

[THIS PAGE NOT FOR PUBLICATION IN THE CODE OF COLORADO REGULATIONS]

**DEPARTMENT OF REGULATORY AGENCIES
DIVISION OF REAL ESTATE
BOARD OF REAL ESTATE APPRAISERS
4 CCR 725-2**

CHAPTER 18: PROFESSIONAL STANDARDS - APPRAISAL MANAGEMENT COMPANIES

Pursuant to and in compliance with Title 12, Article 61 and Title 24, Article 4, C.R.S. as amended, notice of proposed rulemaking is hereby given, including notice to the Attorney General of the State of Colorado and to all persons who have requested to be advised of the intention of the Colorado Board of Real Estate Appraisers (the "Board") to promulgate rules, or to amend, repeal or repeal and re-enact the present rules of the Board.

STATEMENT OF BASIS

The statutory basis for the rules titled Rules of the Board of Real Estate Appraisers is Chapter 7 of Title 12, Article 61, Colorado Revised Statutes, as amended.

STATEMENT OF PURPOSE

The purpose of this rule is to effectuate the legislative directive to promulgate necessary and appropriate rules in conformity with the statute and the provisions of the federal Financial Institutions Reform, Recovery and Enforcement Act of 1989.

SPECIFIC PURPOSE OF THIS RULEMAKING

The specific purpose of this rule is to the professional standards of appraisal management companies.

Proposed New, Amended and Repealed Rules

[Deleted material shown ~~struck through~~, new material shown ALL CAPS. Rules, or portions of rules, which are unaffected are reproduced. Readers are advised to obtain a copy of the complete rules of the Board at www.dora.state.co.us/real-estate/rulemaking/BOREA/index.htm]

CHAPTER 18: PROFESSIONAL STANDARDS – APPRAISAL MANAGEMENT COMPANIES

- 18.1 An appraisal management company must have and follow a written policy in place regarding the annual audit of appraisals completed for Colorado assignments during the previous year. The policy must have an effective date and memorialize the dates any modifications are made. The policy must outline, at a minimum, the following:
- A. Appraisal Selection. The audit sample must be randomly selected and consist of not less than two USPAP standard 3 reviews for each appraiser who completed Colorado appraisal assignments during the previous year. If an appraiser completed only one appraisal assignment in Colorado, the appraisal management company must complete a USPAP standard 3 review of the appraisal.
 - B. Risk-Based Reviews. If an appraisal management company maintains a risk-based review process, the appraisal management company is required to comply with subsection (a) only for those appraisers for whom a USPAP standard 3 review was not performed under the risk-based appraisal review process.
 - C. Review Criterion. The appraisals must be evaluated for compliance with state and federal regulations, including the Uniform Standards of Professional Appraisal Practice (USPAP).
 - D. Reviewer Qualifications. The individual(s) performing the audit of the appraisals must possess a certified credential in this state or any state and be competent to appraise residential real estate.
 - E. Appraisal Deficiencies. The appraisal management company must have procedures in place to address material deficiencies that affect the value conclusion or the credibility of the report with the appraiser. Material violations of USPAP or the license law must be reported to the Board.

The Board may evaluate an appraisal management company's compliance with its own audit policies during an investigation.

- 18.2 For each Colorado appraisal assignment, an appraisal management company must maintain the following documents or records for a period of at least five years, or at least two years after the final disposition of any judicial proceeding in which a representative of the appraisal management company provided testimony related to the assignment, whichever ever period expires last:
- A. Contractual agreements with clients.
 - B. Any documents associated with the engagement of an appraiser used to appraise Colorado real estate.
 - C. All correspondence with a client or an appraiser regarding a specific assignment, including an accounting of payments received from the client and paid to the appraiser.
 - D. Appraisals, appraisal reviews, appraisal updates, recertifications of value, certificates of completion, broker price opinions or competitive market analyses, comparable property checks, rent schedules or income analyses, measurements, building sketches and any client approved forms (Colorado Real Estate only).
 - E. A list of all approved appraisers for Colorado real property appraisals, including a list of all appraisers engaged during each calendar year.
 - F. Copies of final appraisal reports reviewed in accordance with Board rule 18.1, findings and any subsequent correspondence with the appraiser, client or Board.

Records may be maintained in electronic format, but must be produced upon request by the Board and must be in a format that has the continued capability to be retrieved and legibly printed. Upon request by the Board, printed records shall be produced.

- 18.3 For all Colorado appraisal assignments, an appraisal management company must disclose its Colorado license number in writing in the engagement letter with an appraiser.