

March 3rd, 2023

Workforce Development Committee. Fort Lincoln Room.

Committee Chair: Senator Michael Wobbema.

Senators; Axtman VC; Elkin, Larson, Piepkorn, Sickler.

My Name is Dean Rylander – Chair of the Government Affairs Committee of the North Dakota Appraisers Association. I am here today to present an Amendment to HB1107.

The NDAA is an association of Appraisers for Appraisers. Our Goal is to foster better understanding of the appraisal profession, make a positive impact in the Real Estate profession and promote positive legislation that provide better service to the State of North Dakota and the Public.

As many Legislatures and the general public are not aware of, our profession is heavily regulated by the Federal Government. The Government and its various agencies are the entities that mandate our Education, Qualifications, Standards of Practice, and experience hours required for each level of licensing. We don't have control over that. These agencies also mandate that each State shall provide a means of oversight to appraisers. This is our North Dakota State Appraisal Board. They carry out the rules and regulation mandated by the Federal Government. They police appraisers and make sure our State Century Codes meet those guidelines to remain in compliance.

The NDAA is committed to finding solutions for issues that hinder not only our profession but many other Real Estate professionals in the State. The industry has taken steps on a national basis to improve access to appraising by eliminating many barriers to the profession.

- Lowered experience hours for Apprentice / Trainee licensing.
- Lowered qualifying education required for licensing.
- Created alternative pathways to licensing upgrades for those without a BS degree.
- Created an entire new model and or training method called Practical Application of Real Estate Appraising (PAREA)

This new program creates a path to the appraising profession without the need of a supervisor. This eliminates barriers and shortens the time it takes to become an appraiser, while at the same time leaving the traditional option of supervisor/trainee method in place for a hybrid option. Many will take advantage of this new model that is available today.

However the NDAA can do more and must do more right here in our own State.

- Created ndappraisers.org to include a search engine for the public and lending institutions to search for appraisers by application and location.
- The NDAA offers Apprentice Appraisers 1st year membership Free for educational discounts and networking with experience appraisers.
- The NDAA offers Scholarships for qualifying education to apprentice and licensed appraisers.
- The NDAA is working with NDSU to create a Real Estate Valuation Minor. This curriculum would provide qualifying education for the appraisal profession. Coupled with PAREA or supervisory Appraiser creates a powerful tool for newer and younger people to enter the profession. This is on track to be offered the Spring of 2024.

- The NDAA is working with industry partners to search and promote applications for Federal Grant money that can be used to promote more and new Appraisers specifically in rural underserved areas of the State.
- The NDAA has introduced Legislation that enhances Availability of and Access to Data, focusing on underserved rural areas of the State. Better access to data benefits Real Estate, Financial institutions but most importantly the public, especially in rural communities.

HB1107

What is an evaluation?

An Evaluation is a bank product that is offered to qualified homeowners that meet Federal Agency Guideline, in lieu of an appraisal for a transaction that qualifies for certain exemptions.

Evaluations are an important part of lending and will become even more prominent as interest rates remain high and markets remain slow. This coupled with the increased \$400,000 threshold creating an entire new market demographic that now qualifies for these loans. The NDAA feels it is important for lenders to have access to good quality evaluation reports that are complete and accurate as lending exposes more and more of bank assets to these types of loans. Safety and soundness are still cornerstones of Banking.

We believe in the fair market and allowing lending institutions the ability to decide and select the appropriate individual to complete their evaluation needs and therefore, we are in favor of leaving the Brokers and Bank of North Dakota in the Engrossed Bill. This is a service that has been requested of us, and we believe that we are uniquely qualified as valuation experts to meet the needs of lenders and the citizens of North Dakota.

Many have expressed concern that if appraisers are performing evaluations, they are not performing appraisals, this is just simply not true. Typically, evaluation and appraisal needs are inversely related. Therefore, when there is a high demand for residential appraisals there is a lower demand for residential evaluations and vice versa in our current economic state when there is a low demand for residential appraisals there is a higher demand for residential evaluations. Evaluations are typically a faster lower cost product that does not require the same amount of analysis that an appraisal requires and therefore does not have the same amount of liability attached to the product like a full Appraisal would have. So, when appraisal demand increases appraisers will concentrate more on appraisals than they would evaluations. By leaving Brokers in the mix provides the Lenders with the option they need to provide services and loans to customers with out delays.

Representative Koppelman introduced HB1107 to the House Floor, however through no fault of his own some things have been misrepresented. We are not looking to build fences around evaluations, we are just asking for a seat at the table. In fact, in our original amendment, we asked to include the BND and Brokers as participants in the evaluation field. It has never been the NDAA's intent to eliminate any other qualified Real Estate Professional from performing evaluations.

Additional benefits are, Evaluations will provide Apprentice Appraisers with experience hours toward licensing. This is new, as the Appraiser Qualifications Board did just make a rule change that created a path that will allow the appraiser to convert the evaluation into a non-client appraisal report for experience hours toward licensing. This will help bring in newer and younger people into the profession.

This is another good example of how our industry and profession is working to eliminate barriers to our profession.

Currently today the market is slow with appraisers completing most residential assignments within 5 to 14 business days. We surveyed our membership with 88 response, just over 40% stated they would have to find alternative income if the market remains the same as it is today. While I do not have a crystal ball and cannot predict the future, it would not be a stretch to estimate we have the potential to lose 15 or 20% of our working appraisers in the state. The NDAA's largest concern is when our market does come back and interest rates do stabilize around 3 to 4% again, we cannot replace these individuals. Our profession is not one that can create appraisers at the drop of hat.

This State has the potential to create an appraiser shortage of a magnitude that we have never seen before. Evaluations do have the potential to generate enough income to keep appraisers in the profession.