

CHAPTER 2808

DEPARTMENT OF COMMERCE

REAL ESTATE APPRAISERS

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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 residential real property appraiser.** "Certified 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 general real property appraiser.** "Certified 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. **Licensed real property appraiser.** "Licensed 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. **Registered real property appraiser.** "Registered 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

2808.1100 LICENSE.

Subpart 1. **Application for real estate appraiser license.** After successful completion of the appropriate preclicensing 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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, succes-

sor 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

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

2808.2100 EXAMINATION REQUIREMENTS.

Subpart 1. **Registered real property appraiser examination.** To qualify for a license as a registered 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. **Licensed real property appraiser examination.** To qualify for a license as a licensed 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 residential real property appraiser examination.** To qualify for a license as a certified 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 general real property appraiser examination.** To qualify for a license as a certified 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*

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

Subp. 6. **Licensed real property appraiser.** To be eligible for licensure as a licensed 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 residential real property appraiser.** To be eligible for licensure as a certified 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 general real property appraiser.** To be eligible for licensure as a certified 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*

PRELICENSING EDUCATION

2808.3000 PRELICENSE EDUCATION REQUIREMENTS.

Subpart 1. **Registered real property appraiser.** To qualify for a license as a registered 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. **Licensed real property appraiser.** To qualify for a license as a licensed 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 residential real property appraiser.** To qualify for a license as a certified 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. [Repealed, 17 SR 1790]

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

praisal 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 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 preclicensing education. Successful completion of preclicensing 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. Preclicensing 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 preclicensing 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. Preclicensing education courses; access. All preclicensing 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.

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. Preclicensing 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 preclicensing education course within the prior five-year period.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*

2808.3100 CERTIFICATION OF COURSE COMPLETION.

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

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

Subp. 2. **Certification after completion.** A certificate of preclicensing 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 preclicensing 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 preclicensing 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

2808.3200 PRELICENSING EDUCATION COORDINATORS.

Each course of real estate appraisal licensing education must have at least 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 preclicensing education coordinators.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

2808.3300 PRELICENSING EDUCATION INSTRUCTORS.

Subpart 1. **General requirement.** Each course of real estate appraisal preclicensing 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 preclicensing 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 preclicensing education to persons seeking licensure as either registered real property appraisers or licensed 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 preclicensing education to persons seeking licensure as either certified residential real property appraisers or certified 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 general real property appraiser.

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

A. comply with all laws and rules pertaining to real estate appraiser preclicensing 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*

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 accom-

moderate 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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

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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."

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

2808.5500 MANAGEMENT RESPONSIBILITY OF SPONSORS.

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

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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;

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(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).

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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, 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

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- 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

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| 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 | | |

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|-------|---|-------|---|
| 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 | | |

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XV.	APPRAISAL STANDARDS AND ETHICS	7-11%	Conceptual, Definitions
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Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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		

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- 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

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VI.	VALUATION PROCESS	-4%	Conceptual
	<ul style="list-style-type: none"> A. Definition of the problem <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 1. National and regional trends 2. Economic base 3. Local area and neighborhood <ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> A. Site Description <ul style="list-style-type: none"> 1. Utilities 2. Access 3. Topography 4. Size B. Improvement description <ul style="list-style-type: none"> 1. Size 2. Condition 3. Utility C. Basic construction and design <ul style="list-style-type: none"> 1. Techniques and materials <ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> A. Four tests <ul style="list-style-type: none"> 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
	<ul style="list-style-type: none"> A. Compound interest concepts <ul style="list-style-type: none"> 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, 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

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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. 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
 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

4-6%

Conceptual,
Definitions,
Analysis/
Application

- 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
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Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790*

2808.7300 CERTIFIED 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*

2808.7400 CERTIFIED 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.

Statutory Authority: *MS s 45.023; 82B.13; 82B.19*

History: *17 SR 1790; L 1993 c 309 s 31*