

STATE OF COLORADO

BOARD OF REAL ESTATE APPRAISERS

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September 15, 2000

Thomas E. Watson
Chair, FFIEC Appraisal Subcommittee
2000 K Street, N.W.
Suite 310
Washington, DC 20006

Re: Response to Field Review Letter

Dear Chairman Watson and Members of the Subcommittee:

The Colorado Board of Real Estate Appraisers has given considerable thought and attention to your letter dated June 26, 2000, and the results of the May 15-16, 2000 "Field Review". The Board appreciates the thoughtfulness of the Subcommittee in granting an extension of time to prepare our response.

Thank you for the kind remarks regarding our efforts to promote minimally burdensome issuance of temporary practice permits, and our program of simple and complete reciprocal licensing. We also appreciate your recognizing our sincere efforts at reducing the investigative backlog identified in the previous Field Review.

As to the three bulleted concerns raised in your letter, we must variously agree and disagree with the Subcommittee findings, explain our actions, propose changes to our programs, and argue for changes in some criteria and policies. The concerns are addressed below, under the headings from your letter.

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

You are correct. This Board has accepted distance education courses from two Colorado based providers who have helped meet the real estate appraisal education needs of this state, which has vast areas with low population densities. There is no blanket acceptance of their courses- the offerings are reviewed for appropriate content. The primary provider in this area is a proprietary school licensed by the Division of Private Occupational Schools, an agency of the Colorado Department of Higher Education. This proprietary school is a pioneer in real estate brokerage and appraisal distance education, with a long history of success. They provide both pre-licensing and continuing real estate appraisal education. The other provider is the Colorado Division of Property

Taxation, a state agency with a thirty year plus history of providing high quality real estate appraisal education. At this time the Division's only distance education offering is a Uniform Standards of Professional Appraisal Practice update; they are currently developing three other continuing education programs in a distance education format. Note that the "in class" programs of both organizations are acceptable under the AQB's criteria.

We are of the opinion that the AQB criteria for distance education providers are overly restrictive. The acceptance of only colleges and universities with distance education programs in other disciplines eliminates many outstanding institutions, and eliminates the important contributions of junior and community colleges. The American Council on Education's College Credit Recommendation Service is so costly as to inhibit participation. Their manual on how to apply costs \$80.00, and the actual review and approval fees are enormous. The fees for the Course Approval Program of The Appraisal Foundation are not insignificant at \$1400.00. This Board will raise these issues with the AQB, asking for reconsideration and a better alignment with the "in class" provider types.

The Colorado Board of Real Estate Appraisers is reluctant to terminate acceptance of the distance education programs of these providers. The proprietary school has an important role in making real estate appraisal education available at reasonable cost to all Colorado citizens, and particularly to those in small communities far from the Front Range population centers. The Division of Property Taxation serves an important fraction of our licensee base, one that is politically well connected. The Board will commit to working with both organizations to seek affiliations, sponsorships or approvals under the present AQB criteria, and to seeking amendment of the AQB criteria to facilitate better service to the public and the industry.

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

Our response to this concern must be divided, for we disagree with a portion of the Subcommittee's interpretation of the AQB criteria.

In the area of what we term pre-licensing education, the rules adopted by the Board in late 1990 and amended as needed incorporate verbatim the education topics in the AQB criteria. We agree that we have not intensively scrutinized each application for demonstrated coverage of each topical area and sub-area. We have relied on our rule that applicants must successfully complete a series of courses that build on and augment previous coursework without substantial repetition to ensure that applicants have exposure to the required topics. In adopting this rule structure and application review methodology, the Board drew on the exposure of its members and staff to a wide variety of appraisal education providers and courses, noting a high degree of similarity between providers and courses at similar levels. The Board and staff presently utilize a listing of the most commonly encountered courses, requiring courses from certain groups, and limiting applicants as to the number from other groups. We believe this methodology has satisfied the requirements of law and criteria.

We propose to amend our course approval and license application procedures to more fully

by the Association of Appraiser Regulatory Officials. Similarly, we are considering adding a topical coverage grid to our licensing application forms. These changes will impose a substantial burden on appraisal education providers, licensing applicants, and the Board and its staff. It will take some time to implement these changes, for we must do so within present budget and staffing resources.

We disagree with the Subcommittee's assertion that continuing education courses must cover specific topic areas. The AQB continuing education criteria in fact contain no specific required topic areas, but rather recommend or suggest, without limitation, certain topic areas. The AQB criteria do not require continuing education in the area of the Uniform Standards of Professional Appraisal Practice, they only recommend it. Colorado, like many jurisdictions, has gone beyond the AQB by requiring a specific number of classroom hours of update on the USPAP during each renewal period. [We note with dismay that in trying to play catch up ball with the states, the AQB is about to overrun the base by requiring an excessive seven hours of USPAP education every other year.] While the AQB's list of recommended topics offers good guidance, it must not be taken as limiting. Continuing education must be a means for appraisers to obtain knowledge that pertains to appraisal practice in their geographic or specialty area. We make note of the fact that our annual audit of continuing education compliance identifies less than one instance per year of a licensee taking continuing education in inappropriate topics; the usual violations are insufficient hours or lack of a USPAP update. It is the intent of this Board to continue to accept all continuing education topics which it believes, based on its knowledge and experience, will benefit licensees and the people of Colorado.

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

The acceptance of real estate appraisal courses from sponsors of The Appraisal Foundation is limited to the appraisal sponsors of the Foundation, to wit, the American Society of Appraisers, American Society of Farm Managers and Rural Appraisers, Appraisal Institute, International Association of Assessing Officers, International Right of Way Association, National Association of Independent Fee Appraisers, and National Association of Master Appraisers. The real estate-related sponsors of the Foundation, such as the American Bankers Association and Farm Credit Council are not accepted as providers under the rule.

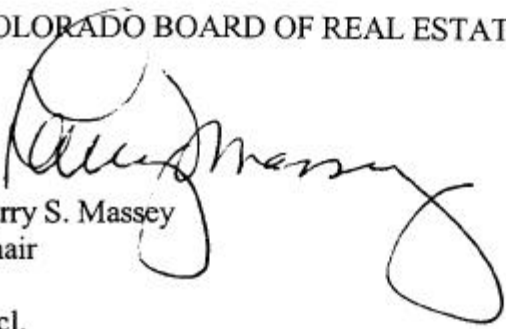
Further, within that acceptance of the appraisal sponsors as course providers, there is no blanket acceptance of all courses offered by those providers. For example, the farm management courses offered by the ASFMRA are not accepted. For another example, see the attached correspondence from the Board to the IAAO detailing the courses we will accept for pre-licensing and continuing education purposes. Note that none of the IAAO's extensive professional course work in the areas of personal property valuation or assessment administration is included.

That said, the courses offered by the appraisal sponsors of the Foundation will be reviewed for topical coverage and accepted by the Board using the same guidelines as will be used for all other providers.

We look forward to continuing this dialogue as we take the steps necessary to address the concerns of the Subcommittee in a manner consistent with Colorado law and our resources.

Sincerely yours,

COLORADO BOARD OF REAL ESTATE APPRAISERS


Larry S. Massey
Chair

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