



Dora

Department of Regulatory Agencies

Division of Real Estate

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February 12, 2009

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Ms. Virginia M. Gibbs
Appraisal Subcommittee
Federal Financial Institutions Examination Council
1401 H Street NW, Suite 760

Dear Ms. Gibbs,

Thank you for your letter dated December 19, 2008 concerning the Appraisal Subcommittee's ("ASC") review of the Colorado Division of Real Estate ("Division") and the Colorado Board of Real Estate Appraisers' (CBREA) real estate appraiser regulatory program ("Program"). I appreciate your acknowledgement of the improvements that the Division, CBREA and the Program have made with respect to the complaint and resolution process.

We have worked very hard this past year toward compliance with Title XI of the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989, as amended and ASC Policy Statement 10E. In the upcoming year, we intend to continue our vigorous efforts toward compliance with Title XI and ASC Policy Statement 10E.

In this regard, the Division implemented an Expedited Settlement Program ("ESP Program") in May 2008 to resolve disciplinary cases and reduce case referrals to the Office of the Attorney General. The Program continues to utilize the delegation of authority granted by the CBREA, along with a disciplinary matrix, which has assisted in the reduction of time required to investigate and resolve cases. The ESP Program has been very successful in resolving Division cases and its effectiveness has been enhanced by the delegations of authority. In the upcoming year, we intend to continue to utilize this valuable program, which should aid us in reaching our goal of complete compliance.

Additionally, since the Office of Administrative Courts is currently scheduling hearing dates for five to six months following the filing of Notice of Charges, the CBREA has delegated its authority to one staff member to act in the capacity of a hearing officer for less complex disciplinary cases.

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As background, I thought that it would be helpful to mention where we spent a large portion of our resources this past year. In November 2007, the Division, CBREA and the Program launched an extensive investigation into the commission of license law violations by Colorado appraisers who conducted appraisals of conservation easements. The investigations exposed several appraisers who appraised conservation easements at grossly inflated values. As a result of the Division's, Program's and CBREA's efforts, five appraisers, whose inflated conservation easement appraisals cost Colorado taxpayers millions of dollars in tax credits, are either no longer licensed to appraise any sort of property or are at a minimum, no longer licensed to appraise conservation easements.

A majority of CBREA's legal resources were devoted to resolving the disciplinary cases associated with this investigation. The CBREA's assertive management of this issue was a significant influence on the successful passage of legislation in 2008, which is designed to avert further abuse of Colorado's conservation easement tax credit program.

In August 2008, the CBREA's general counsel went on approved leave until early December 2008. The current legal services allotment for the Program remains at .5 FTE. Following the ASC's September field review, I directed our legal counsel to devote additional resources to resolving referred Program cases that are in excess of one year old.

During the ASC's review, Colorado had 26 complaints outstanding for more than one year. Since the review, nine of the outstanding cases have been resolved and the Office of the Attorney General has filed Notice of Charges in seven cases. The Office of the Attorney General currently is drafting Notice of Charges on three cases and is actively negotiating the settlement of one case. An Entry of Default has been issued in two cases. The ESP Program is diligently pursuing settlement of two cases. The remainder is under review in the Office of the Attorney General.

The Division and the CBREA acknowledge the serious nature of the compliance requirements set forth in Title XI and ASC Policy Statement 10E. As the ASC is aware, the Program has a program manager vacancy that is subject to the state hiring freeze. To ensure that the Program remains focused on compliance with ASC Policy Statement 10E, and to maintain compliance with the other policy statements, the Division's Investigations and Compliance Director is managing the Program and will continue to do so until the vacancy can be filled. Both the Division and the CBREA request that the ASC recognize that the Program is very close to resolving this issue and is dedicated to becoming fully compliant.

The Division, the CBREA and the Program would like to express our gratitude to Kristi Klamet and Denise Graves. Ms. Klamet and Ms. Graves have been diligent, knowledgeable and professional in their communications with the Division's staff.

Sincerely,

Erin Toll
Director