

# STATE OF COLORADO

## Division of Real Estate

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## Department of Regulatory Agencies

D. Rico Munn  
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Bill Ritter, Jr.  
Governor

January 28, 2008

Marc L. Weinberg, Esq.  
Acting Executive Director & General Counsel  
Appraisal Subcommittee  
2000 K Street, NW, Suite 310  
Washington, DC 20006

FEB 4 2008

Dear Mr. Weinberg:

I am writing with regard to Colorado's practices in granting appraiser credentials based on mass appraisal experience. These practices were questioned by the Appraisal Subcommittee in previous correspondence to the Colorado Board of Real Estate Appraisers and the Colorado Division of Real Estate.

The ASC previously found that Colorado's practices from 1991 until 2006 allowed tax assessors to be granted appraiser credentials without documented conformance to Appraiser Qualifications Board ("AQB") experience criteria. This finding was based on a field review conducted in October of 2006 before I was hired by the Division of Real Estate and during a time when the Division was in the process of undergoing a complete reorganization, which included the hiring of a new Director and new management team and a major relocation of its office space. Since the October 2006 field review, the ASC conducted a follow-up review in August of 2007. This follow-up review noted that Colorado has made progress towards addressing the ASC's concern. The purpose of this letter is to update you on our progress to date and inform you of the actions we will be taking in upcoming months relating to this issue.

As noted in the ASC's September 17, 2007 letter to the Division, Colorado now requires applicants relying on mass appraisal experience to provide experience logs that conform fully to the AQB's experience requirements for certification. Colorado randomly selects experience from these logs for further review. Applicants relying on mass appraisal experience must provide the Division with a narrative report fully describing the applicant's experience and how that experience is compliant with USPAP Standard 6. The applicant must demonstrate a significant contribution to the entire appraisal process and that the applicant is capable of performing a mass appraisal that is USPAP compliant. To generate an acceptable report, the applicant must specifically address the items required by Standards Rules 6-8(i), 6-2(f)(g)(h), 6-3(a), 6-2(e), 6-4(b), 6-8(k), 6-4(c), 6-8(m), 6-7(a), 6-7(b), 6-8(o) and 6-9.

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Colorado implemented our current procedures for reviewing mass appraisal experience after close consultation with ASC policy manager, Jenny Tidwell. We greatly appreciate the assistance provided by Ms. Tidwell in helping us develop a thorough review process for applicants relying on mass appraisal experience. This process ensures we are documenting conformance with AQB experience criteria for all current and future applicants who are relying on mass appraisal experience.

Colorado has also made progress towards ensuring that credentials were properly issued to appraisers who relied on mass appraisal experience between 1991 and 2006. In response to the curative steps outlined by the ASC after its field review, the Division has identified 353 appraisers (71 Licensed Appraisers and 282 Certified Appraisers) who we believe obtained their appraiser credentials based on mass appraisal experience between 1991 and 2006. 17 of the 282 Certified Appraisers obtained their certification on or after January 1, 2005. The remaining 265 Certified Appraisers obtained their certification between 1991 and 2004. The process used to identify these appraisers was outlined in the ASC's September 17, 2007 letter to the Division.

The Division has also examined the procedures that were in place for reviewing mass appraisal experience from 1991 until 2006. In this regard, the Division requested and received letters from former Division employees who were in charge of evaluating appraisal experience submitted by applicants for licensure. These employees were not employed by the Division at the time of the ASC audit in October of 2006. Much of the confusion over this issue is probably due to the lack of knowledgeable personnel with institutional memory at the Division during the October 2006 field review.

The letters provided by these former employees describe the procedures that were in place in Colorado for reviewing mass appraisal experience. They clearly indicate that Colorado did not rely solely on affidavits relating to mass appraisal experience. Colorado made reasonable efforts to determine whether applicants performed their mass appraisal work in compliance with USPAP Standard 6. The issue appears to be not whether Colorado performed these procedures, but rather, the lack of documentation at the time of the October 2006 field review demonstrating that Colorado was appropriately reviewing mass appraisal experience from 1991 until 2006. This lack of documentation can be attributed to the Division's reorganization and the re-location of its offices that occurred in June of 2006.

During the ASC's follow-up review in August, the Division provided the ASC policy manager with copies of the letters we received from these former employees and copies of applications that we were able to obtain from previous applicants who relied on mass

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appraisal experience. The applications support the letters provided by the former employees of the Division. The letters and applications show that Colorado was appropriately reviewing mass appraisal experience during the relevant time period. The letters and applications are new evidence that was not available at the time of the ASC's October 2006 field review or at the time of the Division's response.

Given the new information that has been provided to the ASC about the procedures in place in Colorado between 1991 and 2006 for validating mass appraisal experience, but acknowledging the limited documentation of these procedures, Colorado will be randomly auditing ten percent (10%) of the 265 certified appraisers we have identified as having obtained their appraiser certifications based on mass appraisal experience during the period from 1991 through 2004. We will also be auditing each of the 17 certified appraisers who obtained their certification based on mass appraisal experience from January 1, 2005 until we changed our procedures in 2006 to require the new mass appraisal log. We feel that this audit will allow us to review the experience of a representative sample of appraisers who obtained their credentials by using mass appraisal experience between 1991 and 2006.

The focus of the audit will be to determine whether this universe of appraisers conforms to AQB certification criteria today, and therefore, meets Title XI's experience requirements to continue to hold active certified appraiser credentials. As noted in the ASC's April 23, 2007 letter to the Division, qualifying experience for this purpose will include experience earned at any time, including within the most recent years. We will be completing this audit by April 30, 2008.

We believe that this curative action is consistent with ASC Policy Statement 10, which permitted the acceptance of affidavits for qualifying experience prior to January 1, 2005, provided that the State had a reliable means of validating the experience claims. We believe the 10% audit outlined above is an appropriate method of validating experience under ASC Policy Statement 10 for credentials issued prior to January 1, 2005. It is our understanding that this curative action is also consistent with the curative steps that the ASC required of the States of Nevada and Florida to validate experience of credential holders.

We greatly appreciate the ASC's patience and assistance during the past year as the Division's new management has taken steps to address the issues identified in the October 2006 field review. We believe that the curative steps outlined in this letter will provide assurance that certified appraisers in Colorado have the experience required for their credential. Use of these curative steps will also allow Colorado to continue to apply our resources to addressing other issues identified in the October 2006 field review.

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Please let me know if you have any questions.

Sincerely,

Mike Beery  
Appraiser Program Manager