

# STATE OF COLORADO

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**Division of Real Estate**

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**Department of Regulatory Agencies**

D. Rico Munn  
Executive Director



Bill Ritter, Jr.  
Governor

August 1, 2008

Jenny Tidwell  
Policy Manager  
Appraisal Subcommittee  
2000 K Street, NW, Suite 310

Dear Jenny:

I am writing regarding Colorado's practices in granting appraiser credentials based on mass appraisal experience addressed in the ASC's January 5, 2007 field review letter and September 17, 2007 follow-up review letter.

In order to address this issue, the Colorado Board of Real Estate Appraisers and the Colorado Division of Real Estate ("DRE") have completed the following steps:

**Step 1:**

DRE adopted a new ASC approved log form for applicants relying on mass appraisal experience that fully complies with the Appraiser Qualification's Board ("AQB") Criteria. DRE also changed its review of applications to require all applicants relying on mass appraisal experience to provide a narrative report fully describing the applicant's experience and how that experience is compliant with USPAP Standard 6. The applicant must demonstrate an ability to perform a mass appraisal that is USPAP compliant. This step was taken in order to address the ASC's concerns from the October 2006 field review going forward.

**Step 2:**

DRE requested and received letters from former DRE employees who were in charge of evaluating appraisal experience submitted by applicants for licensure. The letters provided by these former employees described the procedures that were in place in Colorado for reviewing mass appraisal experience. The letters indicated that Colorado did not rely solely on affidavits relating to mass appraisal experience. Colorado made reasonable efforts to determine whether applicants performed mass appraisal work in compliance with Standard 6.

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Based on the letters received from the former employees and applications from former applicants that DRE was able to obtain after the October 2006 field review, the issue appears to be not whether Colorado made reasonable efforts to determine whether applicants performed mass appraisal work in compliance with Standard 6, but rather, the lack of documentation provided to the ASC at the time of the October 2006 field review. This lack of documentation can be attributed to a re-organization of DRE just prior to the field review and the re-location of DRE's offices that occurred in June 2006. At the time of the October 2006 field review, there was no one at DRE with institutional knowledge of the review of applications based on mass appraisal experience.

DRE provided the ASC with copies of the letters from the former employees and copies of applications obtained from previous applicants who relied on mass appraisal experience. These letters and applications show that Colorado was reviewing mass appraisal experience during the relevant time period. This was new information that was not available to the ASC at the time of the October 2006 field review.

**Step 3:**

DRE reviewed existing license files (which go back to 1997) to determine which of these appraisers obtained credentials using mass appraisal experience. Through this process, DRE identified 135 licensed and certified appraisers who obtained credentials using mass appraisal experience from 1997 until 2006.

**Step 4:**

DRE sent a letter to 1,458 appraisers who were licensed between 1991 and 1997 asking them to attest to whether they obtained their license or certification using mass appraisal experience. Through this process, DRE identified an additional 218 licensed and certified appraisers who obtained their credentials using mass appraisal experience.

**Step 5:**

DRE sent a letter to the ASC on January 28, 2008. In the letter, DRE proposed auditing a total of 44 certified appraisers who obtained their credentials using mass appraisal experience. The 44 appraisers included: (1) every certified appraiser who obtained their certification using mass appraisal experience from January 1, 2005 until DRE began using the new ASC approved mass appraisal log form; and (2) 10% of the remaining 265 certified appraisers who obtained their credential using mass appraisal experience prior to January 1, 2005.

DRE believes this proposal was consistent with ASC Policy Statement 10, which allowed the use of affidavits until January 1, 2005 as long as the state had a reliable method of validating credentials issued prior to January 1, 2005.

**Step 6:**

In February of 2008, DRE moved forward with the audit of 44 certified appraisers as proposed in DRE's January 28, 2008 letter to the ASC.

The first step in the audit was to identify the specific appraisers to be audited in addition to the 17 certified appraisers who obtained their credentials after January 1, 2005. Using a random number generator, DRE randomly selected 27 certified appraisers (10%) of the 265 certified appraisers who obtained their credential using mass appraisal experience prior to January 1, 2005.

After reviewing the locations of the 44 appraisers selected for audit, DRE conferred with the ASC Policy Manager. It was decided that Boulder County was disproportionately represented, and it would be better to reduce the Boulder County representation by 4 appraisers. 4 appraisers from other counties were randomly selected to substitute for 4 Boulder County appraisers.

The 44 appraisers selected for the audit were contacted by telephone to inform them of the audit and seek their cooperation. It was determined from these phone calls that 6 of the 44 appraisers would not be participating in the audit (3 had expired credentials; 1 was scheduled for surgery; 2 told DRE that they were no longer appraising and they would surrender their credentials). In consultation with the ASC Policy Manager, DRE randomly selected 6 substitutes.

**Step 7:**

In March of 2008, DRE sent a letter to the 44 appraisers selected for audit asking them to provide a completed log form documenting appraisal experience sufficient to justify their appraiser credential. 41 appraisers complied with the request for the log. 1 appraiser did not submit a log because she is no longer appraising property, and she voluntarily surrendered her license. 1 appraiser was excused from the audit because her husband was recently diagnosed as terminally ill. Finally, 1 appraiser simply failed to respond. This appraiser received his appraisal experience in the \_\_\_\_\_ County assessor's office. Two other employees from the \_\_\_\_\_ County assessor's office were already part of the audit. Based on the review of these other employees, DRE believes that the procedures used in the \_\_\_\_\_ County assessor's office are USPAP Standard 6 compliant and therefore valid for the use of mass appraisal experience.

**Step 8:**

In April 2008, DRE reviewed the logs submitted by the audited appraisers after consulting with the ASC policy manager. For appraisers who submitted logs based on Standard 1 appraisals, the logs were reviewed to ensure the appraisers met the minimum experience requirements in terms of sufficient hours of USPAP compliant work performed over the required time frame for the credential. For appraisers who submitted logs based on Standard 6 appraisals, the logs were reviewed to determine if USPAP compliant work was logged. The log review was completed in this manner after conferring with the ASC Policy Manager.

**Step 9:**

After reviewing the logs, DRE selected work samples off of the 41 logs submitted by the audited appraisers. DRE sent a second letter to these appraisers asking them to either: (1) prepare a narrative report describing the work performed on the selected work sample and how the work is compliant with USPAP Standard 6; or (2) provide specific Standard 1 work samples selected by DRE from the log for review. This was done in order to determine whether the appraisers are currently capable of performing USPAP compliant reports as required by the ASC in correspondence to DRE.

**Step 10:**

In April of 2008, DRE met with ASC Policy Managers at the spring conference of the Association of Appraiser Regulatory Officials in San Francisco. DRE asked the ASC policy managers how to handle situations where an appraiser being audited was unable to prove their experience due to the lack of availability of current work product or other factors. In such situations, it was determined that DRE should ensure that another assessor employee from the same county was audited, thereby ensuring that the mass appraiser work performed in that assessor's office complied with USPAP Standard 6.

**Step 11:**

From May 2008 until July 15, 2008, DRE reviewed the narrative reports and work samples received from the 41 audited appraisers. Appraisers who used mass appraisal experience from 26 Colorado counties were represented in the audit. Following are the results of the audit:

- 27 appraisers provided narrative reports to demonstrate their ability to perform USPAP compliant Standard 6 mass appraisals.

All 27 of these appraisers provided narrative reports that adequately demonstrated their ability to perform USPAP compliant Standard 6 mass appraisals.

- 14 appraisers provided Standard 1 work samples.

These appraisers were no longer performing Standard 6 appraisals and no longer had access to the Standard 6 reports used for credential experience.

12 of the 14 appraisers provided reports that adequately demonstrated their ability to perform USPAP compliant Standard 1 appraisals.

1 of the 14 appraisers was unable to provide proof that she had sufficient non-residential hours for the Certified General credential because all of her non-residential work was performed many years ago, and she no longer has access to these records. The residential reports received from this appraiser indicated that she is capable of performing USPAP compliant residential reports. This appraiser obtained her Standard 6 mass appraisal experience working in \_\_\_\_\_ County. Another employee from the \_\_\_\_\_ County assessor's office was part of the audit and demonstrated an ability to perform USPAP compliant reports. Based on this review, DRE believes that the procedures used in the \_\_\_\_\_ County assessor's office are USPAP Standard 6 compliant and therefore valid for the use of mass appraisal experience.

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1 of the 14 appraisers was unable to provide proof that he was capable of performing USPAP compliant reports. This appraiser now works for Wells Fargo and uses checklists to review appraisals. These checklists do not provide sufficient evidence that the appraiser is capable of performing USPAP compliant appraisals. The appraiser no longer has access to the reports used to obtain his credential. The appraiser received his credential based on work in the \_\_\_\_\_ County assessor's office. DRE reviewed and approved a mass appraisal narrative report from a current employee in the \_\_\_\_\_ County assessor's office and believes the procedures used in the \_\_\_\_\_ County assessor's office are USPAP Standard 6 compliant and therefore valid for the use of mass appraisal experience.

DRE believes that the steps taken by the State of Colorado as summarized in this letter were a reliable method of validating that credentials were appropriately issued to appraisers who used mass appraisal experience in accordance with ASC Policy Statement 10. DRE further believes that these steps document conformance to AQB experience criteria with respect to Colorado's practices from 1991 until 2006 in granting tax assessor employees appraiser credentials based on mass appraisal experience. Finally, we believe that this resolves the mass appraisal experience issue addressed in the ASC's January 5, 2007 field review letter and September 17, 2007 follow-up review letter.

Please let us know if the ASC would like to review any of our documentation relating to this matter or if you have any questions.

Sincerely,

  
Mike Beery  
Appraiser Program Manager