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Appraisal Subcommittee

Federal Financial Institutions Examination Council

June 26, 2000

Larry Massey, Chairperson
Colorado Board of Real Estate Appraisers
1900 Grant Street, Suite 600
Denver, Colorado 80203

Dear Mr. Massey:

Thank you for your cooperation and your staff's assistance in the May 15-16, 2000 Appraisal Subcommittee ("ASC") review of the Colorado Board of Real Estate Appraisers ("Board") and appraiser regulatory program ("Program"). We commend you on your efficient temporary practice and reciprocal requirements, and your dedication in assuring the timely disposition of complaint cases.

While most of your Program was effective and met statutory requirements, we identified three concerns with the manner in which qualifying and continuing education is approved. These concerns must be addressed to bring your Program into full compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended ("Title XI").

We understand that the Colorado education provider approval is a two-tiered process. First, the Colorado Division of Private Occupational Schools, Department of Higher Education ("DPOS") reviews the financial stability and approves the instruction method of proprietary schools and private organizations. Second, the Board accepts the education providers approved by the DPOS, and any of the following entities:

- a. Universities, colleges, junior colleges, or community colleges;
- b. Professional appraisal and real estate-related organizations that are sponsors of the Appraisal Foundation;
- c. State or Federal agencies; and
- d. Proprietary schools.

Although this list identifies education provider types acceptable under the Appraiser Qualifications Board ("AQB") criteria, Colorado's blanket approval of all courses sponsored by those providers is problematic for the following reasons.

- **The Board has approved "distance education" courses that are inconsistent with AQB criteria.**

AQB criteria require distance education courses for certified real estate appraisers to be:

- a. Offered by an accredited college or university;
- b. Accepted for college credit through the American Council on Education's College Credit Recommendation Service (formerly the ACE/PONSI program); or
- c. Approved through the AQB Course Approval Program.

Yet, because of the education approval method employed by the Board, approval has been granted for nonconforming distance education courses not meeting one of these three established criteria.

- **The Board does not ensure that education claims of applicants and renewing appraisers cover appropriate topic areas.**

In accordance with AQB criteria, qualifying and continuing education courses claimed by applicants and renewing certified appraisers must cover specific topic areas. Colorado's course approval process does not accept or reject courses on this basis. In addition, applicants are not required to demonstrate whether courses are within the specified topic areas. You need to incorporate the AQB's authorized course topic areas within your regulations, applications, or course approval processes, as appropriate.

- **The Board automatically approves education offered by appraisal and real estate-related organizations that sponsor the Appraisal Foundation.**

Being a sponsor of the Appraisal Foundation does not, in and of itself, ensure that all educational offerings of that sponsor meet the AQB requirements for acceptable appraiser education. Therefore, automatic approval of any course offered by a sponsoring organization is inappropriate.

To properly address these concerns, the Board must:

1. Review all qualifying and continuing education courses approved under existing policy for consistency with AQB criteria, withdrawing approval if necessary; and
2. Amend office procedures, applications, and regulations, as necessary, to eliminate the automatic approval of education courses and establish procedures whereby the Board ensures that approved courses meet AQB criteria.

Please respond to our findings and recommendations within 60 days from the date of this letter. Until the expiration of that time period or the receipt of your response, we consider this field review to be an open matter. After receiving your response or the expiration of the 60-day response period, whichever is earlier, this letter, your response and any other correspondence between you and the ASC regarding this field review become releasable to the public under the Freedom of Information Act and will be made available on our Web site.

If you have any questions, please contact us.

Sincerely,

Thomas E. Watson, Jr.
Chairman

cc: Stewart Leach, Program Administrator