

**CHAPTER 2808**  
**DEPARTMENT OF COMMERCE**  
**REAL ESTATE APPRAISERS**

<p>2808.0100 DEFINITIONS.</p> <p style="text-align:center">LICENSING</p> <p>2808.1000 PAYMENT OF FEES.</p> <p>2808.1100 LICENSE.</p> <p>2808.1200 CHANGE OF INFORMATION; NOTICE TO COMMISSIONER.</p> <p>2808.1300 NONRESIDENT APPOINTMENT OF COMMISSIONER FOR SERVICE OF PROCESS.</p> <p>2808.1400 WITHDRAWAL OF LICENSE OR APPLICATION.</p> <p>2808.1500 FAILURE TO RENEW LICENSE.</p> <p>2808.1600 REVOCATIONS.</p> <p>2808.1700 COURSE COMPLETION CERTIFICATES FOR REAL ESTATE APPRAISER LICENSE.</p>	<p>EXAMINATION AND EXPERIENCE</p> <p>2808.2000 PASSING GRADE FOR EXAMINATION.</p> <p>2808.2100 EXAMINATION REQUIREMENTS.</p> <p style="text-align:center">STANDARDS OF APPRAISER CONDUCT</p> <p>2808.6000 STANDARDS OF CONDUCT.</p> <p>2808.7000 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE RESIDENTIAL REAL PROPERTY APPRAISER CLASSIFICATION (1-4 Units).</p> <p>2808.7100 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION.</p>
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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 apprais-

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

Failure to apply for a license will require reexamination.

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

Subp. 3. **Reinstatement of license.** Within two years of a license cancellation, a person who was previously licensed may reinstate the license without examination by completing the required application, paying the required fee for a new license application, and reporting successful completion of all outstanding continuing education requirements for the period during which the license was canceled. The license shall be reinstated without reexamination by completing the required instruction, filing an application, and paying the fee for the license within two years of the cancellation date.

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

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

STATE OF .....)  
COUNTY OF .....) SS.

On this .... day of ....., ....., 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; L 1998 c 254 art 1 s 107*

**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** [Repealed, L 2005 c 100 s 18]

**2808.3000** Subpart 1. [Repealed, 21 SR 88]

Subp. 2. [Repealed, 21 SR 88]

Subp. 3. [Repealed, 21 SR 88]

Subp. 3a. [Repealed, 17 SR 1790]

Subp. 4. [Repealed, 21 SR 88]

Subp. 5. [Repealed, 21 SR 88]

- Subp. 6. [Repealed, 21 SR 88]
- Subp. 7. [Repealed, 17 SR 1790]
- Subp. 8. [Repealed, 21 SR 88]
- Subp. 9. [Repealed, 21 SR 88]
- Subp. 10. [Repealed, 21 SR 88]
- Subp. 11. [Repealed, 21 SR 88]
- Subp. 12. [Repealed, 21 SR 88]
- Subp. 13. [Repealed, 21 SR 88]
- Subp. 14. [Repealed, 21 SR 88]

**2808.3100** [Repealed, 21 SR 88]

**2808.3200** [Repealed, 21 SR 88]

**2808.3300** [Repealed, 21 SR 88]

**2808.4000** [Repealed, 21 SR 88]

**2808.4100** [Repealed, 21 SR 88]

**2808.4200** [Repealed, 21 SR 88]

**2808.5000** [Repealed, 21 SR 88]

**2808.5100** [Repealed, 21 SR 88]

**2808.5200** [Repealed, 21 SR 88]

**2808.5300** [Repealed, 21 SR 88]

**2808.5400** [Repealed, 21 SR 88]

**2808.5500** [Repealed, 21 SR 88]

**2808.5600** [Repealed, 21 SR 88]

## STANDARDS OF APPRAISER CONDUCT

### 2808.6000 STANDARDS OF CONDUCT.

Subpart 1. **Compliance with uniform standards of professional appraisal practice.** In addition to an act compelled or prohibited by Minnesota Statutes, chapter 82B, or this chapter, an appraiser must act in accordance with the standards of professional appraisal practice as defined in Minnesota Statutes, section 82B.02, subdivision 12.

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

- A. disclose who has employed the appraiser;
- B. disclose who the appraisal is rendered for, if not the person who employed the appraiser;
- C. disclose the purpose of the appraisal, including an explanation of the difference between the appraisal being given and an appraisal of fee simple market valuation;
- D. disclose any conflict of interest or situation which might reasonably be perceived to be a conflict of interest which shall include, but not be limited to, the following situations:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(7) develop a valuation conclusion that is based either partially or completely on factors identified in Minnesota Statutes, chapter 363A, 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		
	D. Legal rights and interests		
	1. Fee simple estate		
	2. Life estate		
	3. Leasehold interest		
	4. Leased fee interest		



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- 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
    - 2. Sources of capital
  - D. Real estate financing
    - 1. Mortgage terms and concepts
      - a. Mortgagor
      - b. Mortgagee
      - c. Principal and Interest

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2. Mortgage payment plans
  - a. Fixed rate, level payment
  - b. Adjustable rate
  - c. Buydown
  - d. Other
3. Types of mortgages
  - a. Conventional
  - b. Insured

VI. VALUATION PROCESS 4-6% Conceptual

- A. Definition of the problem
  1. Purpose and use of appraisal
  2. Interests to be appraised
  3. Type of value to be estimated
  4. Date of the value estimate
  5. Limiting conditions
- B. Collection and analysis of data
  1. National and regional trends
  2. Economic base
  3. Local area and neighborhood
    - a. Employment
    - b. Income
    - c. Trends
    - d. Access
    - e. Locational convenience
  4. Site and improvements
- C. Analysis of highest and best use
- D. Application and limitations of each approach to value
  1. Sales comparison
  2. Cost
  3. Income capitalization
- E. Reconciliation and final value estimate
- F. The appraisal report

VII. PROPERTY DESCRIPTION 2-4% Conceptual, Definitions

- A. Site Description
  1. Utilities
  2. Access
  3. Topography
  4. Size
- B. Improvement description
  1. Size
  2. Condition
  3. Utility
- C. Basic construction and design
  1. Techniques and materials
    - a. Foundations
    - b. Framing
    - c. Finish (exterior and interior)
  2. Functional utility

VIII. HIGHEST AND BEST USE ANALYSIS 5-7% Conceptual, Definitions, Application

- A. Four tests
  1. Physically possible
  2. Legally permitted
  3. Economically feasible
  4. Maximally productive

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- B. Vacant site or as if vacant
  - C. As improved
  - D. Interim use
- IX. APPRAISAL STATISTICAL CONCEPTS 1-3% Conceptual, Analysis/ Application
- A. Mean
  - B. Median
  - C. Mode
  - D. Range
  - E. Standard deviation
- X. SALES COMPARISON APPROACH 21-24% Conceptual, Definitions, Analysis/ Application
- A. Research and selection of comparables
    - 1. Data sources
    - 2. Verification
    - 3. Units of comparison
      - a. Data sources
      - b. Size
        - (1) Square foot
        - (2) Acres
        - (3) Other
      - c. Utility (examples only)
        - (1) Rooms
        - (2) Beds
        - (3) Other
  - B. Elements of comparison
    - 1. Property rights conveyed
      - a. Leased fee/leasehold
      - b. Easements
      - c. Others
    - 2. Financing terms and cash equivalency
      - a. Loan payment
      - b. Loan balance
    - 3. Conditions of sale
      - a. Arms length sale
      - b. Personalty
    - 4. Market conditions at time of contract and closing
    - 5. Location
    - 6. Physical characteristics
  - C. Adjustment process
    - 1. Sequence of adjustments
    - 2. Dollar adjustments
    - 3. Percentage adjustments
    - 4. Paired sales analysis
  - D. Application of sales comparison approach
- XI. SITE VALUE 4-6% Conceptual, Definitions, Analysis/ Application
- A. Sales comparison
  - B. Land residual
  - C. Allocation
  - D. Extraction
  - E. Plottage and Assemblage

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## REAL ESTATE APPRAISERS 2808.7000

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|-------|---|-------|---|
| XII.  | COST APPROACH                                   | 8-10% | Conceptual,<br>Definitions,<br>Analysis/<br>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,<br>Definitions,<br>Analysis/<br>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,<br>Definitions                              |
|       | A. Life estates                                 |       |   |
|       | B. Undivided interest in commonly held property |       |   |
|       | C. Easements                                    |       |   |
|       | D. Timeshares                                   |       |   |
|       | E. Cooperatives                                 |       |   |
|       | F. Leased fee estate                            |       |   |
|       | G. Leasehold estate                             |       |   |
| XV.   | APPRAISAL STANDARDS AND ETHICS                  | 7-11% | Conceptual,<br>Definitions                              |

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

**History:** *17 SR 1790*

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2808.7100 REAL ESTATE APPRAISERS

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## 2808.7100 NATIONAL UNIFORM EXAMINATION CONTENT OUTLINE GENERAL REAL PROPERTY APPRAISER CLASSIFICATION.

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

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

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

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- 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 10–12%
    - 1. Data sources
    - 2. Verification
    - 3. Units of comparison
      - a. Income
        - (1) Potential gross income multiplier
        - (2) Effective gross income multiplier
        - (3) Overall rate
      - b. Size
        - (1) Square foot
        - (2) Acres
        - (3) Other
      - c. Utility (examples only)
        - (1) Motel and apartment units
        - (2) Theater seats
        - (3) Other
  - B. Elements of comparison
    - 1. Property rights conveyed
      - a. Easements
      - b. Leased fee/Leasehold
      - c. Mineral rights
      - d. Others
    - 2. Financing terms and cash equivalency
      - a. Loan payment
      - b. Loan balance
    - 3. Conditions of sale
      - a. Arms length sale
      - b. Personalty
    - 4. Market conditions at time of contract and closing
    - 5. Location
    - 6. Physical characteristics
    - 7. Tenant improvements
  - C. Adjustment process
    - 1. Sequence of adjustments
    - 2. Dollar adjustments
    - 3. Percentage adjustments
    - 4. Paired sales analysis
  - D. Application of sales comparison approach
  
- XI. SITE VALUE 3–5% Conceptual, Definitions, Analysis/ Application
  - A. Sales comparison
  - B. Land residual
  - C. Allocation
  - D. Extraction
  - E. Ground rent capitalization



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- 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

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4. Band of investment (mortgage equity) techniques
5. Residual techniques
  - a. Land (building value given)
  - b. Building (land value given)
  - c. Equity (mortgage value given)
- D. Cash flow estimates (before tax only)
  1. Operating years
    - a. Estimating NOI with a change in NOI
    - b. Estimating NOI using lease information
    - c. Cash flow (NOI less mortgage payment)
  2. Reversion
    - a. Estimating resale with a change in value
    - b. Estimating resale with a terminal capitalization rate
    - c. Cash flow (sale price less mortgage balance)
    - d. Deductions for costs of sale and legal fees to arrive at a net reversion
- E. Measures of cash flow
  1. Equity dividend rate (cash on cash rate)
  2. Debt coverage ratio
- F. Discounted cash flow analysis (DCF)
  1. Relevance and limitations
  2. Potential gross income and expense estimate
    - a. Market vs. contract rents
    - b. Vacancy and lease commissions
    - c. Tenant improvements and concessions
  3. Discount rates and yield rates (definition and concept but no calculations of yield rate)
  4. Discounting cash flows (from operations and reversion where all cash flows projected in dollar amounts and tables or calculators can be used)

## XIV. VALUATION OF PARTIAL INTERESTS

4-6%

Conceptual,  
Definitions,  
Analysis/  
Application

- A. Interests created by a lease
  1. Leased fee
  2. Leasehold
  3. Subleasehold
  4. Renewal options
  5. Tenant improvements
  6. Concessions
- B. Lease Provisions
  1. Overage rent
  2. Expense stops
  3. Net leases
  4. Minimum rent
  5. Percentage rent
  6. CPI adjustments

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- 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

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

**History:** *17 SR 1790*

**2808.7200** [Repealed, 21 SR 88]

**2808.7300** [Repealed, 21 SR 88]

**2808.7400** [Repealed, 21 SR 88]