the commissioner, this subpart requires sponsors to maintain evidence of student grades and attendance for a reasonable period of time. This procedure provides the commissioner with a mechanism for checking

records should questions subsequently arise regarding the accuracy of the information provided by applicant or licensee. Likewise, requiring that records be maintained allows students the ability to recover this information should their records be lost or destroyed.

Subp. 4. Examinations maintained. As in subpart 3, this subpart is designed to allow the commissioner a reasonable time to access course materials should questions arise as to the accuracy of information provided by an applicant or licensee.

Part 2808.3200 PRELICENSING EDUCATION COORDINATORS.

This subpart requires that each course have one coordinator who is responsible for assuring compliance with the laws and rules governing prelicensing education. The coordinator is accountable in all respects for assuring that the course is delivered in an appropriate and legal manner. The requirements imposed on prelicensing education course coordinators are the same as those for continuing education coordinators as discussed in Part 2808.4100.

Part 2808.3300 PRELICENSING EDUCATION INSTRUCTORS.

Subpart 1. General requirement. To assure the quality of course content and presentation, this subpart allows the department to determine the competence of instructors and mandates that only qualified instructors will be allowed to teach prelicensing education courses. Except as otherwise provided in this subpart, course approval will be withdrawn an approved instructors does not present the course.

The subpart, however, does make provision for continued course approval in instances where an approved instructor is unavailable and withdrawal of course approval could work a hardship on students. The department must be notified of the unavailability of the approved instructor within 15 days of presentation of course material by an unapproved instructor. In addition, students must be informed prior to commencement of the course that course approval may be in jeopardy, a full refund is available for students choosing to withdraw, and that a refund will automatically be given is the course attended is later disapproved by the department. This procedure allows the students to decide if they wish to continue in the course and also assures that their tuition is not wasted on courses for which no credit can be given.

Subp. 2. Instructor qualifications. This subpart requires that prelicensing education

instructors personally have at least the amount of knowledge and experience required of a licensed appraiser for the level of prelicensing course they intend to teach. To assure that this requirement is met, each instructor must be a licensed appraiser and be experienced in the appraisal field. For more advanced levels of licensing, instructors are required to have extra experience beyond the minimum required for licensure. It is the intent of this subpart to assure a quality education for students by requiring that instructors demonstrate their competence through training and experience.

Subp. 3. Responsibilities. This subpart describes the responsibilities of instructors in broad, yet sensible, terms. The intent is to ensure competent instruction and a sound educational experience for students by placing an onus on instructors to maintain a good learning environment. At a minimum, and as an example to their students, instructors must comply with the laws and rules pertaining to appraiser prelicensing education. To assure that the knowledge imparted to students is of value, instructors must provide them with current and accurate information and be available to answer questions related to the subject being taught. These are basic tenets for sound instruction in any good classroom setting and must be provided to students of the appraisal profession as well.

Subp. 4. Waiver. This subpart recognizes that the ability to teach may also come through other forms of training or experience. It allows the commissioner to approve instructors who may not meet the specific requirements of these rules but who possess equivalent qualifications. For instance, persons who teach appraisal courses throughout the country may be highly skilled and knowledgeable in appraisal practices but not hold a current appraiser license. This subpart would allow the commissioner to approve such an instructor if the instructor was otherwise qualified to teach.

REAL ESTATE APPRAISER CONTINUING EDUCATION

Part 2808.4000 GENERAL CONTINUING EDUCATION REQUIREMENTS.

Subpart 1. Continuing education requirements. The purpose of appraiser continuing education is to assure that licensees remain current in and knowledgeable of developments in the real estate appraisal field. This subpart restates the requirement of Minn. Stat. § 82B.19 which provides that as a condition of continued licensing appraiser

licensees must successfully complete 15 hours of classroom continuing education study each year.

Subp. 2. Courses approved for continuing education credit. Minn. Stat. § 82B.19, subd. 2, sets forth the criteria restricting course approval to only those courses that impart substantive and procedural knowledge relating to the real estate appraisal field. This subpart is a restatement of the principles set forth in that statute. That criteria is reiterated for the purpose of clarifying the course to be approved as opposed to those set forth in subpart 2 which will not be approved for credit.

Subp. 3. Courses not approved for continuing education. Minn. Stat. § 82B.19, subd. 2, limits continuing education offerings to courses that provide licensees with "current knowledge of real property appraisal theories, practices and techniques that provide a high degree of service and protection" to the public. Likewise, courses approved for appraiser continuing education credit must be coordinated with the real estate continuing education so that the same courses may be used to satisfy the requirements for licensees in both fields. The subject areas excluded in this subpart will not improve a licensee's knowledge or ability to serve the public. Also, these same types of courses are prohibited from being accredited under the rules governing real estate continuing education.

This subpart specifically restrict the approval of courses that are designed to improve a licensee's office operations, sales skills, motivation and business skills. In addition, because the statute requires "classroom" instruction, correspondence courses are prohibited. The commissioner can disapprove courses not specifically identified herein but which do not offer substantive knowledge in the field or real estate appraisal.

Subp. 4. Approval of course offerings. This subpart requires that sponsors must submit their materials to the commissioner at least 30 days prior to the date on which the course is to be taught. This period allows the commissioner sufficient time to review the course, the sponsors and the instructors and advise the sponsors as to any problems so that they can be corrected in a timely fashion. The 30-day period is a minimum. Sponsors may submit courses for approval prior to this deadline. Additional information pertaining to the approval of instructors must accompany an application if those persons have not be previously approved to teach the course. Applicants must use forms prescribed by the

commissioner to assure that all necessary information is provided and to assist in the expeditious process of applications.

Subp. 5. Approval of subsequent offerings. As a means of reducing the burden of course approval for sponsors and the department, this subpart allows subsequent offerings of previously approved education courses upon the submission of a "notice of subsequent course offering' to the commissioner. As with initial approvals, the notice must be filed at least 30 days before the course is taught. This period allows the department time to reconsider its prior approval if problems have subsequently arisen.

Subp. 6. Approval of continuing education courses not submitted for approval. In certain instances, licensees may attend courses sponsored by parties that have not sought the approval of the commissioner. If such a course would otherwise meet the requirement for a portion of the continuing education coursework requirement, this subpart offers a procedure by which the licensee may submit a request for approval and be granted course credit. Licensees must use forms prescribed by the commissioner to assure that all necessary information is provided and to assist in the expeditious process of applications.

Subp. 7. Credit hours. To help assure that time spend in continuing education classes is meaningful and promotes a licensee's knowledge in the appraisal field, this subpart sets out guidelines for the amount of credit to be given for the time spend in the classroom. A one-half hour minimum is required to assure that the coursework is more than a mere adjunct to other types of meetings or engagements. Likewise, a licensee will only receive credit for attending a course in its entirety even if this is accomplished by attending more than one presentation of the same course.

As with other types of continuing education, instructors are allowed additional credit for the time spent in course preparation. This recognizes the additional time spend and understanding gained by instructors in preparing to teach others.

Also, to assure that the objectives of increasing licensee's knowledge and keeping them current on changes in the appraisal field are meet, neither student or instructors may earn credit for taking or teaching the same course repeatedly during a three-year period.

Subp. 8. Examinations. This subpart clarifies that course examinations are not required for continuing education courses but also that they are not prohibited.

Subp. 9. Textbooks. This subpart clarifies that textbooks are not mandatory for continuing education courses. However, if textbooks are not used, certain criteria are set forth to assure that the students obtain the maximum benefit from the course. As a minimum requirement certain information including the course title, times and dates of the course offering, names and addresses or telephone numbers of the course coordinator and instructor, and an outline of the subject matter to be covered is required. The textbook or syllabus must be available for each individual student's use during the course. This precludes sharing of materials and other inconveniences that might reduce the educational value of the course. Also, any textbook used must be as accurate and current as to the subject matter being taught.

Subp. 10. Continuing education courses; access. This subpart is designed to prevent discrimination increase the access of students to continuing education courses. It requires that courses offered by any entity, such as a particular appraisal organization, must be open to all students, including those who may chose not to become a member of the organization. This requirement, therefore, will increase the availability of courses to licensees.

Subp. 11. Fees. This subpart articulates the basic premise that all information provided to students regarding fees must be clear and understandable. Likewise, the fees charged must be reasonable in regard to the courses offered. Discounts are allowed but, they must also be reasonable. The basis for any discounts is not set forth in the rule to allow sponsors a wide latitude that should help keep the market for courses competitive and provide a good value to students. Because the refund process can lead to numerous complaints in regard to how promptly the fees for cancellation of a course are returned, this rule specifies that under all circumstances fees must be returned no later than 10 days after cancellation. To allow students better scheduling options in the case of postponement of a course, the choice of attending the rescheduled course or receiving a tuition refund must be provided. The refund must be made within 30 days of the postponement to protect the rights of the students and preclude sponsors and others offering courses from withholding fees that students may need as tuition for alternatives courses for an undue length of time. This subpart also requires that a sponsor must have a refund policy regarding the student's

cancellation or failure to complete a course. The policy must be fully disclosed to potential students to reduce possible misunderstandings and problems in advance by informing the students of what they have a right to expect.

Subp. 12. Adequate facility to be used. This subpart states that classrooms and other locations where courses are offered must provide a conducive atmosphere for learning. It is the intent of theses rules that students receive what they pay for, namely a good learning environment. Noisy, poorly ventilated or poor lighted facilities are considered unacceptable. Sponsors will not be allowed to sacrifice learning opportunities to reduce costs.

Subp. 13. National examination preparatory course. This subpart recognizes education obtained through coursework developed and presented for accreditation with various national appraisal organizations can provide licensees with valuable knowledge. However, approval for continuing education credit for these courses must be obtained in the same manner set forth in these rules for all other courses.

Subp. 14. Extensions. This subpart recognizes that extenuating circumstances can arise which make timely completion of a licensee's continuing education requirement difficult or impossible. Sickness, injury, incapacity or financial hardship are possible examples. The commissioner is allowed the authority to extend the period within which the requirement must be met by 90 days. The commissioner must be provided with a request for an extension by June 1 of the year due and an explanation of the basis for the request. However, loss of income from attendance or license cancellation for failure to satisfy the requirement are not to be considered valid reasons for extension. To allow otherwise would open this provision up to the potential for considerable abuse.

Subp. 15. Waiver of continuing education classroom requirement. Consistent with the concept of extenuating circumstances under subpart 14, this subpart provides the commissioner with the authority to waive the classroom attendance requirement where a licensee has a demonstrable physical disability or other inability to attend class. However, to assure that the licensee meets the objectives of the continuing education requirement, the commissioner can require alternative study arrangements and approve credit consistent with similar classroom coursework. The waiver is not on-going but may be granted annually upon reapplication by the licensee.

Part 2808.4100 CONTINUING EDUCATION COURSE COORDINATOR.

Subpart 1. General requirement. This subpart mandates that each course have one coordinator who is responsible for assuring compliance with the laws relating to continuing education. This person is the one accountable in all respects regarding the course and its compliance with the applicable statutes and rules. This subpart allows for assistants to be hired but does not remove the ultimate responsibility from the coordinator.

Subp. 2. Qualifications. The qualifications of the course coordinators are enumerated as follows:

A. Minimum of five years as an active licensed real estate appraiser. This assures that the coordinator has working knowledge of the practical aspects of what the licensees are facing and accordingly can better relate the course materials to their concerns than someone who has no knowledge of what the licensees are.

B. At least three years full time experience in the administration of an education program. This assures that a coordinator has a practical education background and is not merely someone who decided he or she could offer a course. The coordinator will thus have some skills which will allow him to make sure that the education is actually imparted to the students in a useful manner.

C. A degree in education plus at least two years appraisal experience is an alternative to meeting the requirements of A and B. A combination of the two would meet the needs expressed in regard to A and B above.

Subp. 3. Applications; forms. The commissioner's ability to prescribe the forms for coordinator approval is necessary to ensure that the applications contain all relevant information to access the individual's qualifications. Likewise, standardization of these forms also helps to assure timely approval.

Subp. 4. Responsibilities. Since the coordinator is responsible for the conducting of the course offering, this subpart is necessary to set standards by which the courses must be conducted. It reiterates the coordinator's responsibility to assure compliance with all laws and rules pertaining to real estate appraiser continuing education. To ensure that the commissioner has current and accurate information relating to course approval, coordinators are required to notify the commissioner of any changes in information previously submitted.

Several sections of this subpart pertain to the coordinator's responsibility to students taking courses. The coordinator must monitor to courses to assure that the information provided these students is current and accurate and, therefore, of benefit and use to them. The coordinator to required to supervise the courses and instructors and to evaluate both to assure that students actually receive the information they are advised will be provided. To assure this the commissioner is allowed to request written evaluation of the courses and instructors either by the students or the coordinators themselves.

The coordinator is also the person to whom written complaints may be made regarding the course offerings and instructors. The coordinator is charged with the duty of forwarding the same to the department of commerce regardless of their merit. The general intent of these requirements is to make the coordinator a guarantor of the quality of the courses and the instructors and to clarify that it is their responsibility is to do this rather than only assure the profitability of the course. In this regard, the coordinator is charged with maintaining appropriate records relevant to these rules and the responsibilities the rules impose.

A mechanism for transferring records is provided for students. The commissioner is specifically prohibited from acting as custodian of the records to assure that he is an impartial party in regard to the activities of the coordinator and not involved in any manner with the coordinator. The responsibilities of the coordinator in addition to those already set forth require that the coordinator be available to the instructors and students throughout the time of the course offerings and that information be provided as to the coordinator's name and telephone number. This helps assure access by interested persons to the person ultimately responsible for the course presented.

As a final requirement, coordinators are charged with providing course completion certificates to students. Certificates must be provided within 30 days of course completion, provided that the coordinator may require payment of outstanding tuition to providing a certificate. This provides the means for verification of student attendance and completion of the course but does not preclude the sponsor from obtaining payment.

Part 2808.4200 CONTINUING EDUCATION INSTRUCTORS.

Subpart 1. General requirements. To assure the quality of course content and

presentation, this subpart allows the department to determine the competence of instructors and mandates that only qualified instructors will be allowed to teach prelicensing education courses. Except as otherwise provided in this subpart, course approval will be withdrawn an approved instructors does not present the course.

The subpart, however, does make provision for continued course approval in instances where an approved instructor is unavailable and withdrawal of course approval could work a hardship on students. The department must be notified of the unavailability of the approved instructor within 15 days of presentation of course material by an unapproved instructor. In addition, students must be informed prior to commencement of the course that course approval may be in jeopardy, a full refund is available for students choosing to withdraw, and that a refund will automatically be given is the course attended is later disapproved by the department. This procedure allows the students to decide if they wish to continue in the course and also assures that their tuition is not wasted on courses for which no credit can be given.

Subp. 2. Instructor qualifications. This subpart sets forth the specific qualifications for instructors. Because of the wide range of potential course content and the need for an adequate number of qualified instructors, it is necessary to allow for different categories of qualifications. These criteria consider advanced education and/or significant practical experience to suffice as basic qualifications for ensuring competent instruction. A degree and two years of experience is considered a necessary minimum for qualification as an instructor. Five years of recent experience in the subject area being taught is considered a necessary minimum when the instructor has no formal education in the topic area. A college or graduate degree is also presumed sufficient to assure a basic understanding of a subject area. Finally, as an alternative to these qualifications criteria, it is believed that three years of experience as a licensee and 60 hours of course work are an adequate equivalency to ensure the ability of the instructor to impart worthwhile information to the students.

Subp. 3. Responsibilities. This subpart describes the responsibilities of instructors in broad, yet sensible, terms. The intent is to ensure competent instruction and a sound educational experience for students by placing an onus on instructors to maintain a good learning environment. At a minimum, and as an example to their students, instructors must

comply with the laws and rules pertaining to appraiser continuing education. To assure that the knowledge imparted to students is of value, instructors must provide them with current and accurate information and be available to answer questions related to the subject being taught. These are basic tenets for sound instruction in any good classroom setting and must be provided to students of the appraisal profession as well.

Subp. 4. Waiver. This subpart recognizes that the ability to teach may also come through other forms of training or experience. It allows the commissioner to approve instructors who may not meet the specific requirements of these rules but who possess equivalent qualifications.

Subp. 5. Guest lecturers. Individuals who may not otherwise qualify as instructors may be able to impart useful and timely information to licensee. This subpart recognizes the value of these persons and allows an option for including them in continuing education courses. To assure that courses involving guest lecturers meet the overall objectives of continuing education, no more that one-third of any course may be taught by such a person. In addition, the onus remains on the course coordinator to assure that this requirement and all others pertaining to continuing education are meet.

GENERAL REQUIREMENTS FOR PRELICENSING AND CONTINUING EDUCATION

Part 2808.5000 ADVERTISING OF COURSES.

Subpart 1. Truth in advertising. This subpart provides a general requirement that all continuing education advertising must be truthful, clear and not deceptive or misleading. Licensees may spend a substantial funds on such courses and must attend the same to ensure their continued licensure. Accordingly, they must be able to rely on the veracity of the information upon which they base their decisions regarding course attendance.

Subp. 2. Approval statement. This subpart provides guidelines for the advertising of approved courses and is intended to provide a disclosure to potential students regarding approval and the credit to be given. Prospective students should know whether the course is approved and how many hours of credit may be received. This subpart also requires that advertising materials contain a statement disclosing that the course has been approved by the

commissioner of commerce for real estate or real estate appraiser continuing education credit as well as setting forth the hours for which the course has been approved for credit. This information allows the licensee who may which to attend the course to be fully cognizant of the number of credit hours for which the course has been approved and more importantly that, in fact, the course has been approved for credit. Licensees, thus, can choose not attend a course or pay for a course for which they are going to receive less credit than they believe they or no credit at all.

Subp. 3. Course hours approved. Consistent with the requirements of subpart 2, this subpart reiterates that course advertising materials must clearly state the number of hours of continuing education credit that have bee approved or are pending. As important, however, is the requirement that courses involving attendance beyond the hours of approved for credit must clearly state that credit will not be earned for the entire course. This is necessary to assure that students have adequate information for making decisions that involve expenditures of their time and money.

Subp. 4. Advertising pending approval. Brochures and other materials are often printed far in advance of the date of the course and prior to when the courses may be submitted to the commissioner for approval. This subpart provides a mechanism by which a sponsor may advertise prior to approval being received if, in fact, the course has been submitted to the commissioner for approval. The term "approval pending" puts the appraiser on notice that checking on the status of the course prior to attending it is the prudent thing to do.

Subp. 5. Nonapproved courses to be distinguished. This subpart further articulates the general requirement that advertising materials be truthful and not misleading. To assure that students can distinguish accredited courses from those providing no credit in sponsor advertising, the materials must clearly identify this difference.

Part 2808.5100 MANDATORY NOTICE TO STUDENTS.

As an additional measure for assuring that students know the number of approved credit hours for each prelicensing or continuing education course they are attending, a specific notice is required to be read at the beginning of each course stating the number of

hours for which the course has been approved. The notice also clarifies that students have the right to make comments about the course offerings to the commissioner of commerce and gives the address of the commissioner.

Part 2808.5200 EDUCATION REPORTING REQUIREMENTS.

Subpart 1. Requirement; forms. To assure that students provide consistent and complete information regarding their education, the commissioner will prescribe forms to be used by students in supplying this data. Likewise, to reduce the potential for unnecessary reviews by the department, students are limited to submitting these form until after all required hours have been accomplished. To assist students in providing this information to the commissioner, the forms may be submitted as soon as the requirement is completed.

Subp. 2. Continuing education reporting deadlines. To facilitate the processing of license renewals, this subpart requires that continuing education reporting forms be submitted by August 31, the day before all licenses must be renewed. Forms submitted prior to August 1 and which include the appropriate fees for license renewal result in the presumption that the submitting appraiser is continuously licensed even if a renewal license is not received before September 1 of the renewal year.

Subp. 3. New licensees; waiver of reporting requirement. Provision is made in this subpart for new licensees who receive a license after June 1, three months prior to the required renewal date of September 1. The department believes that doing otherwise would place an inappropriate and costly burden on new licensee.

Part 2808.5300 FALSIFICATION OF REPORTS.

This part considers falsification of an education report to the commissioner reflects upon the honesty and integrity of the appraiser sufficient to provide grounds for suspension or revocation of their license. The reporting system provided under these rules is an honor system essentially relying upon the truthfulness and honesty of the licensees as an alternative to a more rigid, cumbersome and expensive approach. Activities which undermine this system of necessity must be severely penalized or confidence in it could be easily eroded. Additionally, falsification of reports to the licensing authority is reasonable grounds to presume questionable conduct in the performance of an appraiser's duty to the appraiser's clients, which is the most basic reason for the licensing statute and rules in the first place.

Part 2808.5400 GENERAL POWERS OF COMMISSIONER.

Subpart 1. Action against approval. To insure the integrity of the appraisal profession and the educational requirements provided by statute, it is necessary that the commissioner have the authority to penalize those who violate those statutes and these rules. This subpart expands upon the authority of the commissioner set forth in Minn. Stat. § 82B.20 to deny, suspend or revoke appraiser licenses by providing the same right of action against those approved to train and educate applicants and licensees. Likewise, for educators who have demonstrated previous misconduct through violation of the statute or rules, the commissioner may refuse to approve future course offerings for real estate appraiser education.

Subp. 2. Right to audit. This part allows the commissioner to audit courses. It is necessary so that the commissioner may determine compliance with these rules. On occasion the commissioner may wish to determine compliance without notice so a more accurate picture may be seen. The possibility of an audit, announced or otherwise, places sponsors, coordinators and instructors on notice of the risk on not complying with the statutes, rules and the disclosures governing education offerings.

Part 2808.5500 MANAGEMENT RESPONSIBILITY OF SPONSORS.

This part specifically sets forth the ultimate obligation of course sponsors for the actions of those in their employ. This rule is designed to assure that sponsors employ ethical and responsible coordinators and instructors at the risk of losing their authority to provide approved courses.

Part 2808.5600 PROHIBITED PRACTICES FOR SPONSORS, COORDINATORS, AND INSTRUCTORS.

Subpart 1. Prohibitions. This subpart specifies conduct that is prohibited on the part of the education course sponsors, coordinators and instructors. Prelicensing and continuing education are meant to provide instruction to licensees regarding real estate appraisal related principles and practices. It has also been established to ensure that appraisers provide sound services to their clients. Therefore, the educational setting may not be used as a recruiting, promotion or sales tool for any particular appraisal firm or organization. Allowing sponsors, coordinators and instructors to require students to

participate in other services or programs as a condition to attending a required course must be prohibited as this serves no purpose other than the benefit of the sponsor, coordinator and instructor.

Likewise, to insure the integrity of the licensing examination process, sponsors, coordinators and instructors are restricted from taking these tests without the approval of the commissioner and from discovering test questions, answers or information that may be passed on to student. Just as applicants are restricted from cheating on examinations, educators will not be allowed to engage in activities that promote dishonest conduct or undermine the integrity of the licensing examination.

Subp. 2 Notification of misconduct. This subpart is designed to assure that the commissioner is provided with current, pertinent information regarding licensees. The subpart requires those approved as education course coordinators and instructors to provide information to the commissioner regarding significant criminal convictions of licensees. Because such a conviction may result in loss of license, reporting by coordinators and instructors provides a "fail safe" mechanism for obtaining information that might not otherwise be reported by a licensee.

In addition, as with the requirement placed on licensees to keep the commissioner current with regard to applications submitted to the department, coordinators and instructors must report changes in the information they submitted for approval of the status.

STANDARDS OF APPRAISER CONDUCT

Part 2808.6000 STANDARD OF CONDUCT.

Subpart 1. Compliance with the uniform standards of professional appraisal practice. This subpart restates the requirement of Minn. Stat. § 82B.20, subd. 2 (13) that licensees must abide by the Uniform Standards of Professional Appraisal Practice ("USPAP") as published by the Appraisal Standards Board of the Appraisal Foundation. These standards are designed to guide the appraisal of all types of real property and the behavior of appraisers with regard to their clients and the public, generally. Violation of USPAP is considered a prohibited practice punishable through denial, revocation or suspension of an appraiser license. However USPAP was not viewed, especially by the consumer panels, as dealing with all the problem areas. USPAP is intended to guide appraisers in making their

own decisions. As such, it has some shortcomings as an enforcement tool. Accordingly, restatements of subject matters dealt with in USPAP as well additional requirements were deemed necessary to protect the public and assure the proper level of professional conduct.

Subp. 2. Disclosure requirements. This subpart provides a number of specific disclosures that licensees are required to provide to better inform as to the licensee's ability, potential conflicts of interest, the basis for the valuation of the properties a licensee appraises and other matters which might affect the use of a licensee's appraisal reports. Disclosure must be made in a timely fashion to allow for the opportunity to require the withdrawal of the appraiser making the disclosures and to retain the services of another. Many of the provisions under this subpart and under subpart 3 are a basic reiteration of the requirements set forth in the USPAP. However, they are considered significant enough to demand particular restatement in these rules and to state them in as positive a manner as possible.

Many of the provisions under subparts 2 and 3 are relatively simple and direct and would seem to be matters that any professional would do as a matter of course. However to be assured of compliance by all appraisers, they have been specifically set forth here.

Item A requires the disclosure of the person or entity that employed the appraiser. Item B requires additional disclosure if the person or entity employing the appraiser is not the party for whom the appraisal is being rendered. The appraisal report must identify the person for whom the appraisal is rendered. Item C requires that the purpose of the appraisal must be disclosed. This is important because there are differences between types of appraisals and the valuations that would result. A market value appraisal is one thing, a replacement or highest and best use appraisal is something else. To adequately evaluate the appraisal you must know the basis upon which the appraisal is given. Item D is all encompassing disclosure requirements of any conflict of interest. Specific examples of conflicts were given to make this requirement as clear as possible.

Item E arises from a problem that comes up when the first appraisal may not validate the value required for the loan transaction. Oftentimes, there is a reappraisal done which hopefully results in the appropriate valuation. Because this is one of the areas where collusion or pressure may be brought to bear, the fact of the reevaluation must be made known, as well as a justification for the difference between the two appraisals so that the

various parties can evaluate the accuracy of two appraisals.

For the same reason information known in advance (Item F) as to what value is needed to make the loan transaction happen can influence an appraiser. Accordingly, whether the appraiser knew those values in advance or not is a fact someone evaluating the appraisal would take into account.

(Item G) From time to time, appraisers are called upon to perform appraisals for property of a type that they have never appraised before. Accordingly, the value of that appraisal is capable of being questioned. Appraisal of commercial property by someone who has never done a commercial real estate appraisal may not be something that a lender or other person may want to place great reliance upon. However, that appraiser may also have adequate background and information to do the job. Accordingly, the information as to the ability of the appraiser to perform that appraisal is set forth for the client to use to make their decisions about the use of that appraiser.

(Item H) Disclosing the classification of licenses and types of appraisal that they are authorized to conduct once again is intended to make sure that everyone knows that the appraiser is legally capable of making the appraisal that has been requested.

Item I requires disclosure of any problems with the experience or training of the appraiser that could make the appraisal worthless or at least subject to question. This disclosure puts the burden on the appraiser to identify and communicate any possible problem areas.

Item J arises from the problem of the same appraiser doing repeat appraisals on the property. If there are inconsistencies in the values of the two appraisals, the latter appraisal can be challenged. Two appraisers may come up with different values on the same property but the same appraiser should not, except of course for market value changes in the property. This provision protects consumers by allowing them to check the first appraisal against the second and if there are differences, to ask the appraiser to explain them. Hopefully, the only changes will be as a result of market conditions that can be easily explained. However, if there are more significant differences, the consumer has the ability to go further and inquire into the circumstances and make whatever decision they would like about employing the appraiser or relying on the appraisal.

Item K is a requirement of full disclosure as to all things that the valuation is based upon. Once again, it allows someone to evaluate whether a consideration is missing that should have been included in the appraisal and take whatever appropriate action this information would suggest they should take.

Item L sets forth the requirement that an appraiser must disclose whether the property has been visited prior to performing the appraisal. A person relying on the appraisal should know whether the appraiser had potential conflict of interest, based on previous visits to the property.

Finally, item M is a relatively open ended requirement for the appraiser to disclose anything not already set forth in the preceding sections that might bring his or her impartiality or ability to do the appraisal into question.

These standards of conduct are intended to carry out the purpose of FIRREA to make sure that appraisers act in a professional manner and, as in most professions, adhere to a high standard of conduct which will result in impartial and fair appraisals rather than appraisers being mere vendors of services at the behest and direction of those employing them.

Subp. 3 Additional requirements. This subpart complements the requirements of subparts 1 and 2 by adding certain standards to be followed by appraisers in performing their duties. As noted earlier in this statement of need and reasonableness, many of these standards are patterned after the USPAP and may seem rather obvious as to what a professional would do as a matter of routine practice. The detailed listing of these additional requirements under subpart 3 is intended to ensure compliance by all appraisers.

Item A identifies eight specific types of acts or practices that will constitute unacceptable actions by appraisers under Minnesota law. While most of these provisions seem to be obvious standards as to what the reasonable person would expect an appraiser to avoid in conducting business activities, the prohibited practices have been described to avoid any ambiguity or confusion in the expectations of the public or the licensees that are subject to this rule. Each of the eight categories of prohibited practices addresses issues that directly affect the accuracy and reliability of the appraisal report.

Item B requires the appraiser to supply a resume to a person hiring the appraiser, and

requires the resume to have been updated within the prior six months. A current resume is important because it enables the person employing the appraiser to check references and qualifications of the appraiser.

Item C clearly sets forth the requirement that an appraiser must personally inspect the property being appraised. This provision would preclude the possibility of a paper review for appraisal purposes. The existence of certain highways, neighboring buildings or other items affecting the valuation of the property may only be disconcernable from an on-site inspection of the premises.

Item D of subpart 3 is probably the best statement of what professionals should be required to do when they are placed under pressure to do unethical or prohibited acts. This provision is included in the rules so that the duty to reject such requests is clear to anyone. There should be no questions as to what an appraiser must do when asked by someone to engage in improper or prohibited activities.

Subp. 4 Enforcement. This subpart clearly states that failure to comply with Part 2808.6000 of the rules will constitute a prohibited practice under Minn. Stat. §82B.20. Specifically, this provision has been added pursuant to Minn. Stat. §82B.20 subd. 2 clause 17 which authorizes the commissioner to state by rule acts that shall be deemed prohibited practices. The intent of subpart 4 of Part 2808.6000 is to put licensees on notice that the commissioner may take action against the appraiser's license if the appraiser fails to comply with this part of the rules.

Part 2808.7000 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION

As discussed at the beginning of this Statement of Need and Reasonableness, federal law mandates that states establish procedures for the licensing of appraisers who conduct appraisals of real property financed through federally-regulated financial institutions. Minnesota has chosen to use the national uniform appraiser examination approved by the Appraisal Qualifications Board of the Appraisal Foundation to both reduce the expense of preparing its own examination and maintain consistency in the level of knowledge required of appraisers throughout the nation. This part incorporates the examination content outline approved by the Appraisal Qualifications Board for residential real property appraisers (Level

I), and is the norm that all states will need to follow federal mandates. The outline details the subject matter to be covered in the examination and the amount of weight and the level of difficulty each matter is assigned. [See also: discussion under Part 2808.2100 of this Statement of Need and Reasonableness.]

Part 2808.7100 NATIONAL UNIFORM EXAMINATIONS CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION.

This part sets forth the examination outline for licensure as a certified federal general real property appraiser (Level II). This outline has been approved by the Appraisal Qualifications Board of the Appraisal Foundation. The outline details the subject matter to be covered in the examination and the amount of weight and the level of difficulty each matter is assigned. Minnesota has chosen to use the national uniform appraiser examination, approved by the Appraisal Qualification Board to both reduce the expense of preparing its own examination and to maintain consistency in the level of knowledge required of appraisers throughout the country. [See also: discussion under Part 2808.2100 subpart 4 of this Statement of Need and Reasonableness.]

Part 2808.7200 CERTIFIED STATE AND FEDERAL REAL PROPERTY APPRAISER FINANCIAL EDUCATION

This part lists topics that must be covered in the 75 hours of prelicensing instruction required under Minn. Stat. § 82B.13 referred to under Part 2808.3000 subparts 1 and 2 of the rules. [See previous discussion pertaining to Part 2808.3000 subparts 1 and 2 in this Statement of Need and Reasonableness.] The content of Part 2808.7200 states all of the topic areas that the Appraisal Qualification Board has determined must be included in the applicant's prelicensing education course of study. This part is necessary to ensure compliance with federal law mandates and to maintain consistency nationwide in the level of knowledge required of appraisers licensed in this class of appraisal licensees.

Part 2808.7300 CERTIFIED FEDERAL RESIDENTIAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

This Part lists specific topics that must be covered in prelicensing education courses in order for an applicant to receive a certified federal residential real property appraisers license. The Appraiser Qualification Board has determined that these topics must be included

in the prelicensing education for this class of license. Minn. Stat. § 82B.13 establishes the minimum of 165 hours of classroom hours. The applicant has the responsibility of demonstrating that he or she is qualified for this class of license. The applicants can do so by showing he or she has training in the topics listed under this part. Minnesota has chosen to adopt the recommendations of the Appraiser Qualification Board to ensure compliance with federal mandates and to maintain consistency in the level of knowledge required of this class of appraisers nationwide. [See also: discussion under Part 2808.2100 subpart 3 in this Statement of Need and Reasonableness.]

Part 2808.7400 CERTIFIED FEDERAL GENERAL REAL PROPERTY APPRAISER INITIAL EDUCATION

This part also lists topics to be covered in prelicensing education in order for an applicant to be licensed as an appraiser. The applicant wishing to be licensed as a certified federal general appraiser must, by federal law and pursuant to Minn. Stat. § 82B.13 subd. 5, demonstrate that the prelicensing education courses contained an emphasis on the appraisal of non-residential properties. The topics listed under Part 2808.7400 have been approved and recommended by the Appraiser Qualification Board as meeting the federal law mandate in this area of licensure. Minnesota has chosen to adopt these prelicensing education standards to ensure compliance with federal mandates and to maintain consistency with other states in the level of knowledge required of this class of appraisers. [See also: discussion under Part 2808.2100 subpart 4 in this Statement of Need and Reasonableness.]

SMALL BUSINESS CONSIDERATION

The department believes that virtually every appraiser subject to these rules will fall within the definition of a small business although there might be an isolated instance or two in which they would not. Accordingly, in regard to compliance with Minnesota Statutes Section 14.115, the impact on small businesses was considered at each and every stage and in regard to every requirement because we believed all of the entities to be small businesses.

As to the various items in subdivision 2; item a, the establishment of less stringent compliance requirements for small businesses was considered but decided against because all the requirements are believed to be applicable to appraisers who are small businesses.

As to item b, the establishment of less stringent schedules or deadlines for compliance for small businesses this was not determined to be appropriate because all of the entities are deemed to be small businesses.

Item c, the consolidation or simplification of the compliance or reporting requirements for small businesses was deemed to be inappropriate, as all the entities were deemed to be small businesses.

As to item d, the establishment of performance standards for small business or the replacement of design or operational standards required in the rule; once again no separate consideration was given for small business as all appraisers are presumed to be small businesses.

As to item e, the exemption of small businesses for many and all requirements in the rules, it was once again not done because all of these entities are deemed to be small businesses.

To the greatest extent possible, through the consumers of appraisal services and the advisory board as well as various groups representing appraisers commentary and dialogue occurred about these rules. Notice of the fact that these rules would impact on small business was provided in the notice of intent to adopt rules originally published in this matter.

Department of Commerce

Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Rules as Proposed (all new material)

2808.0100 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms defined in this part have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means an individual who has applied to the commissioner of commerce pursuant to Minnesota Statutes, chapter 82B, for a license as a real estate appraiser.

Subp. 3. **Appraisal foundation or foundation.** "Appraisal foundation" or "foundation" means the appraisal foundation established on November 30, 1987, as a nonprofit corporation under the laws of Illinois.

Subp. 4. **Appraisal standards board.** "Appraisal standards board" means the independent board of the appraisal foundation responsible for promulgation of minimum appraisal standards for federally related transactions.

Subp. 5. **Appraiser qualifications board.** "Appraiser qualifications board" means the independent board of the appraiser foundation responsible for promulgation of qualification criteria for licensure of real estate appraisers authorized to conduct appraisals on federally related transactions, and for issuing or endorsing a uniform state real estate appraiser qualification examination.

Subp. 6. **Certified federal residential real property appraiser.** "Certified federal residential real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on one- to four-family residential units or agricultural property regardless of transaction value or complexity.

Subp. 7. **Certified federal general real property appraiser.**

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"Certified federal general real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on all types of real property.

Subp. 8. **Classroom hour.** "Classroom hour" means 60 minutes out of each 60-minute segment.

Subp. 9. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subp. 10. **Coordinator.** "Coordinator" means an individual who is responsible for monitoring real estate appraisal education offerings.

Subp. 11. **Federal appraisal subcommittee.** "Federal appraisal subcommittee" means the appraisal subcommittee of the Federal Financial Institutions Examinations Council as set forth under United States Code, title 12, sections 3301 et. seq.

Subp. 12. **Federal financial institutions regulatory agency.** "Federal financial institutions regulatory agency" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, or the National Credit Union Administration.

Subp. 13. **Federal residential real property appraiser.** "Federal residential real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on noncomplex one- to four-family residential units or agricultural property having a transactional value of less than $1,000,000 and complex one- to four-family residential units or agricultural property having a transactional value of less than $250,000.

Subp. 14. **Federally related transaction.** "Federally related transaction" means any real estate-related financial transaction that a federal financial institutions regulatory agency or the federal Resolution Trust Corporation engages in, contracts for, or regulates; and that requires the services of a licensed or certified real estate appraiser.

Subp. 15. **Foundation appraisal organization.** "Foundation appraisal organization" means a member private appraisal trade

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organization of the appraisal foundation including, but not limited to, the following: American Institute of Real Estate Appraisers, American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, International Association of Assessing Officers, International Right of Way Association, National Association of Independent Fee Appraisers, National Society of Real Estate Appraisers, or Society of Real Estate Appraisers.

Subp. 16. **Instructor.** "Instructor" means an individual lecturing in a real estate appraisal education offering.

Subp. 17. **Person.** "Person" means a natural person, firm, institution, partnership, corporation, or association.

Subp. 18. **Real estate appraiser or real property appraiser.** "Real estate appraiser" or "real property appraiser" means a person who develops and communicates appraisals on real property and holds a current, valid license issued under Minnesota Statutes, chapter 82B.

Subp. 19. **Real estate-related financial transaction.** "Real estate-related financial transaction" means any transaction involving the sale, lease, purchase, investment in, or exchange of real property, including interests in property, or the financing thereof; the refinancing of real property or interests in real property; and the use of real property or interests in property as security for a loan or investments, including mortgage-backed securities.

Subp. 20. **Sponsor.** "Sponsor" means a person offering or providing real estate appraisal education.

Subp. 21. **State real property appraiser.** "State real property appraiser" means an individual licensed under Minnesota Statutes, section 82B.11, to perform appraisals on residential real property or agricultural acreage which does not require a net income capitalization analysis under the uniform standards of professional appraisal practice.

LICENSING

2808.1000 PAYMENT OF FEES.

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Subpart 1. **Cash not accepted.** All fees shall be paid by check, draft, or other negotiable or nonnegotiable instrument or order of withdrawal that is drawn against funds held by a financial institution. Cash will not be accepted.

Subp. 2. **Overpayment of fees.** An overpayment of a fee paid pursuant to Minnesota Statutes, chapter 82B, shall be refunded within a reasonable time after a letter requesting the refund is received by the commissioner and signed by the person making the overpayment.

Refunds shall not be given other than for overpayment of fees. A request for a refund of an overpayment must be received by the commissioner within six months of the date of deposit or it will be forfeited.

Subp. 3. **Fees to federal appraisal subcommittee.** In addition to the fees required for licensure under Minnesota Statutes, section 82B.09, the commissioner shall collect and remit such other fees as are required by the federal appraisal subcommittee.

2808.1100 LICENSE.

Subpart 1. **Application for real estate appraiser license.** After successful completion of the appropriate prelicensing education requirements and real estate appraiser licensing examination, an individual shall have one year from the date of the examination to apply for a real estate appraiser license. Application shall be on forms prescribed by the commissioner.

Failure to apply for a license will require reexamination.

Subp. 2. **Cancellation of license.** A real estate appraiser's license shall be canceled by the commissioner for failure of a licensee to complete continuing education requirements. In this case, the license must be returned to the commissioner within ten days of receipt of notice of cancellation.

Subp. 3. **Reinstatement of license.** Within two years of a license cancellation, a person who was previously licensed may reinstate the license without examination by completing the

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required application, paying the required fee for a new license application, and reporting successful completion of all outstanding continuing education requirements for the period during which the license was canceled. The license shall be reinstated without reexamination by completing the required instruction, filing an application, and paying the fee for the license within two years of the cancellation date.

2808.1200 CHANGE OF INFORMATION; NOTICE TO COMMISSIONER.

A licensee must notify the commissioner in writing of any change in the information contained in the license application no later than ten days after the change.

2808.1300 NONRESIDENT APPOINTMENT OF COMMISSIONER FOR SERVICE OF PROCESS.

Subpart 1. **Requirement for appointment.** Each real estate license applicant who is a nonresident of the state shall appoint the commissioner to serve as attorney for the applicant upon whom may be served all legal process in any action or proceeding to which that person may be a party and which relates to or involves any transaction governed by Minnesota Statutes, chapter 82B.

Subp. 2. **Form for consent to service of process.** The form for appointment of the commissioner as attorney for service of process shall be as provided in this subpart.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
LICENSING UNIT
133 East Seventh Street
Saint Paul, Minnesota 55101
INDIVIDUAL APPOINTMENT OF ATTORNEY FOR
SERVICE OF PROCESS
KNOW ALL PERSONS BY THESE PRESENTS:

That in compliance with the Laws of the State of Minnesota, ..., a nonresident, does hereby appoint the Commissioner of Commerce of the State of Minnesota, successor or successors in office as his/her true and lawful attorney upon

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whom may be served all legal process in any action or proceeding in which he/she may be a party and which relates to or involves any transaction covered by Minnesota Statutes, chapter 82B, and does hereby expressly consent and agree that service upon such attorney shall be as valid and binding as if due and personal service had been made upon him/her and that such appointment shall be irrevocable.

IN WITNESS WHEREOF, I have hereunto set my hand this .... day of ....., 19..

.....

.....

STATE OF .....)

COUNTY OF .....) SS.

On this .... day of ....., 19.., personally appeared before me, a notary public in and for said County and State, ..., to me known to be the person described in and who executed the foregoing instrument and who, being by me first sworn, acknowledged that he/she executed the same as his/her free act and deed.

.....

Notary Public, ... County .....

(NOTARIAL SEAL) My Commission expires .....

2808.1400 WITHDRAWAL OF LICENSE OR APPLICATION.

A licensee or license applicant may at any time file with the commissioner a request to withdraw from the status of licensee or to withdraw a pending license application. Withdrawal from the status of licensee or withdrawal of the license application becomes effective upon receipt by the commissioner unless a revocation, suspension, or denial proceeding is pending when the request to withdraw is filed or a proceeding to revoke, suspend, deny, or to impose conditions upon the withdrawal is instituted within 30 days after the request to withdraw is filed. If a proceeding is pending or instituted, withdrawal becomes effective at the time and upon the conditions the commissioner by order determines. If no

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proceeding is pending or instituted and withdrawal automatically becomes effective, the commissioner shall institute a revocation or suspension proceeding within one year after withdrawal became effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1500 FAILURE TO RENEW LICENSE.

If a license lapses or becomes ineffective due to the licensee's failure to timely file a renewal application and the licensee continues to conduct business for which a license is required, the commissioner shall institute a revocation or suspension proceeding within two years after the license was last effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1600 REVOCATIONS.

If the commissioner finds that any licensee or applicant is no longer in existence or has ceased to do business as a real estate appraiser or is subject to an adjudication of mental incompetence or to the control of a committee, conservator, or guardian, or cannot be located after reasonable search, the commissioner may by order revoke the license or deny the application of that person.

2808.1700 COURSE COMPLETION CERTIFICATES FOR REAL ESTATE APPRAISER LICENSE.

Subpart 1. **Submitting to commissioner.** Applicants for a real estate appraiser license shall submit to the commissioner, along with their application for licensure, a copy of the course completion certificate for all required prelicensing education coursework applicable to the class of license sought.

Subp. 2. **Forms.** The real estate appraiser prelicensing education course completion certificate must be on forms provided by the commissioner.

Subp. 3. **Copies to be maintained.** Students are responsible for maintaining copies of course completion certificates.

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EXAMINATION AND EXPERIENCE

2808.2000 PASSING GRADE FOR EXAMINATION.

A passing grade for a real estate appraiser licensing examination shall be a score of 75 percent or higher.

The commissioner shall not accept the scores of a person who has cheated on an examination. Cheating on a real estate appraiser examination shall be grounds for denying an application for an appraiser's license.

2808.2100 EXAMINATION REQUIREMENTS.

Subpart 1. **State real property appraiser examination.** To qualify for a license as a state real property appraiser, an applicant must pass a current uniform state residential real property appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 2. **Federal residential real property appraiser examination.** To qualify for a license as a federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 3. **Certified federal residential real property appraiser examination.** To qualify for a license as a certified federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7000.

Subp. 4. **Certified federal general real property appraiser examination.** To qualify for a license as a certified federal

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general real property appraiser, an applicant must pass a current uniform state general real estate appraiser (Level II) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in Minnesota Statutes, section 82B.12, and part 2808.7100.

2808.2200 EXPERIENCE REQUIREMENTS.

Subpart 1. **Verification of experience.** Each applicant for licensure as a real estate appraiser who is required to provide evidence of experience before licensing shall do so by affidavit on forms and in a manner prescribed by the commissioner.

Subp. 2. **Acceptable appraisal experience.** Acceptable appraisal experience includes, but is not limited to, fee and staff appraisal, ad valorem tax appraisal, review appraisal, appraisal analysis, real estate counseling, highest and best use analysis, feasibility analysis and study, and teaching appraisal courses. Teachers may request credit for either the classroom hour or experience requirement, but not both.

Subp. 3. **Education may not substitute.** Education, other than teaching, may not substitute for experience.

Subp. 4. **One year equivalent.** For purposes of this part, 1,000 cumulative hours constitutes one year of appraisal experience.

Subp. 5. **State real property appraiser.** To be eligible for licensure as a state real property appraiser, an applicant need not demonstrate evidence of experience in real estate appraising.

Subp. 6. **Federal residential real property appraiser.** To be eligible for licensure as a federal residential real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 7. **Certified federal residential real property appraiser.** To be eligible for licensure as a certified federal residential real property appraiser, an applicant must provide

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the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 8. **Certified federal general real property appraiser.** To be eligible for licensure as a certified federal general real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising. At least 50 percent, or 1,000 hours, must be in nonresidential appraisal work.

PRELICENSING EDUCATION

2808.3000 PRELICENSE EDUCATION REQUIREMENTS.

Subpart 1. **State real property appraiser.** To qualify for a license as a state real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200

Subp. 2. **Federal residential real property appraiser.** To qualify for a license as a federal residential real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3. **Certified federal residential real property appraiser.** To qualify for a license as a certified federal residential real property appraiser, an applicant must provide

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evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved particular emphasis on the appraisal of one- to four-family residential units and included coverage of all topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3a. **Education requirement prior to January 1, 1994.** Prior to January 1, 1994, an approved course of prelicensing education for licensure as a certified federal residential real property appraiser shall consist of 105 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved an emphasis on the appraisal of one- to four-family residential units and included coverage of the topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 4. **Certified federal general real property appraiser.** To qualify for a license as a certified federal general real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 hours of instruction in appraisal ethics and the uniform standard of professional appraisal practice. Applicants must demonstrate that their education involved an emphasis on the appraisal of nonresidential properties and included coverage of the topics listed in part 2808.7400.

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Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 5. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days prior to the date on which the course is to be held. Each application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 6. **Approval of subsequent offerings.** If approval has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 7. **Approval of courses not submitted for approval.** Licensees may receive credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 8. **Successful completion of prelicensing education.** Successful completion of prelicensing education requires full-time classroom attendance throughout the course, completion of required assignments or reading materials, and passage of a written examination designated by the sponsor that is sufficiently comprehensive to measure the student's knowledge of all aspects of the course.

Subp. 9. **Additional course content.** Prelicensing courses may include coverage of subject matter not prescribed in this part; however, the subject matter must be presented in addition to, and may not be substituted for, the course content or hours specified in this part.

Subp. 10. **Textbooks.** Each real estate appraiser prelicensing course must require the use of a text or other written materials. Texts and materials must be approved by the commissioner prior to initiation of the course. The commissioner may also require the use of additional materials as

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appropriate to assure thorough coverage of the topic areas prescribed in this part.

Subp. 11. **Prelicensing education courses; access.** All prelicensing education course offerings shall be open to any interested individual. Access may be restricted by the sponsor based on class size only, not by membership in any group or on any other basis.

Subp. 12. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered on the basis approved by the department in the course approval.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. The fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

A sponsor may have a refund policy addressing cancellation by students or student failure to complete a course, so long as the policy is clear to potential students.

Subp. 13. **Adequate facilities to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and is adequate to comfortably accommodate the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or affiliate thereof.

Subp. 14. **Limitation on use toward continuing education.** Prelicensing education courses may not be taken for credit toward continuing education requirements unless the student is currently licensed as a real estate appraiser and has not taken the same prelicensing education course within the prior five-year period.

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2808.3100 CERTIFICATION OF COURSE COMPLETION.

Subpart 1. **Forms.** Applicants for real estate appraiser licensure must provide evidence of successful completion of all required prelicensing instruction at the time of license application.

Certification of successful course completion of prelicensing education must be provided on forms prescribed by the commissioner.

Subp. 2. **Certification after completion.** A certificate of prelicensing education course completion issued prior to the last scheduled class meeting for the course will not be accepted by the commissioner.

Subp. 3. **Records maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain copies of all applicants' grades and attendance records on file for five years from the beginning date of the courses.

Grade and attendance records must be made available to the commissioner upon request.

Subp. 4. **Examinations maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain a master copy of each course examination, answer key, course date, and instructor's name on file for two years from the date of completion of the course.

Examination files must be made available to the commissioner upon request.

2808.3200 PRELICENSING EDUCATION COORDINATORS.

Each course of real estate appraisal licensing education must have at lease one coordinator, approved by the commissioner, who is responsible for supervising the education program and assuring compliance with the statutes and rules governing the offering of real estate appraisal education courses.

Part 2808.4100 constitutes the general requirements for real estate appraiser prelicensing education coordinators.

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2808.3300 PRELICENSING EDUCATION INSTRUCTORS.

Subpart 1. **General requirement.** Each course of real estate appraisal prelicensing education must be taught by an instructor, approved by the commissioner, who is qualified by education, training, or experience to assure competent instruction. Failure to have only approved instructors teach at an approved prelicensing education offering will result in loss of course approval. If, after approval of a course, the instructor named in the application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credit may be earned for the course;

(2) a full refund will be given if the enrollee decides not to attend the course; and

(3) if the enrollee does attend the course and does not earn credit for the course, a refund will be automatically made. The refund will be made when the department's determination is made as to the disapproval of the substitute instructor.

Subp. 2. **Instructor qualifications.** To qualify for approval by the commissioner, an instructor must meet the requirements in items A and B.

A. An instructor who teaches prelicensing education to persons seeking licensure as either state real property

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appraisers or federal residential real property appraisers must have completed 75 classroom hours of real estate appraiser education, have two years of full-time experience as a real estate appraiser within the preceding seven years, and be licensed as a real estate appraiser.

B. An instructor who teaches prelicensing education to persons seeking licensure as either certified residential real property appraisers or certified federal general real property appraisers must have completed 165 classroom hours of real estate appraiser education, have five years of full-time experience as a real estate appraiser within the previous seven years with at least 50 percent of the experience being in income property appraising, and be licensed as a certified residential real property appraiser or a certified federal general real property appraiser.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser prelicensing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

REAL ESTATE APPRAISER CONTINUING EDUCATION

2808.4000 GENERAL CONTINUING EDUCATION REQUIREMENTS.

Subpart 1. **Continuing education requirements.** To be eligible for continuous licensing, each real estate appraiser licensee is required to successfully complete 15 classroom hours of continuing education within the 12-month period immediately preceding license renewal.

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Subp. 2. **Courses approved for continuing education credit.** Only courses which impart substantive and procedural knowledge relating to the real estate appraisal field will be approved for credit. The burden of demonstrating that courses impart substantive or procedural knowledge in the real estate appraisal field is on the person seeking approval or credit.

Credit will be granted for educational offerings that cover the real estate-related appraisal topics in part 2808.7400.

Subp. 3. **Courses not approved for continuing education.** Courses that include the following topics will not be approved for continuing education credit:

A. courses designed to prepare students for a license examination, except as permitted by part 2808.3000, subpart 14;

B. courses in mechanical office or business skills, including typing, speed-reading, or use of calculators or other machines or equipment;

C. courses in sales promotion, including meetings held in conjunction with the general business of the licensee;

D. courses in motivation, salesmanship, psychology, time management, or communication;

E. courses related to office management or intended to improve the operation of the licensee's business;

F. courses that can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the Department of Commerce; or

G. courses that do not otherwise offer substantive or procedural knowledge in the field of real estate appraisal as determined by the Department of Commerce.

Subp. 4. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days before the date on which the course is to be held. Each application for approval of a course offering must be accompanied by the application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 5. **Approval of subsequent offerings.** If approval

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has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 6. **Approval of continuing education courses not submitted for approval.** Licensees may receive continuing education credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 7. **Credit hours.** Credit toward satisfaction of continuing education requirements will only be granted where course offerings are at least one-half hour in length. The number of hours approved will only include time spent on educational activities.

Continuing education courses must be attended in their entirety in order for a licensee to receive full credit. Sponsors may not issue certificates of completion to students who have not attended a continuing education course in its entirety. Proportional credit may not be given for partial attendance at a continuing education course. Certificates of completion, however, may be issued to students who have completed the entire course even if the student did so by attending more than one offering of the course.

Upon completion of approved courses, students shall receive credit for the number of hours approved for the course based on one hour of credit for each classroom hour of attendance.

The approved instructor for a continuing education course shall earn 1-1/2 hours of continuing education credit for each classroom hour of instruction of approved continuing education courses.

Neither students nor instructors may earn continuing education credit for attending or instructing at any subsequent offering of the same continuing education course for three years after attending or teaching the course.

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Subp. 8. **Examinations.** Course examinations will not be required for continuing education courses unless the sponsor requires an examination.

Subp. 9. **Textbooks.** Textbooks are not required for real estate appraiser continuing education courses. If textbooks are not used, students must be provided with a syllabus containing, at a minimum, the course title, the times and dates of the course offering, the names and addresses or telephone numbers of the course coordinator and instructor, and a detailed outline of the subject matter to be covered. A textbook or syllabus must be available for the use of each student during the course. Any printed material disbursed to the students must be of a readable quality. Any textbook required must contain accurate and current information relating to the subject being taught.

Subp. 10. **Continuing education courses; access.** Continuing education course offerings must be open to any interested individuals. Access may be restricted by the sponsor based on class size only, not on membership in any group or on any other basis.

Subp. 11. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. Fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

A sponsor may have a refund policy addressing cancellation by students or a student's failure to complete a course, as long as that policy is clear to potential students.

Subp. 12. **Adequate facility to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and adequate to comfortably accommodate

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the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or an affiliate thereof.

Subp. 13. **National examination preparatory course.** Courses offered in preparation for a recognized national appraisal organization accreditation examination shall be assigned continuing education credit hours in the same manner as other courses.

Subp. 14. **Extensions.** Upon appropriate showing of a bona fide financial or medical hardship, the commissioner shall extend, for up to 90 days, the time period during which the continuing education must be successfully completed. Loss of income from either attendance at courses or cancellation of a license is not a bona fide financial hardship.

Requests for extensions must be submitted in writing no later than June 1 of the year due and shall include an explanation with verification of the hardship, plus verification of enrollment at an approved course of study.

Subp. 15. **Waiver of continuing education classroom requirement.** If a licensee provides satisfactory documentation to the commissioner that the licensee is unable, and will continue to be unable, to attend actual classroom course work because of a physical handicap, medical condition, or similar reason, classroom attendance at continuing education courses shall be waived for a period not to exceed one year.

The commissioner shall require that the individual read a sufficient number of real estate appraisal textbooks or listen to a sufficient number of real estate appraisal-related tapes as would be necessary for the licensee to satisfy the licensee's educational credit hour needs. The commissioner shall award the licensee credit hours for reading books or listening to tapes by determining how many credit hours would be granted to a classroom course involving the same material and giving the licensee the same number of credit hours.

The licensee may apply each year for a new waiver upon the

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same terms and conditions as were necessary to secure the original waiver. The commissioner may request the documentation of the condition upon which the request for waiver is based as shall be necessary to satisfy the commissioner of the existence of the condition and that the condition does preclude attendance at continuing education courses.

2808.4100 CONTINUING EDUCATION COURSE COORDINATOR.

Subpart 1. **General requirement.** Each course of study shall have at least one coordinator, approved by the commissioner, who is responsible for supervising the program and assuring compliance with the statutes and rules governing the offering of real estate appraiser education courses. Assistants may be hired by the sponsor; however, the approved coordinator remains responsible for compliance with the laws.

Subp. 2. **Qualifications.** Course coordinators shall possess one of the following qualifications:

A. a minimum of five years of experience during the immediately preceding five-year period as a full-time real estate appraiser;

B. at least three years of practical experience during the immediately preceding five-year period in the administration of an education program; or

C. a degree in education plus at least two years of practical real estate appraisal experience during the immediately preceding five-year period.

Subp. 3. **Applications; forms.** Applications for coordinator approval shall be submitted on forms prescribed by the commissioner.

Subp. 4. **Responsibilities.** The coordinator must:

A. assure compliance with all laws and rules pertaining to real estate appraiser education;

B. notify the commissioner of any material change in applications for course or instructor approval;

C. assure that students are provided with current and accurate information;

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D. supervise and evaluate courses and instructors. The commissioner may request written evaluations of courses and/or instructors either by students or coordinators;

E. investigate written complaints relating to course offerings and/or instructors, and forward a copy of the written complaints to the Department of Commerce;

F. maintain accurate records relating to course offerings, instructors, and student attendance for a period of five years from the date the course was completed. If the coordinator leaves the employ of the sponsor, the records must be turned over to the replacement coordinator or an officer of the sponsor. If a sponsor ceases operation, the coordinator is responsible for maintaining the records or providing a custodian of the records acceptable to the commissioner. In order to be acceptable, custodians must agree to make copies of student records available to students at a reasonable fee. Under no circumstances will the commissioner act as custodian of the records;

G. be available to instructors and students throughout the course offerings, and provide the name of the coordinator and a telephone number at which the coordinator can be reached; and

H. provide students with a course completion certificate, on a form prescribed by the commissioner, within 30 days of completion of the course. However, a coordinator may require payment of the course tuition as a condition for receiving the course completion certificate.

2808.4200 CONTINUING EDUCATION INSTRUCTORS.

Subpart 1. **General requirements.** Each course of real estate appraiser continuing education must be taught by an instructor who is qualified by education, training, or experience to ensure competent instruction. Failure to have only approved instructors teach at an approved continuing education offering will result in loss of course approval.

If, after approval of a course, the instructor named in the

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application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, proportional credit will be given for those parts of the course taught by approved instructors.

Credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credits or fewer credit hours may be earned for the course than the course was originally approved for;

(2) a full refund will be given if the enrollee decides not to attend the course;

(3) if the enrollee does attend the course and does not earn the number of credit hours for which the course was originally approved, a refund will automatically be made in proportion to the reduction in credit hours earned. The refund will be paid when the department's determination is made as to the approval of the substitute instructor.

Subp. 2. **Instructor qualifications.** The provisions in items A to D apply to the approval and qualification of continuing education instructors. Continuing education instructors must have:

A. a degree in any area plus two years of practical experience in the subject area being taught;

B. five years of practical experience in the subject area being taught;

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C. a college or graduate degree in the subject area being taught; or

D. held an appraiser's license for three years or have three years of practical experience in the subject area being taught. These individuals shall also have completed at least 60 hours of approved continuing education in the subject area being taught.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser continuing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

Subp. 5. **Guest lecturers.** Guest lecturers who do not meet the requirements of subpart 2 may be used to teach up to one-third of any course, provided the guest lecturer possesses training or experience directly related to the particular subject matter covered in the course. Coordinators have the responsibility for assuring that the requirements of this subpart are met.

GENERAL REQUIREMENTS FOR
PRELICENSING AND CONTINUING EDUCATION

2808.5000 ADVERTISING OF COURSES.

Subpart 1. **Truth in advertising.** Advertising of course offerings must be truthful and not deceptive or misleading. Courses may not be advertised in any manner as being approved unless approval has been granted, in writing, by the commissioner.

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Subp. 2. **Approval statement.** No advertisement, pamphlet, circular, or other similar materials pertaining to an approved course offering may be circulated or distributed in this state unless one of the following statements is prominently displayed on the cover of the materials used to advertise education courses:

A. for prelicense education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser prelicensing education";

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education."

Subp. 3. **Course hours approved.** The number of hours for which a course has been approved or for which approval is pending shall be displayed as provided in subpart 2 on any advertisement for the course. If a course offering involves attendance for a period that is longer than the number of hours of credit approved, the advertisement must clearly state that credit will not be earned for the entire course.

Subp. 4. **Advertising pending approval.** Upon submission of a request for prelicensing or continuing education course approval, a sponsor may also request permission to use the term "approval pending" in course advertisements. Upon receipt of the request, the commissioner will grant written permission for use of the term. When used, the words "approval pending" must be clearly visible in the advertisement.

Subp. 5. **Nonapproved courses to be distinguished.** Advertising of approved courses must be clearly distinguishable from the advertisement of other nonapproved courses and services.

2808.5100 MANDATORY NOTICE TO STUDENTS.

At the beginning of each approved real estate appraiser education offering, one of the following notices, as appropriate, shall be read to the students:

A. for prelicensing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for

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(number) hours of real estate appraiser prelicensing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101"; or

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101."

2808.5200 EDUCATION REPORTING REQUIREMENTS.

Subpart 1. **Requirement; forms.** Real estate appraiser education credit must be reported by the licensee on forms and in a manner prescribed by the commissioner.

Forms will not be accepted unless they reflect completion of all required hours. Licensees are encouraged to submit the appropriate forms as soon as they have completed the required hours of real estate appraiser education. Incomplete forms will be returned to the licensee.

Subp. 2. **Continuing education reporting deadlines.** Forms for reporting completion of continuing education requirements must be received by the commissioner no later than August 31 of the year due.

Forms submitted between June 15 and August 31 must be accompanied by the appropriate application and fees for license renewal. Forms that are personally submitted or postmarked no later than August 1 shall be considered timely received and the licensee shall be considered to be continuously licensed regardless of whether a renewed license is issued to the licensee before August 31. Persons who have failed to make a timely application for renewal of a license and who have not received the renewal license as of September 1 are unlicensed until the time the license has been issued by the commissioner and is received.

Forms submitted by mail must be addressed to Minnesota

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Department of Commerce, Licensing Unit, 133 East Seventh Street, Saint Paul, Minnesota 55101.

Subp. 3. **New licensees; waiver of reporting requirement.** Persons licensed for the first time on or after June 1 in any year shall not be subject to the continuing education requirements of Minnesota Statutes, section 82B.19, subdivision 1, until the next annual reporting period begins.

2808.5300 FALSIFICATION OF REPORTS.

A licensee or applicant found to have falsified a real estate appraiser education report to the commissioner shall be considered to have violated Minnesota Statutes, section 82B.13 or 82B.19, and shall be subject to suspension or revocation of the licensee's real estate appraiser license or denial of the applicant's application for licensing.

2808.5400 GENERAL POWERS OF COMMISSIONER.

Subpart 1. **Action against approval.** The commissioner may deny, censure, suspend, or revoke the approval of a coordinator, instructor, or course if any is determined not to be in compliance with the statutes or rules governing the offering of real estate appraiser education courses. The commissioner may also refuse to approve courses by specific sponsors if it is determined that past offerings have not been in compliance with real estate appraiser education laws and rules.

Subp. 2. **Right to audit.** The commissioner has the right to audit an education course offering with or without notice to the sponsor.

2808.5500 MANAGEMENT RESPONSIBILITY OF SPONSORS.

Sponsors of real estate appraisal education courses are responsible for the actions of the coordinators and instructors.

2808.5600 PROHIBITED PRACTICES FOR SPONSORS, COORDINATORS, AND INSTRUCTORS.

Subpart 1. **Prohibitions.** In connection with an approved course, sponsors, coordinators, and instructors shall not:

A. recommend or promote the services or practices of

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a particular real estate appraiser or appraisal firm, real estate brokerage, franchise, coordinator, instructor, or sponsor;

B. encourage or recruit individuals to engage the services of, or become associated with, a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

C. use materials, clothing, or other evidence of affiliation with a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

D. require students to participate in other programs or services offered by the sponsor, coordinator, or instructor;

E. take a Minnesota real estate appraiser licensing examination without the prior approval of the commissioner;

F. attempt, either directly or indirectly, to discover questions or answers on a real estate appraiser licensing examination; or

G. disseminate to any other person specific questions, problems, or information known or believed to be included in licensing examinations.

Subp. 2. **Notification of misconduct.** Coordinators and instructors must notify the commissioner within ten days after the occurrence of any of the following:

A. a felony or gross misdemeanor conviction of or disciplinary action taken against the real estate appraiser license or other occupational license held by the coordinator or instructor, which may be grounds for denying or revoking instructor or coordinator approval; and

B. any change of information contained in an application for approval as a coordinator or instructor.

STANDARDS OF APPRAISER CONDUCT

2808.6000 STANDARDS OF CONDUCT.

Subpart 1. **Compliance with the uniform standards of professional appraisal practice.** In addition to an act compelled or prohibited by Minnesota Statutes, chapter 82B, or this chapter, an appraiser must act in accordance with the

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standards of professional appraisal practice as defined in Minnesota Statutes, section 82B.02, subdivision 12.

Subp. 2. **Disclosure requirements.** In addition to the requirements of the standards of professional appraisal practice as defined by Minnesota Statutes, section 82B.02, subdivision 12, an appraiser must, prior to performing any appraisal service which requires licensing pursuant to Minnesota Statutes, chapter 82B, disclose in writing to the person contracting for the appraisal service the information identified in item D. In addition, an appraiser must prepare a written disclosure providing the information identified in items A to M. The written disclosure must be included as part of the final written appraisal report. As specified in this subpart, an appraiser must:

A. disclose who has employed the appraiser;

B. disclose who the appraisal is rendered for, if not the person who employed the appraiser;

C. disclose the purpose of the appraisal, including an explanation of the difference between the appraisal being given and an appraisal of fee simple market valuation;

D. disclose any conflict of interest or situation which might reasonably be perceived to be a conflict of interest which shall include, but not be limited to, the following situations:

(1) whether the appraiser has any ownership interest in the subject property or contiguous properties;

(2) whether there is an ownership interest by a spouse, parent, or child of the appraiser in the property or contiguous properties; and

(3) whether the appraiser has a continuing business relationship with one of the parties, for example, any part-time or full-time employment of the appraiser, spouse, children living at home, or dependent children.

Failure to promptly give notification of a conflict shall be considered a violation of the standards of professional appraisal practice;

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E. disclose that the appraisal is a reevaluation and identify the areas of difference between the two appraisals and the justification for the changes;

F. disclose any facts concerning the valuation needed for loan purposes or similar information that was provided to the appraiser before or during the appraisal;

G. disclose that the appraiser has not performed appraisals of the type requested or for the type of property to be appraised as a regular part of the appraiser's business in the preceding five-year period, provided that if the appraiser asserts qualification by training or related experience to perform the appraisal, the appraiser shall set forth the training or experience and how it is applicable to the appraisal;

H. disclose the license classification of the appraiser and the types of appraisals that the appraiser is authorized to conduct under the licensure;

I. disclose any lack of experience or training that would affect the ability of the appraiser to perform the appraisal or could cause rejection of the appraisal by the party requiring the appraisal;

J. disclose any appraisal on the same property made by the appraiser in the last three years;

K. disclose all pertinent assumptions upon which a valuation based upon income from the property is derived such as expected occupancy rates, rental rates, construction of future improvements, roads, or highways;

L. prior to performing the appraisal, disclose whether the appraiser has previously been to the property; and

M. disclose any other fact or circumstance that could bring the reliability of the appraisal or the impartiality of the appraiser into question.

Subp. 3. **Additional requirements.** In addition to the requirements of subparts 1 and 2, an appraiser must:

A. not knowingly make any of the following unacceptable appraisal practices:

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(1) include inaccurate or misleading factual data about the subject neighborhood, site, improvements, or comparable sales;

(2) fail to comment on negative factors with respect to the subject neighborhood, subject property, or proximity of the subject property to adverse influences;

(3) unless otherwise disclosed in the appraisal report, use comparables in the valuation process that the appraiser has not at least personally inspected from the exterior by driving by them;

(4) select and use inappropriate comparable sales or fail to use comparables that are physically and by location the most similar to the subject property;

(5) use data, particularly comparable sales data, that was provided by parties who have a financial interest in the sale or financing of the subject property without the appraiser's verification of the information from a disinterested source. For example, it would be inappropriate for an appraiser to use comparable sales provided by the real estate broker who is handling the sale of the subject property, unless the appraiser verifies the accuracy of the data provided through another source and makes an independent investigation to determine that the comparables provided were the best ones available;

(6) use adjustments to the comparable sales that do not reflect the market's reaction to the differences between the subject property and the comparables, or fail to make adjustments when they are clearly indicated;

(7) develop a valuation conclusion that is based either partially or completely on factors identified in Minnesota Statutes, chapter 363, including race, color, creed, religion, sex, marital status, status with regard to public assistance, disability, familial status of the owner or occupants of nearby property, or national origin of either the prospective owners or occupants of the properties in the vicinity of the subject property; or

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(8) develop a valuation conclusion that is not supported by available market data;

B. provide a resume, current within six months of the date it is provided, to anyone who employs the appraiser, indicating all professional degrees and licenses held by the appraiser;

C. prior to performing the appraisal, view the entire property, inside and out, as well as confirm the existence of any contiguous highways, buildings, or other factors that affect the valuation of the property; and

D. reject any request by the person who has employed the appraiser that is in conflict with the requirements of Minnesota law or this chapter and withdraw from the appraisal assignment if the employing party persists in the request.

Subp. 4. **Enforcement.** Failure to comply with the provisions of this part is a prohibited practice under Minnesota Statutes, section 82B.20, subdivision 2, clause (17).

2808.7000 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE

RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION (1-4 Units)

		% WEIGHT	LEVEL OF DIFFICULTY
I.	INFLUENCES ON REAL ESTATE VALUE	3-4%	Conceptual
	A. Physical and Environmental		
	B. Economic		
	C. Governmental and Legal		
	D. Social		
II.	LEGAL CONSIDERATIONS IN APPRAISAL	6-8%	Conceptual, Definitions
	A. Real estate vs. real property		
	B. Real property vs. personal property		
	C. Limitations on real estate ownership		
	1. Private		
	a. Deed restrictions		
	b. Leases		
	c. Mortgages		
	d. Easements		
	e. Liens		
	f. Encroachments		
	2. Public		
	a. Police power		
	(1) Zoning		
	(2) Building and fire codes		
	(3) Environmental regulations		
	b. Taxation		
	(1) Property tax		
	(2) Special assessments		
	c. Eminent domain		
	d. Escheat		
	D. Legal rights and interests		
	1. Fee simple estate		

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	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
	E. Forms of property ownership		
	1. Individual		
	2. Tenancies and undivided interests		
	3. Special ownership forms		
	a. Condominiums		
	b. Cooperative		
	c. Timesharing		
	F. Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
	G. Transfer of title		
	1. Basic types of deeds		
	2. Recordation		
III.	TYPES OF VALUE	3-5%	Conceptual,
	A. Market Value or Value in Exchange		Definitions
	B. Price		
	C. Cost		
	D. Investment Value		
	E. Value in Use		
	F. Assessed Value		
	G. Insurable Value		
IV.	ECONOMIC PRINCIPLES	7-9%	Conceptual,
	A. Anticipation		Definitions
	B. Balance		
	C. Change		
	D. Competition		
	E. Conformity		
	F. Contribution		
	G. Increasing and Decreasing Returns		
	H. Substitution		
	I. Supply and Demand		
	J. Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual
	A. Characteristics of real estate markets		
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
	B. Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	C. Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
	D. Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		
	a. Conventional		
	b. Insured		

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VI.	VALUATION PROCESS	4-6%	Conceptual
	A. Definition of the problem		
	1. Purpose and use of appraisal		
	2. Interests to be appraised		
	3. Type of value to be estimated		
	4. Date of the value estimate		
	5. Limiting conditions		
	B. Collection and analysis of data		
	1. National and regional trends		
	2. Economic base		
	3. Local area and neighborhood		
	a. Employment		
	b. Income		
	c. Trends		
	d. Access		
	e. Locational convenience		
	4. Site and improvements		
	C. Analysis of highest and best use		
	D. Application and limitations of each approach to value		
	1. Sales comparison		
	2. Cost		
	3. Income capitalization		
	E. Reconciliation and final value estimate		
	F. The appraisal report		
VII.	PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
	A. Site Description		
	1. Utilities		
	2. Access		
	3. Topography		
	4. Size		
	B. Improvement description		
	1. Size		
	2. Condition		
	3. Utility		
	C. Basic construction and design		
	1. Techniques and materials		
	a. Foundations		
	b. Framing		
	c. Finish (exterior and interior)		
	2. Functional utility		
VIII.	HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
	A. Four tests		
	1. Physically possible		
	2. Legally permitted		
	3. Economically feasible		
	4. Maximally productive		
	B. Vacant site or as if vacant		
	C. As improved		
	D. Interim use		
IX.	APPRAISAL STATISTICAL CONCEPTS	1-3%	Conceptual, Analysis/ Application
	A. Mean		
	B. Median		
	C. Mode		
	D. Range		
	E. Standard deviation		
X.	SALES COMPARISON APPROACH	21-24%	Conceptual, Definitions, Analysis/ Application
	A. Research and selection of comparables		
	1. Data sources		
	2. Verification		
	3. Units of comparison		
	a. Data sources		
	b. Size		
	(1) Square foot		

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	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Rooms		
	(2) Beds		
	(3) Other		
	B. Elements of comparison		
	1. Property rights conveyed		
	a. Leased fee/leasehold		
	b. Easements		
	c. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
	C. Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
	D. Application of sales comparison approach		
XI.	SITE VALUE	4-6%	Conceptual, Definitions, Analysis/ Application
	A. Sales comparison		
	B. Land residual		
	C. Allocation		
	D. Extraction		
	E. Plottage and Assemblage		
XII.	COST APPROACH	8-10%	Conceptual, Definitions, Analysis/ Application
	A. Steps in cost approach		
	1. Reproduction vs. replacement cost		
	a. Comparative unit method		
	b. Unit-in-place method		
	c. Quantity survey method		
	d. Cost service index		
	2. Accrued depreciation		
	a. Types of depreciation		
	(1) Physical deterioration		
	(a) Curable		
	(b) Incurable		
	(c) Short-lived		
	(d) Long-lived		
	(2) Functional obsolescence		
	(a) Curable		
	(b) Incurable		
	(3) External obsolescence		
	(a) Locational		
	(b) Economic		
	b. Methods of estimating depreciation		
	(1) Age-life method		
	(2) Breakdown method and sequence of deductions		
	(3) Market extraction of depreciation		
	B. Application of the cost approach		
XIII.	INCOME APPROACH	7-9%	Conceptual, Definitions, Analysis/ Application
	A. Estimation of income and expenses		
	1. Gross market income		
	2. Effective gross income		
	a. Vacancy		

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	b. Collection loss		
	3. Operating expenses		
	a. Fixed expenses		
	b. Variable expenses		
	c. Reserve for replacements		
	4. Net operating income		
	B. Operating expense ratios		
	C. Gross rent multiplier		
XIV.	VALUATION OF PARTIAL INTERESTS	1-3%	Conceptual, Definitions
	A. Life estates		
	B. Undivided interest in commonly held property		
	C. Easements		
	D. Timeshares		
	E. Cooperatives		
	F. Leased fee estate		
	G. Leasehold estate		
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7100 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION

		% WEIGHT	LEVEL OF DIFFICULTY
I.	INFLUENCES ON REAL ESTATE VALUE	2-3%	Conceptual
	A. Physical and Environmental		
	B. Economic		
	C. Governmental and Legal		
	D. Social		
II.	LEGAL CONSIDERATIONS IN APPRAISAL	7-8%	Conceptual, Definitions
	A. Real estate vs. real property		
	B. Real property vs. personal property		
	1. Fixtures		
	2. Trade Fixtures		
	3. Machinery and equipment		
	C. Limitations on real estate ownership		
	1. Private		
	a. Deed restrictions		
	b. Leases		
	c. Mortgages		
	d. Easements		
	e. Liens		
	f. Encroachments		
	2. Public		
	a. Police power		
	(1) Zoning		
	(2) Building and fire codes		
	(3) Environmental regulations		
	b. Taxation		
	(1) Property tax		
	(2) Special assessments		
	c. Eminent domain		
	d. Escheat		
	D. Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
	E. Forms of property ownership		
	1. Individual		
	2. Tenancies and undivided interests		
	3. Special ownership forms		

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	a. Condominiums		
	b. Cooperative		
F.	Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
G.	Transfer of title		
	1. Basic types of deeds		
	2. Recordation		
III.	TYPES OF VALUE	2-3%	Conceptual,
A.	Market Value or Value in Exchange		Definitions
B.	Price		
C.	Cost		
D.	Investment Value		
E.	Value in Use		
F.	Assessed Value		
G.	Insurable Value		
H.	Going Concern Value		
IV.	ECONOMIC PRINCIPLES	3-5%	Conceptual,
A.	Anticipation		Definitions
B.	Balance		
C.	Change		
D.	Competition		
E.	Conformity		
F.	Contribution		
G.	Increasing and Decreasing Returns		
H.	Opportunity Cost		
I.	Substitution		
J.	Supply and Demand		
K.	Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual,
A.	Characteristics of real estate markets		Analysis/ Application
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
B.	Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	5. Existing space inventory		
	6. Current and projected space surplus		
	7. New space		
C.	Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
D.	Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		
	a. Conventional		
	b. Insured		
VI.	VALUATION PROCESS	2-4%	Conceptual
A.	Definition of the problem		
	1. Purpose and use of appraisal		
	2. Interests to be appraised		
	3. Type of value to be estimated		

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4. Date of the value estimate		
5. Limiting conditions		
B. Collection and analysis of data		
1. National and regional trends		
2. Economic base		
3. Local area and neighborhood		
a. Employment		
b. Income		
c. Trends		
d. Access		
e. Locational convenience		
4. Site and improvements		
C. Analysis of highest and best use		
D. Application and limitations of each approach to value		
1. Sales comparison		
2. Cost		
3. Income capitalization		
E. Reconciliation and final value estimate		
F. The appraisal report		
VII. PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
A. Site Description		
1. Utilities		
2. Access		
3. Topography		
4. Size		
B. Improvement description		
1. Size		
2. Condition		
3. Utility		
C. Basic construction and design		
1. Techniques and materials		
a. Foundations		
b. Framing		
c. Finish (exterior and interior)		
d. Mechanical		
2. Functional utility		
VIII. HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
A. Four tests		
1. Physically possible		
2. Legally permitted		
3. Economically feasible		
4. Maximally productive		
B. Vacant site or as if vacant		
C. As improved		
D. Interim use		
IX. APPRAISAL MATH AND STATISTICS	3-5%	Conceptual, Analysis/ Application
A. Compound interest concepts		
1. Future value of $1		
2. Present value of $1		
3. Future value of an annuity of $1 per period		
4. Present value of an annuity of $1 per period		
5. Sinking fund factor		
6. Installment to amortize $1 (loan constant)		
B. Statistical concepts used in appraisal		
1. Mean		
2. Median		
3. Mode		
4. Range		
5. Standard deviation		
X. SALES COMPARISON APPROACH	10-12%	Conceptual,
A. Research and selection		Definitions,

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	of comparables		Analysis/
	1. Data sources		Application
	2. Verification		
	3. Units of comparison		
	a. Income		
	(1) Potential gross income multiplier		
	(2) Effective gross income multiplier		
	(3) Overall rate		
	b. Size		
	(1) Square foot		
	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Motel and apartment units		
	(2) Theater seats		
	(3) Other		
	B. Elements of comparison		
	1. Property rights conveyed		
	a. Easements		
	b. Leased fee/Leasehold		
	c. Mineral rights		
	d. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
	7. Tenant improvements		
	C. Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
	D. Application of sales comparison approach		
XI.	SITE VALUE	3-5%	Conceptual,
	A. Sales comparison		Definitions,
	B. Land residual		Analysis/
	C. Allocation		Application
	D. Extraction		
	E. Ground rent capitalization		
	F. Subdivision analysis		
	1. Development cost: direct and indirect		
	2. Contractor's overhead and profit		
	3. Forecast absorption and gross sales		
	4. Entrepreneurial profit		
	5. Discounted value conclusion		
	G. Plottage and Assemblage		
XII.	COST APPROACH	9-12%	Conceptual,
	A. Steps in cost approach		Definitions,
	1. Reproduction vs. replacement cost		Analysis/
	a. Comparative unit method		Application
	b. Unit-in-place method		
	c. Quantity survey method		
	d. Cost service index		
	2. Accrued depreciation		
	a. Types of depreciation		
	(1) Physical deterioration		

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(a) Curable
(b) Incurable
(c) Short-lived
(d) Long-lived
(2) Functional obsolescence
(a) Curable
(b) Incurable
(3) External obsolescence
(a) Locational
(b) Economic
b. Methods of estimating depreciation
(1) Age-life method
(2) Breakdown method and sequence of deductions
(3) Market extraction of depreciation
B. Application of the cost approach

XIII. INCOME APPROACH 20-24% Conceptual, Definitions, Analysis/ Application
A. Estimation of income and expenses
1. Gross market income
2. Effective gross income
a. Vacancy
b. Collection loss
3. Operating expenses
a. Fixed expenses
b. Variable expenses
c. Reserve for replacements
4. Net operating income
B. Operating statement ratios
1. Operating expense ratio
2. Net income ratio
3. Break-even ratio
C. Direct capitalization
1. Relevance and limitations
2. Overalll capitalization rate
3. Gross income multiplier and net income ratio
4. Band of investment (mortgage equity) techniques
5. Residual techniques
a. Land (building value given)
b. Building (land value given)
c. Equity (mortgage value given)
D. Cash flow estimates (before tax only)
1. Operating years
a. Estimating NOI with a change in NOI
b. Estimating NOI using lease information
c. Cash flow (NOI less mortgage payment)
2. Reversion
a. Estimating resale with a change in value
b. Estimating resale with a terminal capitalization rate
c. Cash flow (sale price less mortgage balance)
d. Deductions for costs of sale and legal fees to arrive at a net reversion
E. Measures of cash flow
1. Equity dividend rate (cash on cash rate)
2. Debt coverage ratio
F. Discounted cash flow analysis (DCF)
1. Relevance and limitations
2. Potential gross income and expense estimate

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	a. Market vs. contract rents		
	b. Vacancy and lease commissions		
	c. Tenant improvements and concessions		
	3. Discount rates and yield rates (definition and concept but no calculations of yield rate)		
	4. Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts and tables or calculators can be used)		
XIV.	VALUATION OF PARTIAL INTERESTS	4-6%	Conceptual, Definitions, Analysis/ Application
	A. Interests created by a lease		
	1. Leased fee		
	2. Leasehold		
	3. Subleasehold		
	4. Renewal options		
	5. Tenant improvements		
	6. Concessions		
	B. Lease Provisions		
	1. Overage rent		
	2. Expense stops		
	3. Net leases		
	4. Minimum rent		
	5. Percentage rent		
	6. CPI adjustments		
	7. Excess rent		
	C. Valuation considerations		
	1. Identifying the cash flows, to the different interests, including turnover ratios		
	2. Discount rate selection for different interests		
	3. Relationship between the values of the interests		
	D. Other partial interests		
	1. Life estates		
	2. Undivided interest in commonly held property		
	3. Easements		
	4. Timeshares		
	5. Cooperatives		
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7200 CERTIFIED STATE AND FEDERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 75 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

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F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses; and

(3) operating expense ratios;

N. valuation of partial interests; and

O. appraisal standards and ethics.

2808.7300 CERTIFIED FEDERAL RESIDENTIAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses;

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(3) operating expense ratios; and

(4) direct capitalization;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

2808.7400 CERTIFIED FEDERAL GENERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education included coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal math and statistics;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) estimation of income and expenses;

(2) operating statement ratios;

(3) direct capitalization;

(4) cash flow estimates;

(5) measures of cash flow; and

(6) discounted cash flow analysis;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

REPEALER. Minnesota Rules, part 2808.3000, subpart 3a, is

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repealed on January 1, 1994. Minnesota Rules, part 2808.3000, subpart 7, is repealed on December 1, 1995.

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Office of the Revisor of Statutes

Administrative Rules

TITLE: Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

AGENCY: Department of Commerce

MINNESOTA RULES: Chapter 2808

The attached rules are approved for publication in the State Register

Paul M. Marinac
Deputy Revisor

Stat Authority 45.023

The commissioner of commerce may adopt, amend, suspend or repeal rules, including emergency rules in accordance with Chapter 14, and as otherwise provided by law

82B.13 Examination Prerequisites
Subd 1 Level I Classification
Subd 2 Level II Classification
Subd 3 Commissioner's approval; rule
The courses and instruction and procedures of courses must be approved by the Commissioner.

end of comment period October 19, 1992
put wrong cite in
corrected with an errata
on October 26, 1992 State Register
changed to November 25, 1992
send another mailing out on Oct 22, 1992

2808.700 - why is this reasonable

Commerce is not actually setting fees
gives permission gives independent
appraisers authority 2808.400

2808 . 3000

STATE OF MINNESOTA
Office Memorandum

Department of Commerce

TO: Alan I. Gilbert
Attorney General's Office

FROM: Donna M. Watz
Staff Attorney

DATE: December 3, 1992

RE: Proposed Permanent Rules Relating to
Real Estate Appraiser Licensing and Education

==========

Pursuant to Minnesota Rules section 2010.0300, we submit the following documents for your review regarding the above-captioned proposed rules.

1. Copy of the Proposed Rules with the Revisor's Certificate;
2. Notice of Intent to Adopt Rules Without a Public Hearing;
3. Correction of Notice of Intent to Adopt Rules Without a Public Hearing;
4. Statement of Need and Reasonableness;
5. Affidavit of Mailing Notice of Intent to Adopt Rules Without Public Hearing and Certificate of Mailing List;
6. Affidavit of Mailing Correction of Notice of Intent to Adopt a Rule Without a Public Hearing;
7. Copy of Notice of Intent to Adopt Rules Without Public Hearing as published in the State Register;
8. Copy of Correction to Notice of Intent to Adopt Rules Without Public Hearing as published in the State Register;
9. Four copies of the Rules as adopted;
10. Findings of Fact, Conclusions and Order Adopting Rules;
11. Written comment regarding the rules; and
12. Declaration of Attorney General.

As indicated in the Findings of Fact, Conclusions and Order Adopting Rule, please note that we received no requests for notice of submission of the rules to the Attorney General.

Please call me as soon as you have completed your review of this file and I will make arrangements to pick up the signed Declaration of Counsel. Thank you.

DMW:joc

7-1118

OFFICE OF THE COMMISSIONER

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

133 EAST 7th STREET
ST. PAUL, MN 55101
612/296-4026
FAX: 612/296-4328

December 9, 1992

Office of the Attorney General
Public Finance Division
525 Park Place, Suite 500
St. Paul, MN 55155

RE: Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Pursuant to Minnesota Rules section 2010.0300, we submit the following documents for your review regarding the above-captioned proposed rules.

1. Copy of the Proposed Rules with the Revisor's Certificate;
2. Notice of Intent to Adopt Rules Without a Public Hearing;
3. Correction of Notice of Intent to Adopt Rules Without a Public Hearing;
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11. Written comment regarding the rules; and
12. Declaration of Attorney General.

As indicated in the Findings of Fact, Conclusions and Order Adopting Rule, please note that we received no requests for notice of submission of the rules to the Attorney General.

Sincerely,

BERT J. McKASY
Commissioner of Commerce

By:
Donna M. Watz

Donna M. Watz
Staff Attorney

DMW:joc
Enclosures

STATE OF MINNESOTA
Department of Commerce

Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

CORRECTION TO NOTICE OF INTENT TO ADOPT RULES WITHOUT A PUBLIC HEARING

The Notice of Intent to Adopt Rules without a Public Hearing on the above-referenced rules, appearing in the State Register on Monday 12 October 1992, Vol. 17, No. 15, page 741, incorrectly listed the end of the comment period as October 19, 1992. Consequently, the comment period has been extended to 5:00 p.m. on November 25, 1992. Questions may be addressed to Donna M. Watz at 297-1118.

In the Matter of the Proposed Adoption of the Rules Governing Real Estate Appraisers and Credit Unions

AFFIDAVIT OF MAILING THE NOTICE OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CERTIFICATE OF MAILING LIST

STATE OF MINNESOTA }
} **SS.**
COUNTY OF RAMSEY }

Janie O'Halloran Cotter, being sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes section 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the Minnesota Department of Commerce rulemaking mailing list is accurate, complete, and current as of this 1st day of October, 1992.

That on the 1st day of October, 1992, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notices of Intent to Adopt A Rule Without a Public Hearing by depositing in the State of Minnesota Mail for United States mailing, a copy of thereof, to all persons and associations on the aforementioned mailing list.

Subscribed and sworn to me, SANDI SMITH, this 1st day of October, 1992.

Sandra Lee Smith
Notary

SANDRA LEE SMITH
NOTARY PUBLIC—MINNESOTA
HENNEPIN COUNTY
My Comm. Expires Apr. 20, 1998

Janie O'Halloran Cotter
Janie O'Halloran Cotter
Secretary to the Commissioner

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In the Matter of the Proposed Adoption of the Rules Governing Real Estate Appraisers

AFFIDAVIT OF MAILING OF THE CORRECTION OF INTENT TO ADOPT A RULE WITHOUT A PUBLIC HEARING AND CORRECTION TO NOTICE OF WITHDRAWAL OF PROPOSED RULE AND CERTIFICATE OF MAILING LIST

STATE OF MINNESOTA }
} **SS.**
COUNTY OF RAMSEY }

Janie O'Halloran Cotter, being sworn says:

I hereby certify that the list of persons and associations who have requested, pursuant to Minnesota Statutes section 14.14, subdivision 1a and 14.22 or 14.30, that their names be placed on the Minnesota Department of Commerce rulemaking mailing list is accurate, complete, and current as of this 22nd day of October, 1992.

That on the 22nd day of October, 1992, at the City of St. Paul, County of Ramsey, State of Minnesota, I mailed the attached Notices of Intent to Adopt A Rule Without a Public Hearing by depositing in the State of Minnesota Mail for United States mailing, a copy of thereof, to all persons and associations on the aforementioned mailing list.

Subscribed and sworn to me, SANDI SMITH, this 22nd day of October, 1992.

Sandra Lee Smith
Notary

SANDRA LEE SMITH
NOTARY PUBLIC—MINNESOTA
HENNEPIN COUNTY
My Comm. Expires Apr. 20, 1998

Janie O'Halloran Cotter
Janie O'Halloran Cotter
Secretary to the Commissioner

STATE OF MINNESOTA
Department of Commerce

In the Matter of the Proposed Adoption of the Rule Relating to Real Estate Appraiser Licensing and Education

CORRECTION TO NOTICE OF WITHDRAWAL OF PROPOSED RULE

The Notice of Withdrawal of Proposed Rule pertaining to the above-referenced rule, appearing in the State Register on Monday 12 October 1992, Volume 17, Number 15, page 784, incorrectly listed the page numbers applicable to the rule being withdrawn. The citation to the page numbers should read pages 192-218 instead of pages 178-218. The rules appearing in the State Register on 3 August 1992 (Volume 17, Number 5) on pages 178-192 are not to be included in the Notice of Withdrawal.

STATE OF MINNESOTA
Department of Commerce

Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

CORRECTION TO NOTICE OF INTENT TO ADOPT RULES WITHOUT A PUBLIC HEARING

The Notice of Intent to Adopt Rules without a Public Hearing on the above-referenced rules, appearing in the State Register on Monday 12 October 1992, Vol. 17, No. 15, page 741, incorrectly listed the end of the comment period as October 19, 1992. Consequently, the comment period has been extended to 5:00 p.m. on November 25, 1992. Questions may be addressed to Donna M. Watz at 297-1118.

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Adopted Rules

The adoption of a rule becomes effective after the requirements of Minn. Stat. §14.14-14.28 have been met and five working days after the rule is published in *State Register*, unless a later date is required by statutes or specified in the rule.

If an adopted rule is identical to its proposed form as previously published, a notice of adoption and a citation to its previous *State Register* publication will be printed.

If an adopted rule differs from its proposed form, language which has been deleted will be printed with strikeouts and new language will be underlined. The rule's previous *State Register* publication will be cited.

An emergency rule becomes effective five working days after the approval of the Attorney General as specified in Minn. Stat. §14.33 and upon the approval of the Revisor of Statutes as specified in §14.36. Notice of approval by the Attorney General will be published as soon as practicable, and the adopted emergency rule will be published in the manner provided for adopted rules under §14.18.

Department of Agriculture

Adopted Permanent Rules Relating to Advocate Fees

The rules proposed and published at *State Register*, Volume 17, Number 4, pages 133-134, July 27, 1992 (17 SR 133), are adopted as proposed.

Department of Human Services

Adopted Permanent Rules Relating to State Grants for Mental Health Services

The rules proposed and published at *State Register*, Volume 17, Number 3, pages 88-95, July 20, 1992 (17 SR 88), are adopted with the following modifications:

Rules as Adopted

9535.1725 DISTRIBUTION FORMULA.

At or before the beginning of the grant period, the commissioner shall use the formulas in items A to F to distribute grants under parts 9535.1700 to 9535.1760 to county boards whose grant applications meet the requirements in parts 9535.1700 to 9535.1760.

D. If the appropriations under this part are decreased from the appropriations for the preceding year, then the per-county allocations in item A must be decreased in the same proportion as the decrease in the appropriation and must not be adjusted to reflect new data of the state demographer.

Errata

Department of Commerce

Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Correction to Notice of Intent to Adopt Rules Without a Public Hearing

The Notice of Intent to Adopt Rules without a Public Hearing on the above-referenced rules, appearing in the *State Register* on Monday 12 October 1992, Vol. 17, No. 15, page 741, incorrectly listed the end of the comment period as October 19, 1992. Consequently, the comment period has been extended to 5:00 p.m. on November 25, 1992. Questions may be addressed to Donna M. Watz at 297-1118.

STATE OF MINNESOTA
Department of Commerce

In the Matter of the Proposed Adoption of the Rules Relating to Real Estate Appraisers

NOTICE OF INTENT TO ADOPT RULES WITHOUT A PUBLIC HEARING

(1) Notice is hereby given that the Department of Commerce intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in Minnesota Statutes, Sections 14.223 to 14.28. The statutory authority to adopt the rules is Minnesota Statute Sections 45.023, 82B.13, and 82B.19.

(2) All persons have 30 days in which to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. (3) Each comment should identity the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rules within the 30-day comment period. (4) If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. (6) Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. (7) If a public hearing is required, the department will proceed pursuant to Minnesota Statutes Section 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted on or before October 19, 1992 to: (5)

Donna M. Watz
Staff Attorney
Minnesota Department of Commerce
133 East Seventh Street
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(8) The proposed rules may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rules as noticed.

(11) A copy of the proposed rules is attached to this notice.

(12) A Statement of Need and Reasonableness that describes the need for and reasonableness of each provision of the proposed rules and identifies the data and information relied upon to support the proposed rules has been prepared and is available upon request from Donna M. Watz, Staff Attorney, at the above referenced address.

(9)

If no hearing is required, upon adoption of the rules, the rules and the required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form related to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or who wish to receive a copy of the adopted rules, must submit the written request to Donna M. Watz, Staff Attorney at the above-reference address.

1/25/92
Date:

Bert J. McKasy
Commissioner of Commerce

STATE OF MINNESOTA
Department of Commerce

In the Matter of Proposed Adoption of the Rules Relating to Real Estate Appraiser Licensing and Education

FINDINGS OF FACT, CONCLUSIONS, AND ORDER ADOPTING RULES WITHOUT PUBLIC HEARING

(1) Notice of the Commissioner's intent to adopt the above-entitled rules was published in the State Register on October 12, 1992 and was sent by United States mail to all persons on the list maintained by the Department of Commerce pursuant to Minnesota Statutes, section 14.14, subdivision 1a and 14.22 on October 1, 1992. (2) The Statement of Need and Reasonableness was prepared before the Notice of Intent to Adopt a Rule without a Public Hearing was mailed to all persons on the rulemaking mailing list and published in the State Register and was available to the public. A correction to the Notice of Intent to Adopt the above-referenced rules was published in the State Register on October 26, 1992. This correction was necessary because of a typographical error in the original Notice of Intent to Adopt Rules in which the ending date of the comment period was listed as October 19, 1992 instead of November 19, 1992. The correction, as published in the State Register on October 26, 1992, identified a new ending date for the comment period. The public was given a full 30 days after the correction was published in the State Register to submit comments on the proposed rules. On October 22, 1992, the correction was mailed to all persons and associations who have requested that their names be placed on our department's rulemaking mailing list.

(4) All persons were given the opportunity to submit comments on the rules for 30 days after notice of proposed rulemaking. The department received one written comment on the rules, however, (5) no requests for a public hearing on the rules were received by the department. No requests for notice of submission to the Attorney General were received by the department. (7)

(8) Based on the comments and evidence in the record before the department, I find the above-captioned rules are needed and reasonable.

NOW, THEREFORE, IT IS ORDERED that the rules identified as the Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education are adopted this 3rd day of December, 1992, pursuant to the authority vested in me by Minnesota Statutes, sections 82B.13, 82B.19 and 45.023. (9)

Bert J. McKasy
Commissioner of Commerce

NORTHERN STATES POWER
ST. PAUL CREDIT UNION
825 RICE STREET
ST. PAUL, MINN. 55117

STATE OF MINNESOTA
NOV 20 1992
DEPARTMENT OF COMMERCE

NOVEMBER 18, 1992

TO: MINN. DEPT. OF COMMERCE
ATTN: DONNA WATZ, STAFF ATTORNEY

RE: CHANGES TO REAL ESTATE APPRAISER RULES

PLEASE ACCEPT THIS RESPONSE TO THE PROPOSED PERMANENT RULES RELATING TO REAL ESTATE APPRAISER LICENSING AND EDUCATION. OUR DIRECTORS AND MANAGEMENT DO NOT FAVOR CHANGES REGARDING APPRAISAL REQUIREMENTS BELOW THE PRESENT $50,000.00. WE DO NOT FEEL THIS WOULD STRENGTHEN OUR MORTGAGE LOANS FOR THESE AMOUNTS ANYMORE THAN THE EVALUATION PROCESS OR DRIVE BY APPRAISALS WHICH ARE BEING DONE NOW.

WE CAST A DEFINITE NO VOTE ON THIS PROPOSED CHANGE.

SINCERELY,

Kathleen S. Dow

KATHLEEN S. DOW, MANAGER

N.S.P. ST. PAUL CREDIT UNION

**In the Matter of Adoption of
Rules Relating to Real Estate
Appraiser Licensing and Education**

DECLARATION OF COUNSEL

I, PRENTISS COX, Special Assistant Attorney General, do hereby declare that I have examined the above-captioned rule, and the supporting rulemaking record, and that, based on my examination, the Administrative Procedure Act and Minnesota Rules, chapter 2010 have been followed. Any exceptions are listed below. For Attorney General billing purposes, the four-digit docket code is 0119.

Dated: December 3, 1992

PRENTISS COX
Special Assistant Attorney General

bj9

The Minnesota

State Register

Department of Administration—Print Communications Division



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Proposed Rules

Pursuant to Minn. Stat. §§ 14.22, an agency may propose to adopt, amend, suspend or repeal rules without first holding a public hearing, as long as the agency determines that the rules will be noncontroversial in nature. The agency must first publish a notice of intent to adopt rules without a public hearing, together with the proposed rules, in the *State Register*. The notice must advise the public:

1. that they have 30 days in which to submit comment on the proposed rules;
2. that no public hearing will be held unless 25 or more persons make a written request for a hearing within the 30-day comment period;
3. of the manner in which persons shall request a hearing on the proposed rules; and
4. that the rule may be modified if the modifications are supported by the data and views submitted.

If, during the 30-day comment period, 25 or more persons submit to the agency a written request for a hearing of the proposed rules, the agency must proceed under the provisions of §§ 14.14-14.20, which state that if an agency decides to hold a public hearing, it must publish a notice of intent in the *State Register*.

Pursuant to Minn. Stat. §§ 14.29 and 14.30, agencies may propose emergency rules under certain circumstances. Proposed emergency rules are published in the *State Register* and, for at least 25 days thereafter, interested persons may submit data and views in writing to the proposing agency.

Department of Commerce

Proposed Permanent Rules Relating to Real Estate Appraiser Licensing and Education

Notice of Intent to Adopt Rules Without a Public Hearing

NOTICE IS HEREBY GIVEN that the Department of Commerce intends to adopt the above-entitled rules without a public hearing following the procedures set forth in the Administrative Procedure Act for adopting rules without a public hearing in *Minnesota Statutes*, Sections 14.223 to 14.28. The statutory authority to adopt the rules is *Minnesota Statutes* Sections 45.023, 82B.13, and 82B.19.

All persons have 30 days in which to submit comment in support of or in opposition to the proposed rules or any part or subpart of the rules. Comment is encouraged. Each comment should identify the portion of the proposed rules addressed, the reason for the comment, and any change proposed.

Any person may make a written request for a public hearing on the rules within the 30-day comment period. If 25 or more persons submit a written request for a public hearing within the 30-day comment period, a public hearing will be held unless a sufficient number withdraw their request in writing. Any person requesting a public hearing should state his or her name and address, and is encouraged to identify the portion of the proposed rules addressed, the reason for the request, and any change proposed. If a public hearing is required, the department will proceed pursuant to *Minnesota Statutes* Section 14.131 to 14.20.

Comments or written requests for a public hearing must be submitted on or before October 19, 1992 to:

Donna M. Watz
Staff Attorney
Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101
(612) 297-1118

The proposed rules may be modified if the modifications are supported by data and views submitted to the agency and do not result in a substantial change in the proposed rules as noticed.

A copy of the proposed rules is attached to this notice.

A STATEMENT OF NEED AND REASONABLENESS that describes the need for and reasonableness of each provision of the proposed rules and identifies the data and information relied upon to support the proposed rules has been prepared and is available upon request from Donna M. Watz, Staff Attorney, at the above referenced address.

If no hearing is required, upon adoption of the rules, the rules and required supporting documents will be submitted to the Attorney General for review as to legality and form to the extent the form related to legality. Any person may request notification of the date of submission to the Attorney General. Persons who wish to be advised of the submission of this material to the Attorney General, or

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who wish to receive a copy of the adopted rules, must submit a written request to Donna M. Watz, Staff Attorney at the above-referenced address.

Dated: 25 September 1992

Bert J. McKasy
Commissioner of Commerce

Rules as Proposed (all new material)

2808.0100 DEFINITIONS.

Subpart 1. **Scope.** For the purposes of this chapter, the terms defined in this part have the meanings given them.

Subp. 2. **Applicant.** "Applicant" means an individual who has applied to the commissioner of commerce pursuant to *Minnesota Statutes*, chapter 82B, for a license as a real estate appraiser.

Subp. 3. **Appraisal foundation or foundation.** "Appraisal foundation" or "foundation" means the appraisal foundation established on November 30, 1987, as a nonprofit corporation under the laws of Illinois.

Subp. 4. **Appraisal standards board.** "Appraisal standards board" means the independent board of the appraisal foundation responsible for promulgation of minimum appraisal standards for federally related transactions.

Subp. 5. **Appraiser qualifications board.** "Appraiser qualifications board" means the independent board of the appraiser foundation responsible for promulgation of qualification criteria for licensure of real estate appraisers authorized to conduct appraisals on federally related transactions, and for issuing or endorsing a uniform state real estate appraiser qualification examination.

Subp. 6. **Certified federal residential real property appraiser.** "Certified federal residential real property appraiser" means an individual licensed under *Minnesota Statutes*, section 82B.11, to perform appraisals on one- to four-family residential units or agricultural property regardless of transaction value or complexity.

Subp. 7. **Certified federal general real property appraiser.** "Certified federal general real property appraiser" means an individual licensed under *Minnesota Statutes*, section 82B.11, to perform appraisals on all types of real property.

Subp. 8. **Classroom hour.** "Classroom hour" means 60 minutes out of each 60-minute segment.

Subp. 9. **Commissioner.** "Commissioner" means the commissioner of commerce.

Subp. 10. **Coordinator.** "Coordinator" means an individual who is responsible for monitoring real estate appraisal education offerings.

Subp. 11. **Federal appraisal subcommittee.** "Federal appraisal subcommittee" means the appraisal subcommittee of the Federal Financial Institutions Examinations Council as set forth under *United States Code*, title 12, sections 3301 et. seq.

Subp. 12. **Federal financial institutions regulatory agency.** "Federal financial institutions regulatory agency" means the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, or the National Credit Union Administration.

Subp. 13. **Federal residential real property appraiser.** "Federal residential real property appraiser" means an individual licensed under *Minnesota Statutes*, section 82B.11, to perform appraisals on noncomplex one- to four-family residential units or agricultural property having a transactional value of less than $1,000,000 and complex one- to four-family residential units or agricultural property having a transactional value of less than $250,000.

Subp. 14. **Federally related transaction.** "Federally related transaction" means any real estate-related financial transaction that a federal financial institutions regulatory agency or the federal Resolution Trust Corporation engages in, contracts for, or regulates; and that requires the services of a licensed or certified real estate appraiser.

Subp. 15. **Foundation appraisal organization.** "Foundation appraisal organization" means a member private appraisal trade organization of the appraisal foundation including, but not limited to, the following: American Institute of Real Estate Appraisers, American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, International Association of Assessing Officers, International Right of Way Association, National Association of Independent Fee Appraisers, National Society of Real Estate Appraisers, or Society of Real Estate Appraisers.

Subp. 16. **Instructor.** "Instructor" means an individual lecturing in a real estate appraisal education offering.

Subp. 17. **Person.** "Person" means a natural person, firm, institution, partnership, corporation, or association.

Subp. 18. **Real estate appraiser or real property appraiser.** "Real estate appraiser" or "real property appraiser" means a person who develops and communicates appraisals on real property and holds a current, valid license issued under *Minnesota Statutes*, chapter 82B.

Subp. 19. **Real estate-related financial transaction.** "Real estate-related financial transaction" means any transaction involving

the sale, lease, purchase, investment in, or exchange of real property, including interests in property, or the financing thereof; the refinancing of real property or interests in real property; and the use of real property or interests in property as security for a loan or investments, including mortgage-backed securities.

Subp. 20. **Sponsor.** "Sponsor" means a person offering or providing real estate appraisal education.

Subp. 21. **State real property appraiser.** "State real property appraiser" means an individual licensed under *Minnesota Statutes*, section 82B.11, to perform appraisals on residential real property or agricultural acreage which does not require a net income capitalization analysis under the uniform standards of professional appraisal practice.

LICENSING

2808.1000 PAYMENT OF FEES.

Subpart 1. **Cash not accepted.** All fees shall be paid by check, draft, or other negotiable or nonnegotiable instrument or order of withdrawal that is drawn against funds held by a financial institution. Cash will not be accepted.

Subp. 2. **Overpayment of fees.** An overpayment of a fee paid pursuant to *Minnesota Statutes*, chapter 82B, shall be refunded within a reasonable time after a letter requesting the refund is received by the commissioner and signed by the person making the overpayment.

Refunds shall not be given other than for overpayment of fees. A request for a refund of an overpayment must be received by the commissioner within six months of the date of deposit or it will be forfeited.

Subp. 3. **Fees to federal appraisal subcommittee.** In addition to the fees required for licensure under *Minnesota Statutes*, section 82B.09, the commissioner shall collect and remit such other fees as are required by the federal appraisal subcommittee.

2808.1100 LICENSE.

Subpart 1. **Application for real estate appraiser license.** After successful completion of the appropriate prelicensing education requirements and real estate appraiser licensing examination, an individual shall have one year from the date of the examination to apply for a real estate appraiser license. Application shall be on forms prescribed by the commissioner.

Failure to apply for a license will require reexamination.

Subp. 2. **Cancellation of license.** A real estate appraiser's license shall be canceled by the commissioner for failure of a licensee to complete continuing education requirements. In this case, the license must be returned to the commissioner within ten days of receipt of notice of cancellation.

Subp. 3. **Reinstatement of license.** Within two years of a license cancellation, a person who was previously licensed may reinstate the license without examination by completing the required application, paying the required fee for a new license application, and reporting successful completion of all outstanding continuing education requirements for the period during which the license was canceled. The license shall be reinstated without reexamination by completing the required instruction, filing an application, and paying the fee for the license within two years of the cancellation date.

2808.1200 CHANGE OF INFORMATION; NOTICE TO COMMISSIONER.

A licensee must notify the commissioner in writing of any change in the information contained in the license application no later than ten days after the change.

2808.1300 NONRESIDENT APPOINTMENT OF COMMISSIONER FOR SERVICE OF PROCESS.

Subpart 1. **Requirement for appointment.** Each real estate license applicant who is a nonresident of the state shall appoint the commissioner to serve as attorney for the applicant upon whom may be served all legal process in any action or proceeding to which that person may be a party and which relates to or involves any transaction governed by *Minnesota Statutes*, chapter 82B.

Subp. 2. **Form for consent to service of process.** The form for appointment of the commissioner as attorney for service of process shall be as provided in this subpart.

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE
LICENSING UNIT
133 East Seventh Street
Saint Paul, Minnesota 55101

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INDIVIDUAL APPOINTMENT OF ATTORNEY FOR
SERVICE OF PROCESS
KNOW ALL PERSONS BY THESE PRESENTS:

That in compliance with the Laws of the State of Minnesota, ... , a nonresident, does hereby appoint the Commissioner of Commerce of the State of Minnesota, successor or successors in office as his/her true and lawful attorney upon whom may be served all legal process in any action or proceeding in which he/she may be a party and which relates to or involves any transaction covered by *Minnesota Statutes*, chapter 82B, and does hereby expressly consent and agree that service upon such attorney shall be as valid and binding as if due and personal service had been made upon him/her and that such appointment shall be irrevocable.

IN WITNESS WHEREOF, I have hereunto set my hand this
..... day of , ... 19 ....
.....
.....
STATE OF .....)
COUNTY OF .....) SS.

On this ..... day of ..... ,19 . . . , personally appeared before me, a notary public in and for said County and State, ... , to me known to be the person described in and who executed the foregoing instrument and who, being by me first sworn, acknowledged that he/she executed the same as his/her free act and deed.

.....

Notary Public, ... County .....
(NOTARIAL SEAL) My Commission expires .....

2808.1400 WITHDRAWAL OF LICENSE OR APPLICATION.

A licensee or license applicant may at any time file with the commissioner a request to withdraw from the status of licensee or to withdraw a pending license application. Withdrawal from the status of licensee or withdrawal of the license application becomes effective upon receipt by the commissioner unless a revocation, suspension, or denial proceeding is pending when the request to withdraw is filed or a proceeding to revoke, suspend, deny, or to impose conditions upon the withdrawal is instituted within 30 days after the request to withdraw is filed. If a proceeding is pending or instituted, withdrawal becomes effective at the time and upon the conditions the commissioner by order determines. If no proceeding is pending or instituted and withdrawal automatically becomes effective, the commissioner shall institute a revocation or suspension proceeding within one year after withdrawal became effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1500 FAILURE TO RENEW LICENSE.

If a license lapses or becomes ineffective due to the licensee's failure to timely file a renewal application and the licensee continues to conduct business for which a license is required, the commissioner shall institute a revocation or suspension proceeding within two years after the license was last effective and enter a revocation or suspension order as of the last date on which the license was in effect.

2808.1600 REVOCATIONS.

If the commissioner finds that any licensee or applicant is no longer in existence or has ceased to do business as a real estate appraiser or is subject to an adjudication of mental incompetence or to the control of a committee, conservator, or guardian, or cannot be located after reasonable search, the commissioner may by order revoke the license or deny the application of that person.

2808.1700 COURSE COMPLETION CERTIFICATES FOR REAL ESTATE APPRAISER LICENSE.

Subpart 1. **Submitting to commissioner.** Applicants for a real estate appraiser license shall submit to the commissioner, along with their application for licensure, a copy of the course completion certificate for all required prelicensing education coursework applicable to the class of license sought.

Subp. 2. **Forms.** The real estate appraiser prelicensing education course completion certificate must be on forms provided by the commissioner.

Subp. 3. **Copies to be maintained.** Students are responsible for maintaining copies of course completion certificates.

EXAMINATION AND EXPERIENCE

2808.2000 PASSING GRADE FOR EXAMINATION.

A passing grade for a real estate appraiser licensing examination shall be a score of 75 percent or higher.

The commissioner shall not accept the scores of a person who has cheated on an examination. Cheating on a real estate appraiser examination shall be grounds for denying an application for an appraiser's license.

2808.2100 EXAMINATION REQUIREMENTS.

Subpart 1. **State real property appraiser examination.** To qualify for a license as a state real property appraiser, an applicant must pass a current uniform state residential real property appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in *Minnesota Statutes*, section 82B.12, and part 2808.7000.

Subp. 2. **Federal residential real property appraiser examination.** To qualify for a license as a federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in *Minnesota Statutes*, section 82B.12, and part 2808.7000.

Subp. 3. **Certified federal residential real property appraiser examination.** To qualify for a license as a certified federal residential real property appraiser, an applicant must pass a current uniform state residential real estate appraiser (Level I) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in *Minnesota Statutes*, section 82B.12, and part 2808.7000.

Subp. 4. **Certified federal general real property appraiser examination.** To qualify for a license as a certified federal general real property appraiser, an applicant must pass a current uniform state general real estate appraiser (Level II) examination approved by the appraiser qualifications board. The examination must test the applicant's knowledge of appraisal terms, principles, theories, and ethics as provided in *Minnesota Statutes*, section 82B.12, and part 2808.7100.

2808.2200 EXPERIENCE REQUIREMENTS.

Subpart 1. **Verification of experience.** Each applicant for licensure as a real estate appraiser who is required to provide evidence of experience before licensing shall do so by affidavit on forms and in a manner prescribed by the commissioner.

Subp. 2. **Acceptable appraisal experience.** Acceptable appraisal experience includes, but is not limited to, fee and staff appraisal, ad valorem tax appraisal, review appraisal, appraisal analysis, real estate counseling, highest and best use analysis, feasibility analysis and study, and teaching appraisal courses. Teachers may request credit for either the classroom hour or experience requirement, but not both.

Subp. 3. **Education may not substitute.** Education, other than teaching, may not substitute for experience.

Subp. 4. **One year equivalent.** For purposes of this part, 1,000 cumulative hours constitutes one year of appraisal experience.

Subp. 5. **State real property appraiser.** To be eligible for licensure as a state real property appraiser, an applicant need not demonstrate evidence of experience in real estate appraising.

Subp. 6. **Federal residential real property appraiser.** To be eligible for licensure as a federal residential real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 7. **Certified federal residential real property appraiser.** To be eligible for licensure as a certified federal residential real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising.

Subp. 8. **Certified federal general real property appraiser.** To be eligible for licensure as a certified federal general real property appraiser, an applicant must provide the commissioner with evidence of at least two years of experience in real estate appraising. At least 50 percent, or 1,000 hours, must be in nonresidential appraisal work.

PRELICENSING EDUCATION

2808.3000 PRELICENSE EDUCATION REQUIREMENTS.

Subpart 1. **State real property appraiser.** To qualify for a license as a state real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200

Subp. 2. **Federal residential real property appraiser.** To qualify for a license as a federal residential real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicense education consisting

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of 60 classroom hours of instruction in appraisal principles and appraisal practices and 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved coverage of all topics listed in part 2808.7200.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3. **Certified federal residential real property appraiser.** To qualify for a license as a certified federal residential real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved particular emphasis on the appraisal of one- to four-family residential units and included coverage of all topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 3a. **Education requirement prior to January 1, 1994.** Prior to January 1, 1994, an approved course of prelicensing education for licensure as a certified federal residential real property appraiser shall consist of 105 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 classroom hours of instruction in appraisal ethics and the uniform standards of professional appraisal practice. Applicants for licensure must demonstrate that their education involved an emphasis on the appraisal of one- to four-family residential units and included coverage of the topics listed in part 2808.7300.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 4. **Certified federal general real property appraiser.** To qualify for a license as a certified federal general real property appraiser, an applicant must provide evidence to the commissioner of successful completion of an approved course of prelicensing education consisting of 165 classroom hours of instruction in appraisal principles and appraisal practices, and include, at least, 15 hours of instruction in appraisal ethics and the uniform standard of professional appraisal practice. Applicants must demonstrate that their education involved an emphasis on the appraisal of nonresidential properties and included coverage of the topics listed in part 2808.7400.

Each applicant is required to successfully complete all required coursework prior to taking a licensing examination.

Subp. 5. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days prior to the date on which the course is to be held. Each application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 6. **Approval of subsequent offerings.** If approval has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 7. **Approval of courses not submitted for approval.** Licensees may receive credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 8. **Successful completion of prelicensing education.** Successful completion of prelicensing education requires full-time classroom attendance throughout the course, completion of required assignments or reading materials, and passage of a written examination designated by the sponsor that is sufficiently comprehensive to measure the student's knowledge of all aspects of the course.

Subp. 9. **Additional course content.** Prelicensing courses may include coverage of subject matter not prescribed in this part; however, the subject matter must be presented in addition to, and may not be substituted for, the course content or hours specified in this part.

Subp. 10. **Textbooks.** Each real estate appraiser prelicensing course must require the use of a text or other written materials. Texts and materials must be approved by the commissioner prior to initiation of the course. The commissioner may also require the use of additional materials as appropriate to assure thorough coverage of the topic areas prescribed in this part.

Subp. 11. **Prelicensing education courses; access.** All prelicensing education course offerings shall be open to any interested individual. Access may be restricted by the sponsor based on class size only, not by membership in any group or on any other basis.

Subp. 12. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered on the basis approved by the department in the course approval.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. The fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

A sponsor may have a refund policy addressing cancellation by students or student failure to complete a course, so long as the policy is clear to potential students.

Subp. 13. **Adequate facilities to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and is adequate to comfortably accommodate the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or affiliate thereof.

Subp. 14. **Limitation on use toward continuing education.** Prelicensing education courses may not be taken for credit toward continuing education requirements unless the student is currently licensed as a real estate appraiser and has not taken the same prelicensing education course within the prior five-year period.

2808.3100 CERTIFICATION OF COURSE COMPLETION.

Subpart 1. **Forms.** Applicants for real estate appraiser licensure must provide evidence of successful completion of all required prelicensing instruction at the time of license application.

Certification of successful course completion of prelicensing education must be provided on forms prescribed by the commissioner.

Subp. 2. **Certification after completion.** A certificate of prelicensing education course completion issued prior to the last scheduled class meeting for the course will not be accepted by the commissioner.

Subp. 3. **Records maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain copies of all applicants' grades and attendance records on file for five years from the beginning date of the courses.

Grade and attendance records must be made available to the commissioner upon request.

Subp. 4. **Examinations maintained.** Sponsors of real estate appraiser prelicensing education courses must maintain a master copy of each course examination, answer key, course date, and instructor's name on file for two years from the date of completion of the course.

Examination files must be made available to the commissioner upon request.

2808.3200 PRELICENSING EDUCATION COORDINATORS.

Each course of real estate appraisal licensing education must have at lease one coordinator, approved by the commissioner, who is responsible for supervising the education program and assuring compliance with the statutes and rules governing the offering of real estate appraisal education courses.

Part 2808.4100 constitutes the general requirements for real estate appraiser prelicensing education coordinators.

2808.3300 PRELICENSING EDUCATION INSTRUCTORS.

Subpart 1. **General requirement.** Each course of real estate appraisal prelicensing education must be taught by an instructor, approved by the commissioner, who is qualified by education, training, or experience to assure competent instruction. Failure to have only approved instructors teach at an approved prelicensing education offering will result in loss of course approval. If, after approval of a course, the instructor named in the application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credit may be earned for the course;

(2) a full refund will be given if the enrollee decides not to attend the course; and

(3) if the enrollee does attend the course and does not earn credit for the course, a refund will be automatically made. The refund will be made when the department's determination is made as to the disapproval of the substitute instructor.

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Subp. 2. **Instructor qualifications.** To qualify for approval by the commissioner, an instructor must meet the requirements in items A and B.

A. An instructor who teaches prelicensing education to persons seeking licensure as either state real property appraisers or federal residential real property appraisers must have completed 75 classroom hours of real estate appraiser education, have two years of full-time experience as a real estate appraiser within the preceding seven years, and be licensed as a real estate appraiser.

B. An instructor who teaches prelicensing education to persons seeking licensure as either certified residential real property appraisers or certified federal general real property appraisers must have completed 165 classroom hours of real estate appraiser education, have five years of full-time experience as a real estate appraiser within the previous seven years with at least 50 percent of the experience being in income property appraising, and be licensed as a certified residential real property appraiser or a certified federal general real property appraiser.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser prelicensing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

REAL ESTATE APPRAISER CONTINUING EDUCATION

2808.4000 GENERAL CONTINUING EDUCATION REQUIREMENTS.

Subpart 1. **Continuing education requirements.** To be eligible for continuous licensing, each real estate appraiser licensee is required to successfully complete 15 classroom hours of continuing education within the 12-month period immediately preceding license renewal.

Subp. 2. **Courses approved for continuing education credit.** Only courses which impart substantive and procedural knowledge relating to the real estate appraisal field will be approved for credit. The burden of demonstrating that courses impart substantive or procedural knowledge in the real estate appraisal field is on the person seeking approval or credit.

Credit will be granted for educational offerings that cover the real estate-related appraisal topics in part 2808.7400.

Subp. 3. **Courses not approved for continuing education.** Courses that include the following topics will not be approved for continuing education credit:

A. courses designed to prepare students for a license examination, except as permitted by part 2808.3000, subpart 14;

B. courses in mechanical office or business skills, including typing, speed-reading, or use of calculators or other machines or equipment;

C. courses in sales promotion, including meetings held in conjunction with the general business of the licensee;

D. courses in motivation, salesmanship, psychology, time management, or communication;

E. courses related to office management or intended to improve the operation of the licensee's business;

F. courses that can be completed by the student at home or outside the classroom without the supervision of an instructor approved by the Department of Commerce; or

G. courses that do not otherwise offer substantive or procedural knowledge in the field of real estate appraisal as determined by the Department of Commerce.

Subp. 4. **Approval of course offerings.** Sponsors must submit their courses to the commissioner for approval at least 30 days before the date on which the course is to be held. Each application for approval of a course offering must be accompanied by the application for approval of the instructor unless the instructor has already been approved. Applications must be submitted on forms prescribed by the commissioner.

Subp. 5. **Approval of subsequent offerings.** If approval has been granted for the initial offering of a course, approval for subsequent offerings shall be granted without requiring a new application if a "Notice of Subsequent Offering" is filed with the commissioner at least 30 days in advance of the date the course is to be held.

Subp. 6. **Approval of continuing education courses not submitted for approval.** Licensees may receive continuing education credit for courses attended which have not been submitted for approval by a coordinator. Requests for approval of these courses must be submitted on forms prescribed by the commissioner.

Subp. 7. **Credit hours.** Credit toward satisfaction of continuing education requirements will only be granted where course offerings are at least one-half hour in length. The number of hours approved will only include time spent on educational activities.

Continuing education courses must be attended in their entirety in order for a licensee to receive full credit. Sponsors may not issue certificates of completion to students who have not attended a continuing education course in its entirety. Proportional credit may not be given for partial attendance at a continuing education course. Certificates of completion, however, may be issued to students who have completed the entire course even if the student did so by attending more than one offering of the course.

Upon completion of approved courses, students shall receive credit for the number of hours approved for the course based on one hour of credit for each classroom hour of attendance.

The approved instructor for a continuing education course shall earn 1-1/2 hours of continuing education credit for each classroom hour of instruction of approved continuing education courses.

Neither students nor instructors may earn continuing education credit for attending or instructing at any subsequent offering of the same continuing education course for three years after attending or teaching the course.

Subp. 8. **Examinations.** Course examinations will not be required for continuing education courses unless the sponsor requires an examination.

Subp. 9. **Textbooks.** Textbooks are not required for real estate appraiser continuing education courses. If textbooks are not used, students must be provided with a syllabus containing, at a minimum, the course title, the times and dates of the course offering, the names and addresses or telephone numbers of the course coordinator and instructor, and a detailed outline of the subject matter to be covered. A textbook or syllabus must be available for the use of each student during the course. Any printed material disbursed to the students must be of a readable quality. Any textbook required must contain accurate and current information relating to the subject being taught.

Subp. 10. **Continuing education courses; access.** Continuing education course offerings must be open to any interested individuals. Access may be restricted by the sponsor based on class size only, not on membership in any group or on any other basis.

Subp. 11. **Fees.** Fees for courses shall be reasonable and clearly identified to students.

Reasonable discounts of tuition may be offered.

If a course is canceled for any reason, all fees shall be promptly refunded within ten days of cancellation.

If a course is postponed for any reason, students shall be given the choice of attending the course at a later date or having their tuition refunded in full. Fees must be refunded within ten days of postponement unless the student has notified the sponsor that the student has chosen to attend the later course.

A sponsor may have a refund policy addressing cancellation by students or a student's failure to complete a course, as long as that policy is clear to potential students.

Subp. 12. **Adequate facility to be used.** Each course of study shall be conducted in a classroom or other facility that is conducive to learning and adequate to comfortably accommodate the faculty and the number of students enrolled. The sponsor may limit the number of students enrolled in a course. Approved courses shall not be held on the premises of a real estate brokerage, appraisal firm, franchise, or an affiliate thereof.

Subp. 13. **National examination preparatory course.** Courses offered in preparation for a recognized national appraisal organization accreditation examination shall be assigned continuing education credit hours in the same manner as other courses.

Subp. 14. **Extensions.** Upon appropriate showing of a bona fide financial or medical hardship, the commissioner shall extend, for up to 90 days, the time period during which the continuing education must be successfully completed. Loss of income from either attendance at courses or cancellation of a license is not a bona fide financial hardship.

Requests for extensions must be submitted in writing no later than June 1 of the year due and shall include an explanation with verification of the hardship, plus verification of enrollment at an approved course of study.

Subp. 15. **Waiver of continuing education classroom requirement.** If a licensee provides satisfactory documentation to the commissioner that the licensee is unable, and will continue to be unable, to attend actual classroom course work because of a physical handicap, medical condition, or similar reason, classroom attendance at continuing education courses shall be waived for a period not to exceed one year.

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The commissioner shall require that the individual read a sufficient number of real estate appraisal textbooks or listen to a sufficient number of real estate appraisal-related tapes as would be necessary for the licensee to satisfy the licensee's educational credit hour needs. The commissioner shall award the licensee credit hours for reading books or listening to tapes by determining how many credit hours would be granted to a classroom course involving the same material and giving the licensee the same number of credit hours.

The licensee may apply each year for a new waiver upon the same terms and conditions as were necessary to secure the original waiver. The commissioner may request the documentation of the condition upon which the request for waiver is based as shall be necessary to satisfy the commissioner of the existence of the condition and that the condition does preclude attendance at continuing education courses.

2808.4100 CONTINUING EDUCATION COURSE COORDINATOR.

Subpart 1. **General requirement.** Each course of study shall have at least one coordinator, approved by the commissioner, who is responsible for supervising the program and assuring compliance with the statutes and rules governing the offering of real estate appraiser education courses. Assistants may be hired by the sponsor; however, the approved coordinator remains responsible for compliance with the laws.

Subp. 2. **Qualifications.** Course coordinators shall possess one of the following qualifications:

A. a minimum of five years of experience during the immediately preceding five-year period as a full-time real estate appraiser;

B. at least three years of practical experience during the immediately preceding five-year period in the administration of an education program; or

C. a degree in education plus at least two years of practical real estate appraisal experience during the immediately preceding five-year period.

Subp. 3. **Applications; forms.** Applications for coordinator approval shall be submitted on forms prescribed by the commissioner.

Subp. 4. **Responsibilities.** The coordinator must:

A. assure compliance with all laws and rules pertaining to real estate appraiser education;

B. notify the commissioner of any material change in applications for course or instructor approval;

C. assure that students are provided with current and accurate information;

D. supervise and evaluate courses and instructors. The commissioner may request written evaluations of courses and/or instructors either by students or coordinators;

E. investigate written complaints relating to course offerings and/or instructors, and forward a copy of the written complaints to the Department of Commerce;

F. maintain accurate records relating to course offerings, instructors, and student attendance for a period of five years from the date the course was completed. If the coordinator leaves the employ of the sponsor, the records must be turned over to the replacement coordinator or an officer of the sponsor. If a sponsor ceases operation, the coordinator is responsible for maintaining the records or providing a custodian of the records acceptable to the commissioner. In order to be acceptable, custodians must agree to make copies of student records available to students at a reasonable fee. Under no circumstances will the commissioner act as custodian of the records;

G. be available to instructors and students throughout the course offerings, and provide the name of the coordinator and a telephone number at which the coordinator can be reached; and

H. provide students with a course completion certificate, on a form prescribed by the commissioner, within 30 days of completion of the course. However, a coordinator may require payment of the course tuition as a condition for receiving the course completion certificate.

2808.4200 CONTINUING EDUCATION INSTRUCTORS.

Subpart 1. **General requirements.** Each course of real estate appraiser continuing education must be taught by an instructor who is qualified by education, training, or experience to ensure competent instruction. Failure to have only approved instructors teach at an approved continuing education offering will result in loss of course approval.

If, after approval of a course, the instructor named in the application for course approval is unable to teach the course and there is insufficient time to obtain approval of a substitute instructor, proportional credit will be given for those parts of the course taught by approved instructors.

Credit for the parts of a course taught by an unapproved instructor may be obtained if the requirements in items A and B are met.

A. Within 15 business days after the course is taught by an unapproved instructor, a request for approval of the instructor is filed with the department. The request must be made on forms prescribed by the commissioner.

B. Notice of the use of an unapproved instructor must be given to all enrollees as soon as that fact is known and again prior to the commencement of the course. The notice must state that an instructor for this course is not an approved instructor as required by the Department of Commerce. If approval is not obtained:

(1) no credits or fewer credit hours may be earned for the course than the course was originally approved for;

(2) a full refund will be given if the enrollee decides not to attend the course;

(3) if the enrollee does attend the course and does not earn the number of credit hours for which the course was originally approved, a refund will automatically be made in proportion to the reduction in credit hours earned. The refund will be paid when the department's determination is made as to the approval of the substitute instructor.

Subp. 2. **Instructor qualifications.** The provisions in items A to D apply to the approval and qualification of continuing education instructors. Continuing education instructors must have:

A. a degree in any area plus two years of practical experience in the subject area being taught;

B. five years of practical experience in the subject area being taught;

C. a college or graduate degree in the subject area being taught; or

D. held an appraiser's license for three years or have three years of practical experience in the subject area being taught. These individuals shall also have completed at least 60 hours of approved continuing education in the subject area being taught.

Subp. 3. **Responsibilities.** Approved instructors must:

A. comply with all laws and rules pertaining to real estate appraiser continuing education;

B. provide students with current and accurate information;

C. maintain an atmosphere conducive to learning in a classroom; and

D. provide assistance to the students and respond to questions relating to course material.

Subp. 4. **Waiver.** The commissioner may approve as an instructor an individual who through education, training, or experience possesses qualifications equivalent to those required by this part.

Subp. 5. **Guest lecturers.** Guest lecturers who do not meet the requirements of subpart 2 may be used to teach up to one-third of any course, provided the guest lecturer possesses training or experience directly related to the particular subject matter covered in the course. Coordinators have the responsibility for assuring that the requirements of this subpart are met.

GENERAL REQUIREMENTS FOR PRELICENSING AND CONTINUING EDUCATION

2808.5000 ADVERTISING OF COURSES.

Subpart 1. **Truth in advertising.** Advertising of course offerings must be truthful and not deceptive or misleading. Courses may not be advertised in any manner as being approved unless approval has been granted, in writing, by the commissioner.

Subp. 2. **Approval statement.** No advertisement, pamphlet, circular, or other similar materials pertaining to an approved course offering may be circulated or distributed in this state unless one of the following statements is prominently displayed on the cover of the materials used to advertise education courses:

A. for prelicense education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser prelicensing education";

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education."

Subp. 3. **Course hours approved.** The number of hours for which a course has been approved or for which approval is pending shall be displayed as provided in subpart 2 on any advertisement for the course. If a course offering involves attendance for a period that is longer than the number of hours of credit approved, the advertisement must clearly state that credit will not be earned for the entire course.

Subp. 4. **Advertising pending approval.** Upon submission of a request for prelicensing or continuing education course approval, a sponsor may also request permission to use the term "approval pending" in course advertisements. Upon receipt of the request, the

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commissioner will grant written permission for use of the term. When used, the words "approval pending" must be clearly visible in the advertisement.

Subp. 5. **Nonapproved courses to be distinguished.** Advertising of approved courses must be clearly distinguishable from the advertisement of other nonapproved courses and services.

2808.5100 MANDATORY NOTICE TO STUDENTS.

At the beginning of each approved real estate appraiser education offering, one of the following notices, as appropriate, shall be read to the students:

A. for prelicensing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser prelicensing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101"; or

B. for continuing education courses, "This course has been approved by the Minnesota Commissioner of Commerce for (number) hours of real estate appraiser continuing education credit. If you have any comments about this offering, please provide them in writing to the Commissioner of Commerce, 133 East Seventh Street, Saint Paul, Minnesota 55101."

2808.5200 EDUCATION REPORTING REQUIREMENTS.

Subpart 1. **Requirement; forms.** Real estate appraiser education credit must be reported by the licensee on forms and in a manner prescribed by the commissioner.

Forms will not be accepted unless they reflect completion of all required hours. Licensees are encouraged to submit the appropriate forms as soon as they have completed the required hours of real estate appraiser education. Incomplete forms will be returned to the licensee.

Subp. 2. **Continuing education reporting deadlines.** Forms for reporting completion of continuing education requirements must be received by the commissioner no later than August 31 of the year due.

Forms submitted between June 15 and August 31 must be accompanied by the appropriate application and fees for license renewal. Forms that are personally submitted or postmarked no later than August 1 shall be considered timely received and the licensee shall be considered to be continuously licensed regardless of whether a renewed license is issued to the licensee before August 31. Persons who have failed to make a timely application for renewal of a license and who have not received the renewal license as of September 1 are unlicensed until the time the license has been issued by the commissioner and is received.

Forms submitted by mail must be addressed to Minnesota Department of Commerce, Licensing Unit, 133 East Seventh Street, Saint Paul, Minnesota 55101.

Subp. 3. **New licensees; waiver of reporting requirement.** Persons licensed for the first time on or after June 1 in any year shall not be subject to the continuing education requirements of *Minnesota Statutes*, section 82B.19, subdivision 1, until the next annual reporting period begins.

2808.5300 FALSIFICATION OF REPORTS.

A licensee or applicant found to have falsified a real estate appraiser education report to the commissioner shall be considered to have violated *Minnesota Statutes*, section 82B.13 or 82B.19, and shall be subject to suspension or revocation of the licensee's real estate appraiser license or denial of the applicant's application for licensing.

2808.5400 GENERAL POWERS OF COMMISSIONER.

Subpart 1. **Action against approval.** The commissioner may deny, censure, suspend, or revoke the approval of a coordinator, instructor, or course if any is determined not to be in compliance with the statutes or rules governing the offering of real estate appraiser education courses. The commissioner may also refuse to approve courses by specific sponsors if it is determined that past offerings have not been in compliance with real estate appraiser education laws and rules.

Subp. 2. **Right to audit.** The commissioner has the right to audit an education course offering with or without notice to the sponsor.

2808.5500 MANAGEMENT RESPONSIBILITY OF SPONSORS.

Sponsors of real estate appraisal education courses are responsible for the actions of the coordinators and instructors.

2808.5600 PROHIBITED PRACTICES FOR SPONSORS, COORDINATORS, AND INSTRUCTORS.

Subpart 1. **Prohibitions.** In connection with an approved course, sponsors, coordinators, and instructors shall not:

A. recommend or promote the services or practices of a particular real estate appraiser or appraisal firm, real estate brokerage, franchise, coordinator, instructor, or sponsor;

B. encourage or recruit individuals to engage the services of, or become associated with, a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

C. use materials, clothing, or other evidence of affiliation with a particular real estate appraiser, appraisal firm, real estate brokerage, or franchise;

D. require students to participate in other programs or services offered by the sponsor, coordinator, or instructor;

E. take a Minnesota real estate appraiser licensing examination without the prior approval of the commissioner;

F. attempt, either directly or indirectly, to discover questions or answers on a real estate appraiser licensing examination; or

G. disseminate to any other person specific questions, problems, or information known or believed to be included in licensing examinations.

Subp. 2. **Notification of misconduct.** Coordinators and instructors must notify the commissioner within ten days after the occurrence of any of the following:

A. a felony or gross misdemeanor conviction of or disciplinary action taken against the real estate appraiser license or other occupational license held by the coordinator or instructor, which may be grounds for denying or revoking instructor or coordinator approval; and

B. any change of information contained in an application for approval as a coordinator or instructor.

STANDARDS OF APPRAISER CONDUCT

2808.6000 STANDARDS OF CONDUCT.

Subpart 1. **Compliance with the uniform standards of professional appraisal practice.** In addition to an act compelled or prohibited by *Minnesota Statutes*, chapter 82B, or this chapter, an appraiser must act in accordance with the standards of professional appraisal practice as defined in *Minnesota Statutes*, section 82B.02, subdivision 12.

Subp. 2. **Disclosure requirements.** In addition to the requirements of the standards of professional appraisal practice as defined by *Minnesota Statutes*, section 82B.02, subdivision 12, an appraiser must, prior to performing any appraisal service which requires licensing pursuant to *Minnesota Statutes*, chapter 82B, disclose in writing to the person contracting for the appraisal service the information identified in item D. In addition, an appraiser must prepare a written disclosure providing the information identified in items A to M. The written disclosure must be included as part of the final written appraisal report. As specified in this subpart, an appraiser must:

A. disclose who has employed the appraiser;

B. disclose who the appraisal is rendered for, if not the person who employed the appraiser;

C. disclose the purpose of the appraisal, including an explanation of the difference between the appraisal being given and an appraisal of fee simple market valuation;

D. disclose any conflict of interest or situation which might reasonably be perceived to be a conflict of interest which shall include, but not be limited to, the following situations:

(1) whether the appraiser has any ownership interest in the subject property or contiguous properties;

(2) whether there is an ownership interest by a spouse, parent, or child of the appraiser in the property or contiguous properties; and

(3) whether the appraiser has a continuing business relationship with one of the parties, for example, any part-time or full-time employment of the appraiser, spouse, children living at home, or dependent children.

Failure to promptly give notification of a conflict shall be considered a violation of the standards of professional appraisal practice;

E. disclose that the appraisal is a reevaluation and identify the areas of difference between the two appraisals and the justification for the changes;

F. disclose any facts concerning the valuation needed for loan purposes or similar information that was provided to the appraiser before or during the appraisal;

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G. disclose that the appraiser has not performed appraisals of the type requested or for the type of property to be appraised as a regular part of the appraiser's business in the preceding five-year period, provided that if the appraiser asserts qualification by training or related experience to perform the appraisal, the appraiser shall set forth the training or experience and how it is applicable to the appraisal;

H. disclose the license classification of the appraiser and the types of appraisals that the appraiser is authorized to conduct under the licensure;

I. disclose any lack of experience or training that would affect the ability of the appraiser to perform the appraisal or could cause rejection of the appraisal by the party requiring the appraisal;

J. disclose any appraisal on the same property made by the appraiser in the last three years;

K. disclose all pertinent assumptions upon which a valuation based upon income from the property is derived such as expected occupancy rates, rental rates, construction of future improvements, roads, or highways;

L. prior to performing the appraisal, disclose whether the appraiser has previously been to the property; and

M. disclose any other fact or circumstance that could bring the reliability of the appraisal or the impartiality of the appraiser into question.

Subp. 3. **Additional requirements.** In addition to the requirements of subparts 1 and 2, an appraiser must:

A. not knowingly make any of the following unacceptable appraisal practices:

(1) include inaccurate or misleading factual data about the subject neighborhood, site, improvements, or comparable sales;

(2) fail to comment on negative factors with respect to the subject neighborhood, subject property, or proximity of the subject property to adverse influences;

(3) unless otherwise disclosed in the appraisal report, use comparables in the valuation process that the appraiser has not at least personally inspected from the exterior by driving by them;

(4) select and use inappropriate comparable sales or fail to use comparables that are physically and by location the most similar to the subject property;

(5) use data, particularly comparable sales data, that was provided by parties who have a financial interest in the sale or financing of the subject property without the appraiser's verification of the information from a disinterested source. For example, it would be inappropriate for an appraiser to use comparable sales provided by the real estate broker who is handling the sale of the subject property, unless the appraiser verifies the accuracy of the data provided through another source and makes an independent investigation to determine that the comparables provided were the best ones available;

(6) use adjustments to the comparable sales that do not reflect the market's reaction to the differences between the subject property and the comparables, or fail to make adjustments when they are clearly indicated;

(7) develop a valuation conclusion that is based either partially or completely on factors identified in *Minnesota Statutes*, chapter 363, including race, color, creed, religion, sex, marital status, status with regard to public assistance, disability, familial status of the owner or occupants of nearby property, or national origin of either the prospective owners or occupants of the properties in the vicinity of the subject property; or

(8) develop a valuation conclusion that is not supported by available market data;

B. provide a resume, current within six months of the date it is provided, to anyone who employs the appraiser, indicating all professional degrees and licenses held by the appraiser;

C. prior to performing the appraisal, view the entire property, inside and out, as well as confirm the existence of any contiguous highways, buildings, or other factors that affect the valuation of the property; and

D. reject any request by the person who has employed the appraiser that is in conflict with the requirements of Minnesota law or this chapter and withdraw from the appraisal assignment if the employing party persists in the request.

Subp. 4. **Enforcement.** Failure to comply with the provisions of this part is a prohibited practice under *Minnesota Statutes*, section 82B.20, subdivision 2, clause (17).

2808.7000 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION (1-4 Units)

		% WEIGHT	LEVEL OF DIFFICULTY
I.	INFLUENCES ON REAL ESTATE VALUE	3-4%	Conceptual
	A. Physical and Environmental		
	B. Economic		
	C. Governmental and Legal		
	D. Social		
II.	LEGAL CONSIDERATIONS IN APPRAISAL	6-8%	Conceptual, Definitions
	A. Real estate vs. real property		
	B. Real property vs. personal property		
	C. Limitations on real estate ownership		
	1. Private		
	a. Deed restrictions		
	b. Leases		
	c. Mortgages		
	d. Easements		
	e. Liens		
	f. Encroachments		
	2. Public		
	a. Police power		
	(1) Zoning		
	(2) Building and fire codes		
	(3) Environmental regulations		
	b. Taxation		
	(1) Property tax		
	(2) Special assessments		
	c. Eminent domain		
	d. Escheat		
	D. Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
	E. Forms of property ownership		
	1. Individual		
	2. Tenancies and undivided interests		
	3. Special ownership forms		
	a. Condominiums		
	b. Cooperative		
	c. Timesharing		
	F. Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
	G. Transfer of title		
	1. Basic types of deeds		
	2. Recordation		

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		% WEIGHT	LEVEL OF DIFFICULTY
III.	TYPES OF VALUE	3-5%	Conceptual, Definitions
	A. Market Value or Value in Exchange		
	B. Price		
	C. Cost		
	D. Investment Value		
	E. Value in Use		
	F. Assessed Value		
	G. Insurable Value		
IV.	ECONOMIC PRINCIPLES	7-9%	Conceptual, Definitions
	A. Anticipation		
	B. Balance		
	C. Change		
	D. Competition		
	E. Conformity		
	F. Contribution		
	G. Increasing and Decreasing Returns		
	H. Substitution		
	I. Supply and Demand		
	J. Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual
	A. Characteristics of real estate markets		
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
	B. Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	C. Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
	D. Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		
	a. Conventional		
	b. Insured		
VI.	VALUATION PROCESS	4-6%	Conceptual
	A. Definition of the problem		
	1. Purpose and use of appraisal		
	2. Interests to be appraised		
	3. Type of value to be estimated		
	4. Date of the value estimate		
	5. Limiting conditions		

		% WEIGHT	LEVEL OF DIFFICULTY
	B. Collection and analysis of data		
	1. National and regional trends		
	2. Economic base		
	3. Local area and neighborhood		
	a. Employment		
	b. Income		
	c. Trends		
	d. Access		
	e. Locational convenience		
	4. Site and improvements		
	C. Analysis of highest and best use		
	D. Application and limitations of each approach to value		
	1. Sales comparison		
	2. Cost		
	3. Income capitalization		
	E. Reconciliation and final value estimate		
	F. The appraisal report		
VII.	PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
	A. Site Description		
	1. Utilities		
	2. Access		
	3. Topography		
	4. Size		
	B. Improvement description		
	1. Size		
	2. Condition		
	3. Utility		
	C. Basic construction and design		
	1. Techniques and materials		
	a. Foundations		
	b. Framing		
	c. Finish (exterior and interior)		
	2. Functional utility		
VIII.	HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
	A. Four tests		
	1. Physically possible		
	2. Legally permitted		
	3. Economically feasible		
	4. Maximally productive		
	B. Vacant site or as if vacant		
	C. As improved		
	D. Interim use		
IX.	APPRAISAL STATISTICAL CONCEPTS	1-3%	Conceptual, Analysis/ Application
	A. Mean		
	B. Median		
	C. Mode		
	D. Range		
	E. Standard deviation		

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		% WEIGHT	LEVEL OF DIFFICULTY
X.	SALES COMPARISON APPROACH	21-24%	Conceptual, Definitions, Analysis/ Application
	A. Research and selection of comparables		
	1. Data sources		
	2. Verification		
	3. Units of comparison		
	a. Data sources		
	b. Size		
	(1) Square foot		
	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Rooms		
	(2) Beds		
	(3) Other		
	B. Elements of comparison		
	1. Property rights conveyed		
	a. Leased fee/leasehold		
	b. Easements		
	c. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
	C. Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
	D. Application of sales comparison approach		
XI.	SITE VALUE	4-6%	Conceptual, Definitions, Analysis/ Application
	A. Sales comparison		
	B. Land residual		
	C. Allocation		
	D. Extraction		
	E. Plottage and Assemblage		
XII.	COST APPROACH	8-10%	Conceptual, Definitions, Analysis/ Application
	A. Steps in cost approach		
	1. Reproduction vs. replacement cost		
	a. Comparative unit method		
	b. Unit-in-place method		
	c. Quantity survey method		
	d. Cost service index		
	2. Accrued depreciation		
	a. Types of depreciation		
	(1) Physical deterioration		
	(a) Curable		
	(b) Incurable		
	(c) Short-lived		
	(d) Long-lived		

	% WEIGHT	LEVEL OF DIFFICULTY
(2) Functional obsolescence (a) Curable (b) Incurable (3) External obsolescence (a) Locational (b) Economic b. Methods of estimating depreciation (1) Age-life method (2) Breakdown method and sequence of deductions (3) Market extraction of depreciation B. Application of the cost approach		
XIII. INCOME APPROACH A. Estimation of income and expenses 1. Gross market income 2. Effective gross income a. Vacancy b. Collection loss 3. Operating expenses a. Fixed expenses b. Variable expenses c. Reserve for replacements 4. Net operating income B. Operating expense ratios C. Gross rent multiplier	7-9%	Conceptual, Definitions, Analysis/ Application
XIV. VALUATION OF PARTIAL INTERESTS A. Life estates B. Undivided interest in commonly held property C. Easements D. Timeshares E. Cooperatives F. Leased fee estate G. Leasehold estate	1-3%	Conceptual, Definitions
XV. APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7100 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION

I. INFLUENCES ON REAL ESTATE VALUE A. Physical and Environmental B. Economic C. Governmental and Legal D. Social	2-3%	Conceptual
II. LEGAL CONSIDERATIONS IN APPRAISAL A. Real estate vs. real property B. Real property vs. personal property 1. Fixtures 2. Trade Fixtures 3. Machinery and equipment	7-8%	Conceptual, Definitions

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		% WEIGHT	LEVEL OF DIFFICULTY
	C. Limitations on real estate ownership		
	1. Private		
	a. Deed restrictions		
	b. Leases		
	c. Mortgages		
	d. Easements		
	e. Liens		
	f. Encroachments		
	2. Public		
	a. Police power		
	(1) Zoning		
	(2) Building and fire codes		
	(3) Environmental regulations		
	b. Taxation		
	(1) Property tax		
	(2) Special assessments		
	c. Eminent domain		
	d. Escheat		
	D. Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		
	5. Other legal interests		
	a. Easement		
	b. Encroachment		
	E. Forms of property ownership		
	1. Individual		
	2. Tenancies and undivided interests		
	3. Special ownership forms		
	a. Condominiums		
	b. Cooperative		
	F. Legal descriptions		
	1. Metes and bounds		
	2. Government survey		
	3. Lot and block		
	G. Transfer of title		
	1. Basic types of deeds		
	2. Recordation		
III.	TYPES OF VALUE	2-3%	Conceptual, Definitions
	A. Market Value or Value in Exchange		
	B. Price		
	C. Cost		
	D. Investment Value		
	E. Value in Use		
	F. Assessed Value		
	G. Insurable Value		
	H. Going Concern Value		
IV.	ECONOMIC PRINCIPLES	3-5%	Conceptual, Definitions
	A. Anticipation		
	B. Balance		
	C. Change		
	D. Competition		
	E. Conformity		

		% WEIGHT	LEVEL OF DIFFICULTY
	F. Contribution		
	G. Increasing and Decreasing Returns		
	H. Opportunity Cost		
	I. Substitution		
	J. Supply and Demand		
	K. Surplus Productivity		
V.	REAL ESTATE MARKETS AND ANALYSIS	5-7%	Conceptual, Analysis/ Application
	A. Characteristics of real estate markets		
	1. Availability of information		
	2. Changes in supply vs. demand		
	3. Immobility of real estate		
	4. Segmented markets		
	5. Regulations		
	B. Absorption analysis		
	1. Demographic data		
	2. Competition		
	3. Absorption		
	4. Forecasts		
	5. Existing space inventory		
	6. Current and projected space surplus		
	7. New space		
	C. Role of money and capital markets		
	1. Competing investments		
	2. Sources of capital		
	D. Real estate financing		
	1. Mortgage terms and concepts		
	a. Mortgagor		
	b. Mortgagee		
	c. Principal and Interest		
	2. Mortgage payment plans		
	a. Fixed rate, level payment		
	b. Adjustable rate		
	c. Buydown		
	d. Other		
	3. Types of mortgages		
	a. Conventional		
	b. Insured		
VI.	VALUATION PROCESS	2-4%	Conceptual
	A. Definition of the problem		
	1. Purpose and use of appraisal		
	2. Interests to be appraised		
	3. Type of value to be estimated		
	4. Date of the value estimate		
	5. Limiting conditions		
	B. Collection and analysis of data		
	1. National and regional trends		
	2. Economic base		
	3. Local area and neighborhood		
	a. Employment		

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		% WEIGHT	LEVEL OF DIFFICULTY
	b. Income		
	c. Trends		
	d. Access		
	e. Locational convenience		
	4. Site and improvements		
C.	Analysis of highest and best use		
D.	Application and limitations of each approach to value		
	1. Sales comparison		
	2. Cost		
	3. Income capitalization		
E.	Reconciliation and final value estimate		
F.	The appraisal report		
VII.	PROPERTY DESCRIPTION	2-4%	Conceptual, Definitions
A.	Site Description		
	1. Utilities		
	2. Access		
	3. Topography		
	4. Size		
B.	Improvement description		
	1. Size		
	2. Condition		
	3. Utility		
C.	Basic construction and design		
	1. Techniques and materials		
	a. Foundations		
	b. Framing		
	c. Finish (exterior and interior)		
	d. Mechanical		
	2. Functional utility		
VIII.	HIGHEST AND BEST USE ANALYSIS	5-7%	Conceptual, Definitions, Analysis/ Application
A.	Four tests		
	1. Physically possible		
	2. Legally permitted		
	3. Economically feasible		
	4. Maximally productive		
B.	Vacant site or as if vacant		
C.	As improved		
D.	Interim use		
IX.	APPRAISAL MATH AND STATISTICS	3-5%	Conceptual, Analysis/ Application
A.	Compound interest concepts		
	1. Future value of $1		
	2. Present value of $1		
	3. Future value of an annuity of $1 per period		
	4. Present value of an annuity of $1 per period		
	5. Sinking fund factor		
	6. Installment to amortize $1 (loan constant)		
B.	Statistical concepts used in appraisal		
	1. Mean		
	2. Median		
	3. Mode		
	4. Range		
	5. Standard deviation		

		% WEIGHT	LEVEL OF DIFFICULTY
X.	SALES COMPARISON APPROACH	10-12%	Conceptual, Definitions, Analysis/ Application
	A. Research and selection of comparables		
	1. Data sources		
	2. Verification		
	3. Units of comparison		
	a. Income		
	(1) Potential gross income multiplier		
	(2) Effective gross income multiplier		
	(3) Overall rate		
	b. Size		
	(1) Square foot		
	(2) Acres		
	(3) Other		
	c. Utility (examples only)		
	(1) Motel and apartment units		
	(2) Theater seats		
	(3) Other		
	B. Elements of comparison		
	1. Property rights conveyed		
	a. Easements		
	b. Leased fee/Leasehold		
	c. Mineral rights		
	d. Others		
	2. Financing terms and cash equivalency		
	a. Loan payment		
	b. Loan balance		
	3. Conditions of sale		
	a. Arms length sale		
	b. Personalty		
	4. Market conditions at time of contract and closing		
	5. Location		
	6. Physical characteristics		
	7. Tenant improvements		
	C. Adjustment process		
	1. Sequence of adjustments		
	2. Dollar adjustments		
	3. Percentage adjustments		
	4. Paired sales analysis		
	D. Application of sales comparison approach		
XI.	SITE VALUE	3-5%	Conceptual, Definitions, Analysis/ Application
	A. Sales comparison		
	B. Land residual		
	C. Allocation		
	D. Extraction		
	E. Ground rent capitalization		
	F. Subdivision analysis		
	1. Development cost: direct and indirect		
	2. Contractor's overhead and profit		
	3. Forecast absorption and gross sales		

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	% WEIGHT	LEVEL OF DIFFICULTY
4. Entrepreneurial profit		
5. Discounted value conclusion		
G. Plottage and Assemblage		
XII. COST APPROACH	9-12%	Conceptual, Definitions, Analysis/ Application
A. Steps in cost approach		
1. Reproduction vs. replacement cost		
a. Comparative unit method		
b. Unit-in-place method		
c. Quantity survey method		
d. Cost service index		
2. Accrued depreciation		
a. Types of depreciation		
(1) Physical deterioration		
(a) Curable		
(b) Incurable		
(c) Short-lived		
(d) Long-lived		
(2) Functional obsolescence		
(a) Curable		
(b) Incurable		
(3) External obsolescence		
(a) Locational		
(b) Economic		
b. Methods of estimating depreciation		
(1) Age-life method		
(2) Breakdown method and sequence of deductions		
(3) Market extraction of depreciation		
B. Application of the cost approach		
XIII. INCOME APPROACH	20-24%	Conceptual, Definitions, Analysis/ Application
A. Estimation of income and expenses		
1. Gross market income		
2. Effective gross income		
a. Vacancy		
b. Collection loss		
3. Operating expenses		
a. Fixed expenses		
b. Variable expenses		
c. Reserve for replacements		
4. Net operating income		
B. Operating statement ratios		
1. Operating expense ratio		
2. Net income ratio		
3. Break-even ratio		
C. Direct capitalization		
1. Relevance and limitations		
2. Overalll capitalization rate		
3. Gross income multiplier and net income ratio		
4. Band of investment (mortgage equity) techniques		
5. Residual techniques		
a. Land (building value given)		
b. Building (land value given)		
c. Equity (mortgage value given)		

		% WEIGHT	LEVEL OF DIFFICULTY
D.	Cash flow estimates (before tax only)		
1.	Operating years		
a.	Estimating NOI with a change in NOI		
b.	Estimating NOI using lease information		
c.	Cash flow (NOI less mortgage payment)		
2.	Reversion		
a.	Estimating resale with a change in value		
b.	Estimating resale with a terminal capitalization rate		
c.	Cash flow (sale price less mortgage balance)		
d.	Deductions for costs of sale and legal fees to arrive at a net reversion		
E.	Measures of cash flow		
1.	Equity dividend rate (cash on cash rate)		
2.	Debt coverage ratio		
F.	Discounted cash flow analysis (DCF)		
1.	Relevance and limitations		
2.	Potential gross income and expense estimate		
a.	Market vs. contract rents		
b.	Vacancy and lease commissions		
c.	Tenant improvements and concessions		
3.	Discount rates and yield rates (definition and concept but no calculations of yield rate)		
4.	Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts and tables or calculators can be used)		
XIV.	VALUATION OF PARTIAL INTERESTS	4-6%	Conceptual, Definitions, Analysis/ Application
A.	Interests created by a lease		
1.	Leased fee		
2.	Leasehold		
3.	Subleasehold		
4.	Renewal options		
5.	Tenant improvements		
6.	Concessions		
B.	Lease Provisions		
1.	Overage rent		
2.	Expense stops		
3.	Net leases		
4.	Minimum rent		
5.	Percentage rent		
6.	CPI adjustments		
7.	Excess rent		
C.	Valuation considerations		
1.	Identifying the cash flows, to the different interests, including turnover ratios		
2.	Discount rate selection for different interests		
3.	Relationship between the values of the interests		
D.	Other partial interests		
1.	Life estates		
2.	Undivided interest in commonly held property		
3.	Easements		

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		% WEIGHT	LEVEL OF DIFFICULTY
4.	Timeshares		
5.	Cooperatives		
XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions

2808.7200 CERTIFIED STATE AND FEDERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 75 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses; and

(3) operating expense ratios;

N. valuation of partial interests; and

O. appraisal standards and ethics.

2808.7300 CERTIFIED FEDERAL RESIDENTIAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education involved coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal statistical concepts;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) gross rent multiplier analysis;

(2) estimation of income and expenses;

(3) operating expense ratios; and

(4) direct capitalization;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

2808.7400 CERTIFIED FEDERAL GENERAL REAL PROPERTY APPRAISER INITIAL EDUCATION.

Various appraisal courses may be credited toward the 165 classroom hour education requirement. Applicants must demonstrate that their education included coverage of all topics listed below with particular emphasis on the appraisal of one to four unit residential properties:

A. influences on real estate value;

B. legal considerations in appraisal;

C. types of value;

D. economic principles;

E. real estate markets and analysis;

F. valuation process;

G. property description;

H. highest and best use analysis;

I. appraisal math and statistics;

J. sales comparison approach;

K. site value;

L. cost approach;

M. income approach;

(1) estimation of income and expenses;

(2) operating statement ratios;

(3) direct capitalization;

(4) cash flow estimates;

(5) measures of cash flow; and

(6) discounted cash flow analysis;

N. valuation of partial interests;

O. appraisal standards and ethics; and

P. narrative report writing.

REPEALER. *Minnesota Rules*, part 2808.3000, subpart 3a, is repealed on January 1, 1994. *Minnesota Rules*, part 2808.3000, subpart 7, is repealed on December 1, 1995.

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