

# Governor's Office of Management and Budget

Alexis Sturm

Director



## IL Regulatory Sunset Act Review of The Real Estate Appraiser Licensing Act of 2002

March 18, 2021

**To the Honorable JB Pritzker  
Governor of Illinois**

Governor Pritzker:

The Governor's Office of Management and Budget (GOMB) in collaboration with the Illinois Department of Financial and Professional Regulation (IDFPR), in compliance with the requirements set forth in the Illinois Regulatory Sunset Act (5 ILCS 80), has conducted a review of the Real Estate Appraiser Licensing Act of 2002 (225 ILCS 458), which is scheduled to sunset on January 1, 2022. The following recommendation is pursuant to this review:

The Real Estate Appraiser Licensing Act of 2002 (225 ILCS 458) should be continued with the following modifications to its existing statutory and administrative rule framework.

- Add a definition of "Email address of record," standardizing IDFPR's initiative to become more efficient and paperless.
- Ensure that the Act is thoroughly compliant with all applicable federal requirements for the regulation of the appraisal profession.
- Update the Act, as necessary, to reflect current practices and to reflect the changing environment in which appraisers practice their profession.

The examination of this Act considered the nine factors set out in Section 6 of the Illinois Regulatory Sunset Act. The following report details the criteria and data utilized to come to the above recommendation.

Very sincerely and respectfully,

Alexis Sturm  
Director  
Governor's Office of Management and Budget

**Criteria (1) "The extent to which the agency or program has permitted qualified applicants to serve the public."**

As of August 5, 2020, there are 4,441 total licensees under the Act. Below is the number of new licenses issued in the previous 5 fiscal years.

	2016	2017	2018	2019	2020
Certified General Real Estate Appraiser	59	54	61	57	63
Licensed Appraiser Education Provider	2	2	2	2	0
Certified Residential Real Estate Appraiser	20	20	36	25	16
Associate Real Estate Trainee Appraiser	20	40	54	98	66
Appraisal Management Company	13	5	18	10	10
Temporary Practice Real Estate Appraiser	0	0	0	0	31
Licensed Appraiser Pre-Lic Course	3	9	14	2	18
Licensed Appraiser CE Course	18	47	57	81	72
<b>Total</b>	135	177	242	275	276

The current licensure fee scheme is as follows:

License	Fee Amount
Application for a State Certified General or Residential Real Estate Appraiser License fee	\$315
Application for an Associate Real Estate Trainee Appraise fee	\$225
Temporary License Application fee	\$100
Temporary License Extension fee	\$50
Application for a State Certified General or Residential Real Estate Appraiser License Renewal fee	\$265 per year
Application for an Associate Real Estate Trainee Appraise Renewal fee	\$150 per year
Restoration fee for a license	The sum of all lapsed renewal fees plus a \$50 late fee.
Certification of a license	\$25

Application for a license for a professional licensed under the laws of another jurisdiction: Continuing education sponsor	Fee Amount
Education Provider	\$550
Qualifying Education Course	\$150
Continuing Education Course	\$50

15-Hour National USPAP Course	\$50
Convert qualifying education course to continuing education course	\$25
7-Hour National USPAP Update Course	\$25

<b>Application for a license for a professional licensed under the laws of another jurisdiction: Renewal for continuing education sponsor</b>	<b>Fee Amount</b>
Education Provider	\$250
Qualifying Education Courses, except for 15-Hour USPAP	\$50 per year
Continuing Education Course, except for 7-Hour USPAP	\$24 per year
License Expired late fee	\$50

Appraisers in all 50 states are required to be licensed in order to, at minimum, provide appraisals for federally related lenders. Under Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (“FIRREA”), the ASC provides federal oversight of state licensing of appraisers. FIRREA further authorizes the Appraisal Qualifications Board of the Appraisal Foundation to establish minimum requirements for Certified General Real Estate Appraisers and Certified Residential Real Estate Appraisers. These minimum standards are known as the Uniform Standards of Professional Appraisal Practice (“USPAP”).

State statutes governing appraiser licensing are characterized as falling under one of three classifications: Mandatory, Mandatory for Federally Related Transactions (“M/FRT”), or Voluntary. Illinois is one of 33 states classified as Mandatory, which means that a certified or licensed appraiser is required for any evaluation or appraisal of real property that is developed. 13 states are considered M/FRT, in which certified/licensed appraisers are required to perform appraisals in any federally related transactions and real estate related financial transactions when required by federal law. Only 4 states are voluntary, in which appraiser can choose to become licensed or certified if they wish to perform appraisals for federally related transactions and real estate related transactions.

There are 4 categories of appraisers: Appraiser Trainees, Licensed Real Estate Appraiser, Certified Residential Real Estate Appraiser, and Certified General Real Estate Appraiser. Certified General Appraisers are qualified to appraise all types of real property. Certified Residential Appraisers are qualified to appraise one to four residential units without regard to value or complexity. Licensed Appraisers can appraise non-complex one to four units having a transaction value of less than \$1,000,000 and complex one to four residential units having a transaction value of less than \$250,000. Appraiser Trainees must work directly under the supervision of a certified appraiser. Illinois issues licenses for 3 of the 4 categories: Appraiser Trainees, Certified Residential Real Estate Appraiser, and Certified General Real Estate Appraiser.

***Criteria (2) “The extent to which the trade, business, profession, occupation, or industry being regulated is being administered in a nondiscriminatory manner both in terms of employment and rendering of services.”***

IDFPR adheres to strict guidelines and requirements established for each profession regulated by the Department. Licensing decisions are based on an applicant’s ability to meet the requirements established by statute and administrative rule. Neither race nor any other identifier is a consideration for licensure under any of the professional licenses regulated by the Department. Consequently, the Department does not collect information

from applicants to disclose their race or other social identifiers that could potentially lead to the act or perception of discrimination in licensing decisions.

***Criteria (3) “The extent to which the regulatory agency or program has operated in the public interest, and the extent to which its operation has been impeded or enhanced by existing statutes, procedures, and practices of any other department of state government, and any other circumstances, including budgetary resources, and personnel matters.”***

The IDFPR is tasked with processing applications for licenses and renewal licenses for over 1 million professionals practicing in the state of Illinois. The Department has adopted internal policies, sought legislative and administrative rule changes, and developed enhanced licensing processes to maintain efficiency and efficacy. Implementation of online, paperless licensing is one example of such a policy that has proved to be successful. While some procedures, such as the disciplinary process for licensees, can be lengthy, this is done to ensure thoroughness and proper due process for complaints against regulated professionals.

***Criteria (4) “The extent to which the agency running the program has recommended statutory changes to the General Assembly that would benefit the public as opposed to the persons it regulates.”***

In 2017, SB 1377 and HB 2396 were identical initiatives of IDFPR which sought to revise the composition of the Appraiser Board; neither bill advanced out of committee. S.A. #1 to SB 1531 was a compromise proposal that stemmed out of SB 1377 and HB 2396; it passed the Senate unanimously but was amended to be a different bill in the House. P.A. 100-886 (SB 3036) was a 2018 IDFPR initiative which reformed the term lengths and term limits of the Appraiser Board members to conform to the language used for other DRE boards. P.A. 100-604 (SB 2617) was a 2018 IDFPR initiative which, in part, added permissive language authorizing IDFPR to use a multi-state licensing system for licensing under the Appraiser Act. P.A. 100-831 (HB 5210) was an IDFPR initiative in 2018 which allowed for the Department to establish a continuing education deadline prior to the renewal deadline; the law also revised the process for disciplines and board recommendations to conform with language in other DRE acts.

***Criteria (5) “The extent to which the agency or program has required the persons it regulates to report to it concerning the impact of rules and decisions of the agency or the impact of the program on the public regarding improved service, economy of service, and availability of service.”***

IDFPR establishes rules and makes regulatory decisions through the process established by the Joint Committee on Administrative Rules (JCAR), the administrative body responsible for approving rule proposals by state agencies. This process allows for input from industry and community stakeholders impacted by the Department’s proposed changes. The Department works with lawmakers, community stakeholders and members of industry to ensure that regulations effectively protect Illinois citizens.

The Real Estate Appraiser Licensing Act of 2002 also requires the Department to seek, and its Administration and Disciplinary Board to provide, recommendations to the Department consistent with the provisions of the Act for the administration and enforcement of all rules adopted pursuant to this Act.

***Criteria (6) “The extent to which persons regulated by the agency or under the program have been required to assess the problems in their industry that affect the public.”***

The Real Estate Appraisal Administration and Disciplinary Board is an advisory board composed of licensees. The Board shall advise and make recommendations to the Department on the education and experience qualifications of any applicant for initial licensure as a State certified general real estate appraiser or a State certified residential

real estate appraiser. The Department shall not make any decisions concerning education or experience qualifications of an applicant for initial licensure without having first received the advice and recommendation of the Board. The Board shall make recommendations to the Department on disciplinary matters, on the administration and enforcement of all rules adopted pursuant to this Act, and on the approval of all courses submitted to the Department. The Department shall not approve any courses without having first received the recommendation of the Board.

***Criteria (7) "The extent to which the agency or program has encouraged participation by the public in making its rules and decisions as opposed to participation solely by the persons it regulates and the extent to which such rules and decisions are consistent with statutory authority."***

IDFPR adheres to the guidelines and requirements established by the Joint Committee on Administrative Rules (JCAR) and the Illinois General Assembly (ILGA) for approving rule proposals, legislative changes and internal policies. In addition, the Department adheres to the requirements established in the Illinois Open Meetings Act (5 ILCS 120). The Department regularly invites input from members of the public who attend month meetings of the Real Estate Appraisal Administration and Disciplinary Board.

***Criteria (8) "The efficiency with which formal public complaints filed with the regulatory agency or under the program concerning persons subject to regulation have been processed to completion, by the executive director of the regulatory agencies or programs, by the Attorney General and by any other applicable department of the State government."***

Complaints made against licensees of IDFPR's Division of Real Estate may be filed via mail, email, or phone. Once a complaint is opened, it is referred to the Division's Investigations Unit to determine if a violation of the regulatory act or rules occurred. If the Investigations Unit determines that a violation has or may have occurred, the matter is then referred to the Division's Prosecutions Section.

***Criteria (9) "The extent to which changes are necessary in the enabling laws of the agency or program to adequately comply with the factors listed in this section."***

IDFPR recommends that the statutory language of this Act be modernized in order to implement more streamlined and efficient regulation of this profession, which will ensure safety and welfare of the general public and ease the burden of regulatory compliance:

- Add a definition of "Email address of record," standardizing IDFPR's initiative to become more efficient and paperless.
- Ensure that the Act is thoroughly compliant with all applicable federal requirements for the regulation of the appraisal profession.
- Update the Act, as necessary, to reflect current practices and to reflect the changing environment in which appraisers practice their profession.

#### **Conclusion:**

IDFPR recommends that the Act be extended. The absence of regulation of the appraisal industry would pose a significant and direct harm to the welfare of the public and would be a direct violation of federal law and associated federal regulation and oversight of State appraisal programs. Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) protects consumer welfare in real estate related transactions by requiring real estate appraisals used in connection with federally related transactions to be performed in writing, in accordance with uniform standards, by appraisers whose competency has been

demonstrated and whose professional conduct will be subject to effective supervision. Each US state or territory has a real estate appraiser regulatory agency that is responsible for licensing and certifying real estate appraisers and supervising their appraisal-related activities, as required by Federal law.

While federal law requires licensed appraisers for federally related transactions, the Real Estate Appraiser Licensing Act of 2002 applies to all real estate appraiser activity, and not only to appraisals performed in connection with a federally-related transaction. This ensures consumer protection by requiring adherence to the Uniform Standards of Professional Appraisal Practice (USPAP) and Illinois' appraisal requirements when performing all appraisals. Absence of this level of regulation would result in unequal levels of protection for consumers based on the type of transaction. [Note: Illinois is a "mandatory" State, meaning that the Real Estate Appraiser Licensing Act of 2002 applies to all real estate appraiser activity, and not only to appraisals performed in connection with a federally-related transaction. All states require appraisers to be state licensed or certified in order to provide appraisals to federally regulated lenders. Some states, including Illinois, require appraisers to be licensed or certified to provide appraisals for other parties as well.]