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Technical Report

Developing a Framework for the Appraisal of Real Estate in the Philippines: Inception Report & Blueprint for Future Actions

by Mark F. Bates, MAI, CRE, FRICS

Prepared for

Deputy Governor Nestor Espenilla
Bangko Sentral ng Pilipinas (BSP)
Republic of the Philippines

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Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE)
Unit 2003, 139 Corporate Center, 139 Valero St., Salcedo Village, Makati City 1227, Philippines
Tel. No. (632) 752 0881 Fax No. (632) 752 2225

Preface

This report is the result of technical assistance provided by the Economic Modernization through Efficient Reforms and Governance Enhancement (EMERGE) Activity, under contract with the CARANA Corporation, Nathan Associates Inc. and The Peoples Group (TRG) to the United States Agency for International Development, Manila, Philippines (USAID/Philippines) (Contract No. AFP-I-00-00-03-00020 Delivery Order 800). The EMERGE Activity is intended to contribute towards the Government of the Republic of the Philippines (GRP) Medium Term Philippine Development Plan (MTPDP) and USAID/Philippines' Strategic Objective 2, "Investment Climate Less Constrained by Corruption and Poor Governance." The purpose of the activity is to provide technical assistance to support economic policy reforms that will cause sustainable economic growth and enhance the competitiveness of the Philippine economy by augmenting the efforts of Philippine pro-reform partners and stakeholders.

This technical report was written by Mark F. Bates, MAI, CRE, FRICS, following technical assistance requested by Deputy Governor Nestor Espenilla of the Bangko Sentral ng Pilipinas (BSP) on January 24, 2005. Mr. Bates wrote his "Inception Report" in September 2005, following a short visit to Manila and later drafted the "Blueprint for Future Actions" in November 2005, at DepGov Espenilla's subsequent request.

The views expressed and opinions contained in this publication are those of the author and are not necessarily those of USAID, the GRP, EMERGE or its head offices.

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I. Inception Report

1.0 Introduction

This assignment is in support of the Bangko Sentral ng Pilipinas (BSP) initiative to develop a formal framework for the valuation of real estate that will guide appraisal companies (appraisers) in the conduct of their work. The Central Bank's effort is being sustained by a technical assistance program sponsored by the United States Agency for International Development. Reliable and transparent real estate valuations are prerequisites for safe and sound mortgage lending activities, mortgage backed securitization efforts and compliance with International Reporting Standards (Fair Value).

To achieve this, the consultant worked with the leadership and staff of the Central Bank who organized meetings with stakeholders including users and providers of real estate appraisal services. It is envisioned that this interim report will lead to a formal program to include development and adaptation of uniform professional appraisal standards, design of curricula for professional courses that address the determined needs, creation of training plans for delivery of said curricula, and an organizational plan for the enhancement and regulation of the real estate appraisal profession.

For reliable and consistent real estate valuations to occur in the Philippines, market transparency is mandatory. To achieve transparency, supporting infrastructure including accurate, publicly available price reporting, fully subscribed property registration and applicable information technologies must be developed. Without the appropriate infrastructure, real estate appraisal will remain a theoretical exercise.

2.0 Assessment

The consultant conducted interviews over a five-day period to ascertain the existence, or lack of, professional appraisal standards; the level of training currently available to appraisers; the effectiveness of regulatory oversight and level of professionalism in the industry. Discussions with representatives from the mortgage lending community, government regulatory authorities, banking associations and the real estate profession provided valuable insight and brought forth current needs to meet the future demands of an emerging economy.

2.1 Current Conditions

The real estate valuation profession in the Philippines is fragmented and has been developed without uniform formal training of appraisers. Current practice is oriented toward a technical, cost-less-depreciation approach with a knowledge base developed and maintained in the engineering departments of local universities. Adherence to valuation guidelines such as uniform standards of professional appraisal practice or international valuation standards and codes of conduct is not common practice. Government oversight is lax and licensing requirements are minimal. There is, however, awareness within government institutions and at the professional level of the need for adaptation of professional standards, real estate valuation training and the enhancement of the valuation profession going forward. Financial disincentives (transfer taxes) and cultural reluctance to disclose accurate transaction pricing impedes transparency in the marketplace.

2.2 Visitation Activities and List of Contacts

Meeting activities included visits and interviews with representatives of the Bangko Sentral ng Philipinas, urban banks, rural banks, banking associations, appraisal associations and appraisal practitioners (See Table 1).

Table 1

Name	Title	Organization
Mr. Nestor A. Espenilla, Jr.	Deputy Governor	Bangko Sentral ng Pilipinas
Mr. C. Stuart Callison, Ph.D	Chief of Party	EMERGE
Mr. Noet E. Ravalo, Ph.D	Team Leader	EMERGE
Ms. Zenaida S. Abiog	Director	Bangko Sentral ng Pilipinas
Ms. Corazon Guerrero	Managing Director SE II	Bangko Sentral ng Pilipinas
Ms. Gail Fule	Director SED II	Bangko Sentral ng Pilipinas
Mr. Fernando Caballa	Director SEC III	Bangko Sentral ng Pilipinas
Ms. Belinda Caraan	Bank Officer III	Bangko Sentral ng Pilipinas
Ms. Teodora an Pedro		Bangko Sentral ng Pilipinas
Atty. Yolando Amurao	Attorney	Bangko Sentral ng Pilipinas
Mr. Joel Soto		Bangko Sentral ng Pilipinas
Mr. Rene N. Carreon	Managing Director, Loans and Credit	Bangko Sentral ng Pilipinas
Ms. Geraldine Alag	Director, Asset Management	Bangko Sentral ng Pilipinas
Ms. Alice Rodil	Senior Vice President	Philippine Business Bank
Mr. Manolet Batallones		BAP Credit Bureau
Ms. Marichu Jimena	First Vice President	Chinatrust
Mr. Raul T. Punzalan	Assistant Vice President	Rizal Commercial Banking Corp.
Mr. Oscar G. Gumabay	Vice President	UCPB
Mr. Elmer R. Rivera	Assistant Vice President	Metropolitan Bank and Trust
Mr. Benjamin J. Yambao	President	Manilabank
Mr. Emmanuel B. Guina	Management Consultant	Rural Bankers Association
Mr. Gregorio M. Abreu, Jr	President & CEO	Royal Asia Appraisal Corp.
Ms. Rosemarie L. Abreu	Executive Vice President	Royal Asia Appraisal Corp.
Mr. Robert G. Cacal, Jr	Assistant Vice President	Royal Asia Appraisal Corp.
Mr. Albelardo S. Garcia, Jr.	Executive Vice President	Cuervo Appraisers, Inc.
Ms. Marife R. Oriel	Business Development Officer	Cuervo Appraisers, Inc.
Mr. Meneleo P. Albano	President & CEO	Albano Appraisals, Inc.
Mr. Jose L. Ocampo, I.P.A	President	Vitale Valuation Services
Mr. Victor T. Salinas, prc;cpv	Appraiser	Vict.Salinas Realty and Con.
Mr. Quin Baterna	President	General Appraisal Company
Ms. Marissa Benitez	Appraiser	Colliers International
Mr. Rodolfo D. Leonen	Appraiser	R.D. Leonen Appraisal

2.3 Regulatory Oversight

Currently the government agency responsible for the licensing and supervision of appraisers is the Bureau of Trade Regulation and Consumer Protection (BTRCP) under the Department of Trade and Industry (DTI) as required by Ministry Order No. 39 (1985). Although the Ministry order requires that the BTRCP “shall qualify, approve, license, supervise, suspend, and revoke the license of real estate salesmen, brokers, appraisers, and consultants”, enforcement is less than robust. There are approximately 335 licensed appraisers in the Philippines. An applicant for a real estate appraiser’s license “must have at least five (5) years active experience as a licensed real estate broker or (5) years experience as appraiser in any government agency, banking, financial institution or any company involved in appraisal of real estate properties, duly certified under oath by his employer or head of the agency provided that he has satisfactorily completed a four (4) year baccalaureate degree and must have passed a real estate appraisers exam given by the Bureau”. There are no valuation specific education or experience requirements and no standards adherence requirements. Tiered licensing (residential/commercial) does not exist therefore holding an appraiser’s license allows the practitioner to engage in any appraisal assignment despite the practitioner’s level of training and examination.

The Central Bank has published Guidelines for Selection of Appraisal Companies Acceptable to BSP and individual banks have developed fundamental internal appraiser approval and appraisal review guidelines. Although a regulatory framework exists, the guidelines are inconsistent due to a lack of universal appraiser qualification requirements, limited if any appraisal standards requirements and lax supervision.

2.4 Identification of Appraisal Associations

Interviewees identified two dominant real estate appraisal-related associations during the course of our fieldwork including the Institute of Philippine Real Estate Appraisers (IPREA) and Philippine Association of Realty Appraisers (PARA). Neither organization was said to have an established Body of (Appraisal) Knowledge or enforceable appraisal standards requirements. It was reported that the associations offer professional designations however the requirements for the designation were not clearly articulated.

2.5 Current Level and Availability of Training

Two universities were mentioned to have real estate programs, but neither was reported to focus on real estate valuation. Training is broad based with appraisal as a component of a larger curriculum. This is also the case with private, for profit seminars. It is difficult to determine the level of training available without access to course curricula but no evidence was uncovered to suggest that a comprehensive appraisal training program exists. The two associations (See Section 2.4) offer seminars on an occasional basis primarily for preparation for licensure examination and continuing educational credit.

3.0 Government Regulation

The appraisal profession is currently regulated by BTRCP under the DTI. There are several bills pending in the Senate (Senate Bill S No. 2060 and Senate Bill S No. 2070) which propose to shift regulatory oversight. S No. 2060 places appraiser regulation under the Professional Regulation Commission (PRC) and Bill 2070 places regulation under the Department of Finance. The bills are somewhat conflicting as both call for promulgation of uniform valuation standards and professional ethics as well as development and promotion of appraisal education under two different government agencies. In the future it is envisioned that one government agency will regulate the industry under a structure that would license appraisers, establish appraiser qualifications and promote and maintain professional standards and ethics (Appraisal Committee).

4.0 Recommended Licensing Requirements

The recommended licensing requirements are composed of three components: successful completion of an approved education curriculum, an examination supervised by the regulatory agency, and peer review of work experience. Licensees would be required to recertify every two or three years by completing approved continuing education requirements. Licenses would be issued on a tiered basis, allowing for residential (non complex) and general (complex residential and commercial) certifications.

4.1 Proposed Government Structure

It is recommended that an Appraisal Committee be created within the government regulatory authority. The Committee is responsible for licensing appraisers. Specific recommendations for

the operation of boards under the committee would be developed in a subsequent stage of the project, but generally the structure consists of the following:

4.1.1 Appraisal Standards Board

This board should be primarily made up of practicing appraisers, but should also include corresponding members from key user groups such as the Central Bank. The board's major task is to develop, interpret, and maintain Professional Appraisal Standards. The *International Valuation Standards*, (IVS) should form the basis of Professional Appraisal Standards. A subcommittee would review the IVS and develop supplemental standards for the Philippines necessitated by national law or custom.

4.1.2 Appraiser Qualification Board

This board should be primarily made up of practicing appraisers, but should also include corresponding members from key user groups such as the Central Bank. The board's primary task is to establish the minimum education, examination, and experience requirements for appraiser licensing and certification.

4.1.3 Generally Accepted Valuation Principles Board (GAVP)

This should be a high level board that oversees, monitors and maintains generally accepted valuation principles (the body of knowledge) for all valuation disciplines including commercial valuation, business valuation, intangible asset valuation, and other types of valuation principles, to ensure consistency and transparency in the marketplace and across disciplines, as well as complementing International Accounting Standards.

The GAVP should consist of practicing appraisers, representatives from key client groups, and academics. Whereas the Standards and Qualifications Boards are focused on meeting current market demands, the GAVP should be strategic and forward thinking, preparing for the future development of the profession and making recommendations to the other Boards for new standards, education, or peer practice review that will be required to move the profession forward.

4.2 Education, Examination, and Experience Requirements

Real estate appraisal related course curriculums should be developed and could be modeled, for example, after existing Appraisal Institute (U.S.) course materials professionally adapted to Filipino law, practice and customs by a team of local experts and international consultants. Course attendance requirements would be based on tiered licensing requirements set by the Appraisal Committee. Required curriculums would be developed in subsequent stage of the project.

A separate examination, controlled and administered by the Appraisal Committee and developed with the help of representative members of all three boards, should be developed to test the comprehensive knowledge of those who wish to obtain an appraisal license. In addition to testing for learning objectives the licensing exam should also test problem-solving skills and the integration of knowledge with judgment.

The peer review process should include the completion of an assignment list of appraisals completed over a two-year period. Three actual market value reports from the list (two selected by the applicant at the time of application, and one subsequently selected by the experience review team) should be reviewed by a team of licensed appraisers. The review team should check that the reports conform to Professional Valuation Standards and are accurate, not misleading, and disclose all matters essential to the proper understanding of the value opinion reported.

4.3 Trainee Category

An appraiser who has completed the education requirements and passed a fundamental licensing exam is a Trainee. All trainees should work under a licensed appraiser for two years before an exam is administered and license is issued.

4.4 Continuing Education Requirements

Recertification of licensed appraisers should occur every two to three years. To achieve recertification, appraisers should maintain their qualifications (i.e., not have criminal records or other complaints against them) and complete 30-45 hours of approved continuing education. For recertification, appraisers will submit an application along with proof of continuing education to the Appraisal Committee.

5.0 Conclusion and Summary of Recommendations

To promote development of the real estate financial services sector, training and licensing programs for real estate appraisers along with supervisory controls must be enhanced. For this to occur, a professional appraisal association must take the lead and work with government authorities, educational institutions, and other industry-related associations to develop a training program that meets best practice guidelines along with a government-sponsored licensing program that includes supervisory, recertification and disciplinary requirements.

It is recommended that a training program be developed that meets best world practice guidelines along with the development of Professional Valuation Standards. Real estate appraisal related course curriculums could be modeled after existing Appraisal Institute (U.S.) course materials professionally adapted to Filipino law, practice and customs by a team of local experts and international consultants. Valuation standards would follow International Valuation Standards professionally adapted to local law and practice.

It is further recommended that a supervisory structure be developed to include creation of a government sponsored and controlled licensing examination, additional licensing criteria and appropriate supervisory boards to oversee the licensing program. It is envisioned that a yet to be defined government agency would create a real estate licensing division under which would sit an Appraisal Qualifications Board, Appraisal Standards Board and Generally Accepted Valuation Principles Board. The Appraisal Qualifications Board would oversee licensing requirements including the minimum hours and approval of training programs, continuing education requirements, and experience requirements. The Appraisal Standards Board would develop, monitor, maintain and interpret real estate valuation standards. The Valuation Principles Board would oversee, monitor and maintain generally accepted valuation principles (body of knowledge) to ensure consistency and transparency in the marketplace.

A prominent Appraisers Association would provide members to advise and co-manage the established appraisal councils and boards. As the profession grows and matures, the Association would provide licensed appraisers with peer interaction and networking, professional development opportunities, and regular communications on market issues, data sharing and technology developments, and practical business advice.

The estimated time for implementation for the recommended program is between 18 and 24 months.

References

Guidelines for Selection of Appraisal Companies Acceptable to BSP

Senate Bill S. No 2060, Real Estate Services Act of the Philippines, Thirteenth Congress of the Republic of the Philippines, Second Regular Session, Senator Rodolfo G Biazon

Senate Bill S. No 2070, The Real Property Appraisal and Assessment Reform Act of 2005, Thirteenth Congress of the Republic of the Philippines, Second Regular Session, Senator Rodolfo G Biazon

Basic Course on Property Appraisal, Rural Bankers Research and Development Foundation, Inc, August 12-13, 2005

Ministry Order No. 39 Rules and Regulations Governing the Licensing and Supervision of Real Estate Salesmen Brokers, Appraisers and Consultants and Realty Service Organizations, Department of Trade and Industry, Bureau of Trade Regulation and Consumer Protection, 1985

II. Blueprint for Future Actions

1.0 Introduction

This assignment is in support of the Bangko Sentral ng Pilipinas (BSP) initiative to develop a formal framework for the valuation of real estate that will guide real estate appraisers in the conduct of their work. The Central Bank's effort is being sustained by a technical assistance program sponsored by the United States Agency for International Development. Reliable and transparent real estate valuations are prerequisites for safe and sound mortgage lending activities, mortgage backed securitization efforts and compliance with International Reporting Standards (Fair Value).

In September 2005 the consultant worked with the leadership and staff of the Central Bank who organized meetings with stakeholders including users and providers of real estate appraisal services. It is envisioned that this blueprint for future actions will lead to a formal program to include development and adaptation of uniform professional appraisal standards, design of curricula for professional courses that address the determined needs, creation of training plans for delivery of said curricula, and an organizational plan for the enhancement and regulation of the real estate appraisal profession.

For reliable and consistent real estate valuations to occur in the Philippines, market transparency is mandatory. To achieve transparency, supporting infrastructure including accurate, publicly available price reporting, fully subscribed property registration and applicable information technologies must be developed. Without the appropriate infrastructure, real estate appraisal will remain a theoretical exercise.

2.0 Assessment

In September, 2005, the consultant conducted interviews over a five-day period to ascertain the existence, or lack of, professional appraisal standards; the level of training currently available to appraisers; the effectiveness of regulatory oversight and level of professionalism in the industry. Discussions with representatives from the mortgage lending community, government regulatory authorities, banking associations and the real estate profession provided valuable insight and brought forth current needs to meet the future demands of an emerging economy.

2.1 Current Conditions

The real estate valuation profession in the Philippines is fragmented and has been developed without uniform formal training of appraisers. Adherence to valuation guidelines such as uniform standards of professional appraisal practice or international valuation standards and codes of conduct is not common practice. Government oversight is lax and licensing requirements are minimal. There is, however, awareness within government institutions and at the professional level of the need for adaptation of professional standards, real estate valuation training and the enhancement of the valuation profession going forward. Financial disincentives (transfer taxes) and cultural reluctance to disclose accurate transaction pricing impedes transparency in the marketplace.

3.0 Initiatives to be Pursued and Timing

A team of U.S. consultants and Filipino experts would be assembled to develop standard course materials and textbooks based on existing Appraisal Institute products and Filipino market conditions. These products will then be licensed to an appropriate authority (Authority) such as the dominant appraisal association, government licensing/regulatory agency or academic institution. The Authority should hold the course premieres first with U.S. co-instructors and then conduct solo course offerings with only Filipino instructors. Later the curriculum would be made more widely available by licensing the products to qualified organizations including universities and related associations and institutes. To be certified, instructors for the curriculum should either be on the development team, attend either the course premieres or the first regular offerings and pass the corresponding course exam(s).

While quality control must be maintained, the products must be made available in a wide variety of outlets to bring appraisers online as quickly as possible, foster competition, and prepare for the growth of the profession.

Two delivery formats should be developed:

- An intensive format for working professionals to be delivered by associations and institutes
 - Since there is a need to bring appraisers online quickly, this format should be developed in the near term.
- A semester format for students to be delivered in universities as a part of degree programs in business, finance and/or real estate.

Equivalency credit could be granted for existing or future programs that substantially meet the training objectives for each program except for Standards and Ethics. The Standards and Ethics course must be uniform for all appraisers who are licensed. Students may also self-study and challenge course exams where approved on a course by course basis. Full attendance and passing the exam will be required for the Standards and Ethics.

The recommended plan includes five initiatives scheduled over a 22 month period. The program would begin with a Stakeholders Symposium (Phase 1) to identify and enlist the local development team for the project, review the proposed curriculum, introduce International Valuation Standards and develop a Final Plan of Action. Phase 2 would be Curriculum Development using local experts who would review best practice educational materials licensed from the Appraisal Institute and edit said materials to conform to local law, custom and practice. Phase 3 would consist of a "Train the Trainers" program for each of the courses conducted by the local expert developers and Appraisal Institute consultants. Phase 4 would be ongoing from Month 1 with a goal of enhancing the local appraisal association with the assistance of the consulting experts. Phase 5 would also be on going from Month 1 and would focus on providing guidance for regulatory and licensing reform.

3.1 Phase I (Month 1) - Stakeholders Symposium

A Stakeholders Symposium would be scheduled in Manila to identify the team of local experts, review the recommended curriculum (see Phase 2 below), assign tasks and scheduling to team members, introduce International Valuation Standards, and develop a final schedule and Plan of Action. The majority of stakeholders invited should be practicing appraisers as they would be the

most likely candidates for the curriculum development teams. Others might include academics that have real estate training experience and government mortgage banking regulators. It is critical that the local experts understand a substantial time commitment will be required for Phase 2 (Curriculum Development).

The desired result of Phase 1 is a Final Plan of Action which would identify teams of 2 or 3 local experts assigned to each course (including Supplemental Appraisal Standards Development) and a commitment from the local experts to meet the agreed upon timelines. A minimum of five days is recommended to assemble the teams, review the curriculum (licensed from the Appraisal Institute), introduce International Valuation Standards and formulate the Final Plan of Action.

3.2 Phase 2 (Months 2-6 and Months 12-17) – Curriculum Development

Phase 2 consists of curriculum development. It is recommended that the base course materials considered for this program be equivalent to those required to complete the educational requirements for the Appraisal Institute's MAI designation. This requirement consists of 10 courses with a total of 333 hours. The content covers the necessary exposure to a comprehensive real estate appraisal body of knowledge. The MAI designation is recognized worldwide and successful students could apply course credits toward achieving the MAI designation if they so choose. The final decision on which courses to develop will be made at the Stakeholders Symposium. The content and time frame for this Blueprint for Future Action is based on adoption of all 10 courses.

The development of the curriculum should take place in three steps:

- Development team meetings with local experts to refine and adapt materials to local market conditions and Train the Trainers program (Phase 2 and 3)
- Course premieres with co-instruction (one local and one U.S. instructor)
- First regular course offerings with local instructors

After the first regular course offering, the full development team should meet to review exam results, program and instructor evaluations, suggest any revisions and make a final report to the sponsor of the project.

Phase 2 would occur in months 2-6 and months 12-17. The first segment of Phase 2 (Months 2-6) would focus on the development of the five basic courses with a total of 147 classroom hours:

• Basic Appraisal Principles	(30 hours)
• Basic Appraisal Procedures	(30 hours)
• Filipino Valuation Standards & Professional Code of Ethics ¹	(8 hours)
• Basic Income Capitalization	(39 hours)
• <u>General Applications</u>	<u>(40 hours)</u>
Total (147 hours)	

The local development teams would meet with the Appraisal Institute consultants immediately after the Stakeholders Symposium to be introduced to the course materials. The consultants would be available by electronic communications (email) during the 5 month development period with face to face meetings as needed (Months 4 and 6 suggested in the timeline –see pgs. 7-8).

¹ Based on International Valuation Standards, 7th Edition, 2005

The second segment of Phase 2 (Months 12-17) would focus on the development of the five advanced courses with a total of 186 classroom hours:

• Advanced Income Capitalization	(40 hours)
• Highest and Best Use and Market Analysis	(40 hours)
• Advanced Sales Comparison and Cost Approaches	(40 hours)
• Report Writing and Valuation Analysis	(26 hours)
• <u>Advanced Applications</u>	(40 hours)
Total (186 hours)	

Please note - Course descriptions can be found at
http://www.appraisalinstitute.org/education/course_descrb/course_overview.asp

The local development teams for the second segment of Phase 2 would meet with the Appraisal Institute consultants at the beginning of this segment (Month 12) to be introduced to the course materials. The consultants would be available by electronic communications (email) during the six month development period with face to face meeting as needed (Months 14 and 17 are suggested in the timeline).

The desired result of Phase 2 is delivery of the course materials, modified to local custom, law and practice, in final content and format (in English). The course materials consist of a Student Handbooks, Instructor's Handbooks, Instructor Notes, Exams and PowerPoint presentations, where applicable. Each course may not have all five components. At a minimum, each course will have components equivalent to those provided with the base course materials provided by the Appraisal Institute.

3.3 Phase 3 (Months 7-12 and Months 18-22) - Train the Trainers

Phase 3 would consist of "Train the Trainers" workshops. The workshops would be led by the local course development team(s) and Appraisal Institute consultants. Members of the course development teams would be qualified as instructors upon successful completion of Phase 2. Attendees would be required to pass the final exam(s) in order to be considered as qualified instructors. The first segment would take place between Months 8 and 12 (immediately after the first segment of Phase 2) and be focused on the first five basic courses. The second segment would take place in Months 18 – 22 (immediately after the second segment of Phase 2). Phase 3 will require consultant participation for each course workshop offered.

The desired result of Phase 3 is to have between 2 and 4 qualified instructors for each course selected for the appraiser training curriculum.

3.4 Phase 4 (Months 1-11) – Association Enhancement

Two dominant real estate appraisal-related associations were identified during the course of our fieldwork including the Institute of Philippine Real Estate Appraisers (IPREA) and Philippine Association of Realty Appraisers (PARA). Neither organization was said to have an established Body of (Appraisal) Knowledge or enforceable appraisal standards requirements.

Critical to the success of the program will be cooperation between the two associations and participation by both groups. In addition to providing team members for course development, the groups should provide licensed appraisers with peer interaction and networking, professional development opportunities, and regular communications on market issues, data sharing and technology developments, and practical business advice. Members from both groups should

participate in all phases of this project so that practical experience in program development, marketing, offering, and follow-up can be gained.

The desired result would be either the creation of a task force made up of representatives of both associations to assist in the overall project or assisting in the merger of the two groups into a single, dominant appraisal association.

3.4 Phase 5 (Months 1-22) – Regulatory/Licensing Reform

The appraisal profession is currently regulated by BTRCP under the DTI. There are several bills pending in the Senate (Senate Bill S No. 2060 and Senate Bill S No. 2070) which propose to shift regulatory oversight. S No. 2060 places appraiser regulation under the Professional Regulation Commission (PRC) and Bill 2070 places regulation under the Department of Finance. The bills are somewhat conflicting as both call for promulgation of uniform valuation standards and professional ethics as well as development and promotion of appraisal education under two different government agencies. In the future it is envisioned that one government agency will regulate the industry under a structure that would license appraisers, establish appraiser qualifications and promote and maintain professional standards and ethics.

The recommended licensing requirements are composed of three components: successful completion of an approved education curriculum, an examination supervised by the regulatory agency, and peer review of work experience. Licensees would be required to recertify every two or three years by completing approved continuing education requirements. Licenses would be issued on a tiered basis, allowing for residential (non complex) and general (complex residential and commercial) certifications.

Phase 5 would consist of an on going effort to assist in development of licensing regulations and structuring of Appraiser Qualifications and Appraisal Standards boards as well as a Generally Accepted Valuation Principles Board

The Appraisal Standards Board should be primarily made up of practicing appraisers, but should also include corresponding members from key user groups such as the Central Bank. The board's major task is to develop, interpret, and maintain Filipino Appraisal Standards. The General Valuation Concepts and Principles, Code of Conduct, Property Types, Introductions to International Valuation Standards, IVS 1, IVS 3, GN 1, and White Paper as contained in *International Valuation Standards*, Seventh Edition, should form the basis of Filipino Appraisal Standards.

The Appraiser Qualifications Board should be primarily made up of practicing appraisers, but should also include corresponding members from key user groups such as the Central Bank. The board's primary task is to establish the minimum education, examination, and experience requirements for appraiser licensing and certification.

The Generally Accepted Valuation Principles Board should be high level group that oversees, monitors and maintains generally accepted valuation principles (the body of knowledge) for all valuation disciplines including commercial valuation, business valuation, intangible asset valuation, and other types of valuation principles to ensure consistency and transparency in the marketplace and across disciplines. The GAVP should consist of practicing appraisers, representatives from key client groups, and academics. Whereas the Standards and Qualifications Boards are focused on meeting current market demands, the GAVP should be strategic and forward thinking, preparing for the future development of the profession and making recommendations to the other Boards for new standards, education, or peer practice review that will be required to move the profession forward.

The desired result would be the creation of the three boards as described and progress toward government regulatory reform.

4.0 Conclusion and Summary of Recommendations

To promote development of the real estate financial services sector, training and licensing programs for real estate appraisers along with supervisory controls must be enhanced. For this to occur, a professional appraisal association must take the lead and work with government authorities, educational institutions, and other industry-related associations to develop a training program that meets best practice guidelines along with a government-sponsored licensing program that includes supervisory, recertification and disciplinary requirements.

It is recommended that a training program be developed that meets best world practice guidelines along with the development of Professional Valuation Standards. Real estate appraisal related course curriculums would be modeled after existing Appraisal Institute (U.S.) course materials professionally adapted to Filipino law, practice and customs by a team of local experts and international consultants. Valuation standards would follow International Valuation Standards professionally adapted to local law and practice.

It is further recommended that a supervisory structure be developed to include creation of a government sponsored and controlled licensing examination, additional licensing criteria and appropriate supervisory boards to oversee the licensing program. It is envisioned that a yet to be defined government agency would create a real estate licensing division under which would sit an Appraisal Qualifications Board, Appraisal Standards Board and Generally Accepted Valuation Principles Board. The Appraisal Qualifications Board would oversee licensing requirements including the minimum hours and approval of training programs, continuing education requirements, and experience requirements. The Appraisal Standards Board would develop, monitor, maintain and interpret real estate valuation standards. The Valuation Principles Board would oversee, monitor and maintain generally accepted valuation principles (body of knowledge) to ensure consistency and transparency in the marketplace.

A prominent Appraisers Association task force would provide members to advise and co-manage the established appraisal councils and boards. As the profession grows and matures, the task force would provide licensed appraisers with peer interaction and networking, professional development opportunities, and regular communications on market issues, data sharing and technology developments, and practical business advice.

The estimated time for implementation for the recommended program is between 22 and 24 months.

