

Appraisal Subcommittee
Federal Financial Institutions Examination Council

April 13, 2011

Ms. Marcia Waters, Director
Division of Real Estate
Board of Real Estate Appraisers
1560 Broadway, Suite 925
Denver, CO 80202

RE: ASC Compliance Review of Colorado's appraiser regulatory program

Dear Ms. Waters:

The Appraisal Subcommittee (ASC) staff conducted an ASC Compliance Review (Review) of Colorado's appraiser regulatory program (Program) on September 7-9, 2010. This is the final ASC Compliance Review Report (Report) on that Review.

The ASC has considered the preliminary findings regarding the Review and the State's response. The ASC has determined the Program is not in substantial compliance with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, as amended. The ASC identified the following area of non-compliance:

- States should resolve all complaints filed against appraisers within one year, except for special documented circumstances.¹

In its response, the State indicated corrective actions have been taken as detailed in the attached Report. During the next Review, ASC staff will confirm these corrective actions have taken place and are appropriate. Please also be advised this letter and the attached Report are public record and available on the ASC website in accordance with the Freedom of Information Act.

Please contact us if you have any questions.

Sincerely,



Deborah S. Merkle
Chairman

Attachment

cc: Mr. Anthony Navarro, Board Chair

¹ Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 10E.

ASC Compliance Review Report

Finding: Not In Substantial Compliance

Report Issue Date: April 13, 2011

Colorado Appraiser Regulatory Program (Program)

Board of Real Estate Appraisers (Board) - Decision Making

PM: K. Klamet

ASC Compliance Review (Review) Date: September 7-9, 2010

Review Period: September 2008 to September 2010

Umbrella Agency: Department of Regulatory Agencies, Division of Real Estate (Division)

Number of State Credentialed Appraisers on National Registry: 3,241

Issue: FINAL

Requirement/Guidance	ASC Finding Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Colorado Statutes, Regulations, Policies and Procedures:	X							
				No compliance issues noted.	N/A	None	None	None
Temporary Practice:	X							
				No compliance issues noted.	N/A	None	None	None
National Registry:	X							
States must submit all disciplinary actions to the ASC for inclusion on the National Registry. (Title XI § 1118 (a), 12 U.S.C. 3347; ASC Policy Statement 9A.)				ASC staff determined that the Division had not reported all disciplinary actions to the ASC for inclusion on the National Registry. Complaint cases dismissed with voluntary surrenders in lieu of discipline are not being reported to the National Registry.	On September 24, 2010, the Division reported 32 voluntary surrenders in lieu of disciplinary action to the ASC for inclusion on the National Registry. The Division also reported to ASC staff on January 13, 2011, that they will continue to report voluntary surrenders as they occur.	None	None	The Board's resolution addresses the concern.
Application Process:	X							
States must ensure appraiser credential applications submitted for processing do not contain expired examinations (24-month examination validity period). Valid applications should be timely processed. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria; ASC Policy Statement 2.)				ASC staff randomly selected and reviewed 26 applications, and discovered 8 (31%) applicants whose examinations exceeded the 24-month validity period as established by the Appraiser Qualifications Board. When the applications were received by the Division, the examinations were valid. As part of the review process, Program staff selected work product samples to review for compliance with the Uniform Standards of Professional Appraisal Practice (USPAP). It was during that review time, which averaged 5-6 months, that the examinations aged beyond the 24-month validity period.	On January 13, 2011, the Division advised that six additional volunteers had been acquired to assist with work product sample reviews. With thirteen volunteers now assisting with the process, the review time has been reduced to approximately two to three months. The Division also advised that they are cognizant of the examination expiration dates and are assigning work product reviews in a manner that will ensure that the application processing occurs prior to the exam expiration.	None	None	The Board's resolution addresses the concern. During the next Review, ASC staff will pay particular attention to this area to ensure compliance with AQB Criteria.

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Colorado Appraiser Regulatory Program (Program)

Board of Real Estate Appraisers (Board) - Decision Making	PM: K. Klamet	ASC Compliance Review (Review) Date: September 7-9, 2010	Review Period: September 2008 to September 2010
Umbrella Agency: Department of Regulatory Agencies, Division of Real Estate (Division)		Number of State Credentialed Appraisers on National Registry: 3,241	Issue: FINAL

Requirement/Guidance	ASC Finding Compliance (YES/NO) Areas of Concern (AC)			ASC Staff Observations	State Response	Required State Actions	Recommended State Actions	General Comments
	YES	NO	AC					
Application Process continued:	X							
States must ensure that qualifying education documentation submitted with an application for appraiser credential upgrade is consistent with AQB Real Property Appraiser Qualification Criteria. (Title XI § 1116 (a), 12 U.S.C. 3345; Title XI § 1118 (a), 12 U.S.C. 3347; AQB Real Property Appraiser Qualification Criteria.)				<p>ASC staff found one application for an appraiser credential upgrade that did not contain qualifying education documentation consistent with the Appraiser Qualifications Board Real Property Appraiser Qualification Criteria (AQB Criteria).</p> <p>Colorado implemented the 2008 AQB Criteria changes under the segmented approach. Therefore, in order to qualify for the upgrade from State Licensed to Certified Residential, the identified applicant was required to take 30 additional hours of qualifying education prior to January 1, 2008. The file documentation showed 24 hours of certified residential coursework and 16 hours of USPAP. Credit cannot be given for the USPAP course because it was required when the applicant initially obtained the license, and therefore would be a duplicate course. The applicant must provide proof of at least one additional 15-hour course taken prior to January 1, 2008, to qualify under the segmented approach.</p>	<p>On January 13, 2011, the Division informed ASC staff that the identified credential holder was unable to provide documentation of at least one additional 15-hour course taken prior to January 1, 2008. The Division and Board did not want to penalize the licensee for an oversight made by the Division when reviewing the application for credential upgrade, so the Division accepted completion of a 15-hour course taken in 2010 to resolve the qualifying education deficiency. This course will not be allowed to be used for continuing education.</p> <p>At the same time, the Division reported that to ensure that such issues do not occur in the future, Division staff now utilizes a checklist to ensure that the applicant education and experience is compliant with AQB Criteria.</p>	None	None	The Board's resolution addresses the concern. During the next Review, ASC staff will pay particular attention to this area to ensure compliance with AQB Criteria.
Reciprocity:	X			No compliance issues noted.	N/A	None	None	None

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	YES	NO	AC					
Education:	X			No compliance issues noted.	N/A	None	None	None
Enforcement:		X		Colorado had 199 outstanding complaints, of which 59 (30%) were unresolved for more than one year. Of those 59 complaints, none fall under the exception for special documented circumstances.	On January 13, 2011, the Division reported that: (1) substantial revisions were made to the investigative report format to enable investigative staff to complete their investigations in a more timely manner. (2) the Division is monitoring the complaints received to ensure that non-jurisdictional complaints are not assigned for investigation; and (3) the Division and Board will continue to identify inefficiencies with the Program and make changes accordingly. The Division also reported that during calendar year 2010, additional resources were devoted to the Program by hiring two full-time investigators.	Colorado must submit quarterly complaint logs to ASC staff. Staff will analyze each log. If progress is not made, the ASC may place additional requirements upon the State. The ASC Policy Manager assigned to Colorado will work with the Division staff to determine the timing and content of the complaint log.		Through off-site monitoring and during the next Review, ASC staff will pay particular attention to this area for compliance with ASC Policy Statement 10E.