SENATE FINANCE AND CLAIMS
EXHIBIT NO. 1
DATE 2-9-05
BILL NO. SB 5

Good evening Mr. Chairman and members of the committee.

My name is Tim Moore and I am a self employed real estate appraiser doing business as Moore Appraisals Inc., located at 1275 Maple Street, Helena, MT.

I am currently the chairman of the State Board of Real Estate Appraisers and am here today representing the board who is in unanimous opposition to this bill.

In July, 2004 the Board instituted its current trainee process to enable us to be involved with the trainees work prior to the final application process. All too often we were presented with an application in which the work product provided was less than adequate and we were forced to deny the application. This required the applicants to receive more experience and re-apply for licensure, at an additional cost of both time and money to the trainee.

The process currently in place allows the board to ensure that the applicant is working under a qualified mentor and to review actual work product on an ongoing basis throughout the training with the ultimate goal of correcting deficiencies prior to the application process. This has created a more streamlined application and a minimal amount of expense to the applicant and while the process has been in effect for less than a year, the initial results have been very positive. I believe that the trainee/mentor procedure will be a very effective method of increasing the professionalism of our states appraisers. The proposed bill allowing for a provisional license undermines the effectiveness of the current program.

I would like to point out that the draft request for this bill was placed on June 3, 2004. The trainee rules did not go into effect until July 1st, 2004, and it appears as though this bill is a solution in search of a problem. Without ever having been given a chance, the rules governing appraiser trainees is being circumvented to allow unqualified people to complete appraisals without any experience whatsoever. This does not appear to be protecting the citizens of Montana, whose financial resources are at risk from improper appraisals. We should not forget the Savings and Loan fiasco of the late 1980's, in which a significant portion of the blame was placed on improperly completed appraisals.

The comments that I hear from those supporting this bill are that it is very difficult to find mentors in Montana; however the facts would dispute this opinion. According the boards records there are currently 428 licensed appraisers in the state. In addition there are at present, 41 registered trainees for a total of 469 appraisers actively involved in this profession. Let me point out that 41 trainees is approximately 10% of the currently licensed population.

Last year, our board granted 67 new licenses. While several of these were for upgrades, the majority, and I'm sorry I don't have the exact figure, the majority were for new licenses. The Board office does not track our applicants by new or upgrade status and without going through 67 files, we could not come up with the exact numbers. However it would be very conservative to say that at least 50% were new applicants.

That would be 33 or 34 new licensees in just 2004, which is around a 7% growth in the appraiser population of the state. According to Dept of Labor statistics, employment in the state rose at a 3% rate last year, indicating that appraising is growing at twice the rate of average employment in the State. The overall population of the state grew less than 2% during this same period, again indicating that the appraisal profession is growing at a significant pace.

At our upcoming March 8th Board meeting we will be hearing a total of 16 applications, 12 of which are for new licensure. And that is only the first of four scheduled meetings this year. Over the past several years we have seen the number of applicants rise steadily, having more than doubled in numbers in the past three years, from approximately 14 new appraisers licensed in 2001 to over 30 last year. This does not appear to support an opinion that this is a "closed" profession.

Appraisers nationwide have struggled over the past 10 years to make real estate appraisal more of a profession as opposed to its historic perception as an industry. I have heard, as I am sure you all have, about the members of the appraisal profession being protectionist of their field. You have all received numerous e-mails and phone calls regarding this bill and there are many members of the profession here tonight to testify. We are attempting to do no more than any other profession would do when faced with the same issue. We do not choose to ignore an attempt to lower the standards which have been so diligently pursued over the past several years. It is not our intent to keep people out of the profession, only to make sure that those entering it are as well prepared as they may be. Doctors, lawyers, accountants, any other profession would do no less, so please don't confuse the amount of interest in this bill to be anything other than a group of professionals attempting to protect their standards not prohibit entry to the field.

The argument is being made that rural areas of the state do not have enough appraisers, nor people to train new ones. These areas are typically the most difficult to appraise in due to the lack of data available and the wide variety of property types. Do you want those appraisers with the least amount of experience to be working on the most difficult properties? That does not appear to protect the public very well. Furthermore, the comment has been made that the "bad ones will weed themselves out". Well, let me ask you, would you like to own one of the properties that the "bad ones" appraised prior to their being "weeded out". Again, I don't think that this is doing our best to protect the public, as is our charge as Board members.

I would like to go back for a minute to the timing of the bill request for these provisional licenses. As I noted, the trainee rules did not take effect until July 1, 2004. We held rule hearings as required and received very little input on the proposed rules. However, in response to some of that input, we made several changes to the propose rules, one of which was the 100 mile radius rule. We had originally included both residential and commercial appraisers and we heard from a number of people involved in the commercial industry. In response to their concerns and further discussion among the board, we changed that rule to include only residential appraisers.

As with any process, rule making is not always as effective as we would like it to be. Sometimes, things look differently after a little exposure, and this would appear to be one of those cases. I can assure you, that after the comments I have heard regarding this issue, that the Board is going to take another look at the mileage restrictions. I have instructed our staff to place this item on the agenda for our March 8th meeting at which time I will propose language to reflect competency in a given area, rather than just a mileage limit. It makes sense that if you are competent to complete an appraisal in a given area, then you would be competent to train someone in that area. Please be assured that regardless of what happens with this bill, the mileage rule will be addressed. I can't make any promises as to what will happen in the rule making process; however I can say for certain that the rule will be discussed at that meeting with the intention of making a more user friendly process.

In conclusion, I would point out that it is not unusual for new members of a profession to be required to serve under a mentor, or as an apprentice. Doctors, Engineers, Surveyors, Plumbers, Electricians and even Hunting and Fishing guides in this state are required to serve under a licensed person for varying lengths of time and the mentor/trainee process is currently the accepted practice in all 50 states for the appraisal profession. I don't believe that simply having some education and passing a test is an adequate amount of background for anyone to be an appraiser. Appraisers are charged with protecting the financial resources of our state and I believe that the citizens of the state of Montana deserve more protection than this bill allows.

Thank you for your time.