



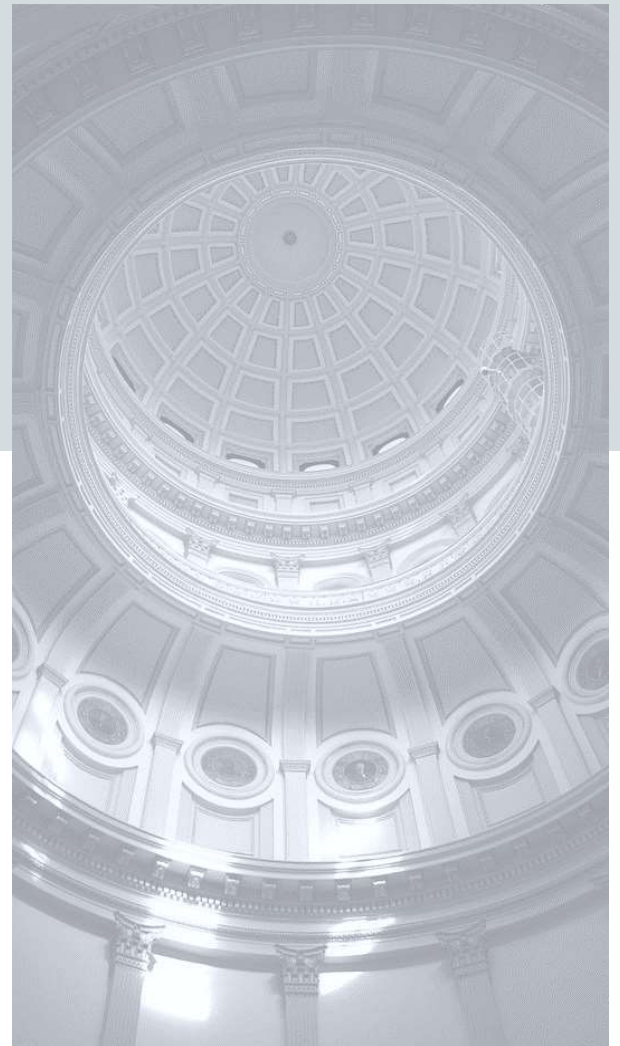
**COLORADO**

**Department of  
Regulatory Agencies**

Colorado Office of Policy, Research &  
Regulatory Reform

# 2021 Sunset Review

Board of Real Estate Appraisers



---

October 15, 2021



**COLORADO**

**Department of  
Regulatory Agencies**

Executive Director's Office

October 15, 2021

Members of the Colorado General Assembly  
c/o the Office of Legislative Legal Services  
State Capitol Building  
Denver, Colorado 80203

Dear Members of the General Assembly:

The Colorado General Assembly established the sunset review process in 1976 as a way to analyze and evaluate regulatory programs and determine the least restrictive regulation consistent with the public interest. Pursuant to section 24-34-104(5)(a), Colorado Revised Statutes (C.R.S.), the Colorado Office of Policy, Research and Regulatory Reform (COPRRR) at the Department of Regulatory Agencies (DORA) undertakes a robust review process culminating in the release of multiple reports each year on October 15.

A national leader in regulatory reform, COPRRR takes the vision of their office, DORA and more broadly of our state government seriously. Specifically, COPRRR contributes to the strong economic landscape in Colorado by ensuring that we have thoughtful, efficient and inclusive regulations that reduce barriers to entry into various professions and that open doors of opportunity for all Coloradans.

As part of this year's review, COPRRR has completed an evaluation of the Colorado Board of Real Estate Appraisers (Board) I am pleased to submit this written report, which will be the basis for COPRRR's oral testimony before the 2022 legislative committee of reference.

The report discusses the question of whether there is a need for the regulation provided under Article 10 of Title 12, C.R.S. The report also discusses the effectiveness of the Board and the Division of Real Estate in carrying out the intent of the statutes and makes recommendations for statutory and administrative changes for the review and discussion of the General Assembly.

To learn more about the sunset review process, among COPRRR's other functions, visit [coprrr.colorado.gov](http://coprrr.colorado.gov).

Sincerely,

Patty Salazar  
Executive Director





## Sunset Review: Board of Real Estate Appraisers

### Background

#### ***What is regulated?***

Real estate appraisers compute the market value of real estate by considering several elements such as what is similar or unique in a subject property compared to other nearby properties and the real estate market in the area in which a property sits, among other variables.

An Appraisal Management Company (AMC) is an independent entity through which mortgage lenders can request an appraisal.

Most real estate appraisals are conducted preceding the sale of real property but some are conducted for insurance, taxes, refinancing, or other types of financial transactions.

#### ***Why is it regulated?***

According to the federal Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), appraisers who conduct appraisals on loans furnished by federally insured banks and financial institutions must have a state-issued license or certification. This helps ensure property valuation accuracy.

Another federal law, the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires the independence of appraisers from mortgage lenders. This led to the proliferation of AMCs, which provide that formal separation.

#### ***Who is regulated?***

At the end of fiscal year 19-20, there were 136 Licensed Ad Valorem appraisers, 145 Licensed appraisers, 953 Certified Residential appraisers, 718 Certified General appraisers, and 144 licensed AMCs regulated by the Board of Real Estate Appraisers (Board), which is housed in the Division of Real Estate (Division).

#### ***How is it regulated?***

The Board is a type 1, seven-member, Governor-appointed body established to ensure appraiser and AMC regulation complies with FIRREA and the training and examination

standards established thereunder. Colorado law unambiguously prohibits the Board from establishing any requirements that are more stringent than those in federal law.

#### ***What does it cost?***

In fiscal year 19-20, the Division expended \$813,429 and allotted 6.43 full-time equivalent employees to program implementation.

#### ***What disciplinary activity is there?***

During the period examined for this sunset review, fiscal years 15-16 through 19-20, there were 1,130 complaints filed and 184 disciplinary actions taken against AMCs and appraisers. The actions included 172 fines totaling \$169,711.

### Key Recommendations

- **Continue the regulation of Appraisal Management Companies and real estate appraisers by the Board for nine years, until 2031.**
- **Adopt a limited exemption to the Uniform Standards of Professional Appraisal Practice and allow licensed appraisers to perform evaluations.**
- **Amend the Act to comport with federal law.**
- **Repeal the requirement that letters of admonition be sent by certified mail.**
- **Clarify the fining structure.**
- **Direct penalties and fines collected pursuant to the Act to be credited to the General Fund.**

---

## Table of Contents

|   |    |
|---|----|
| Background .....  | 1  |
| Sunset Criteria .....   | 1  |
| Sunset Process.....   | 3  |
| Methodology .....   | 4  |
| Profile of the Profession .....   | 4  |
| Legal Framework .....   | 7  |
| History of Regulation.....  | 7  |
| Federal Regulation .....  | 7  |
| Appraiser regulation in Colorado .....  | 7  |
| Legal Summary .....   | 8  |
| Federal Laws .....  | 9  |
| Colorado Laws .....   | 10 |
| Program Description and Administration .....  | 17 |
| Licensing .....   | 19 |
| Appraisal Management Companies .....  | 19 |
| Appraisers .....  | 20 |
| Continuing Education .....  | 23 |
| Examinations .....  | 25 |
| Complaint and Disciplinary Action .....   | 26 |
| Fining Authority .....  | 29 |
| Collateral Consequences - Criminal Convictions.....   | 30 |
| COVID-19 Response .....   | 30 |
| Analysis and Recommendations.....   | 31 |
| Recommendation 1 - Continue the regulation of Appraisal Management Companies and real estate appraisers by the Board of Real Estate Appraisers for nine years, until 2031. .... | 31 |
| Recommendation 2 - Adopt a limited exemption to the Uniform Standards of Professional Appraisal Practice and allow licensed appraisers to perform evaluations.....              | 33 |
| Recommendation 3 - Amend the Act to comport with federal law.....   | 34 |
| Recommendation 4 - Repeal the requirement that letters of admonition be sent by certified mail. ....  | 35 |
| Recommendation 5 - Clarify the fining structure.....  | 36 |
| Recommendation 6 - Direct penalties and fines collected pursuant to the Act to be credited to the General Fund.....   | 36 |
| Administrative Recommendation 1- The Division should add a link to the program website so an individual may more easily report a violation. ....                                | 37 |
| Appendix A - Customer Service Survey .....  | 38 |

---

## Background

### Sunset Criteria

Enacted in 1976, Colorado's sunset law was the first of its kind in the United States. A sunset provision repeals all or part of a law after a specific date, unless the legislature affirmatively acts to extend it. During the sunset review process, the Colorado Office of Policy, Research and Regulatory Reform (COPRRR) within the Department of Regulatory Agencies (DORA) conducts a thorough evaluation of such programs based upon specific statutory criteria<sup>1</sup> and solicits diverse input from a broad spectrum of stakeholders including consumers, government agencies, public advocacy groups, and professional associations.

Sunset reviews are guided by statutory criteria and sunset reports are organized so that a reader may consider these criteria while reading. While not all criteria are applicable to all sunset reviews, the various sections of a sunset report generally call attention to the relevant criteria. For example,

- In order to address the first criterion and determine whether a particular regulatory program is necessary to protect the public, it is necessary to understand the details of the profession or industry at issue. The Profile section of a sunset report typically describes the profession or industry at issue and addresses the current environment, which may include economic data, to aid in this analysis.
- To ascertain a second aspect of the first sunset criterion--whether conditions that led to initial regulation have changed--the History of Regulation section of a sunset report explores any relevant changes that have occurred over time in the regulatory environment. The remainder of the Legal Framework section addresses the third sunset criterion by summarizing the organic statute and rules of the program, as well as relevant federal, state and local laws to aid in the exploration of whether the program's operations are impeded or enhanced by existing statutes or rules.
- The Program Description section of a sunset report addresses several of the sunset criteria, including those inquiring whether the agency operates in the public interest and whether its operations are impeded or enhanced by existing statutes, rules, procedures and practices; whether the agency performs efficiently and effectively and whether the board, if applicable, represents the public interest.

The Analysis and Recommendations section of a sunset report, while generally applying multiple criteria, is specifically designed in response to the tenth criterion, which asks whether administrative or statutory changes are necessary to improve agency operations to enhance the public interest.

---

<sup>1</sup> Criteria may be found at § 24-34-104, C.R.S.

| Sunset Criteria  | Where Applied   |
|--|---|
| (I) Whether regulation by the agency is necessary to protect the public health, safety, and welfare; whether the conditions that led to the initial regulation have changed; and whether other conditions have arisen that would warrant more, less, or the same degree of regulation;   | <ul style="list-style-type: none"> <li>• Profile.</li> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1 - 3.</li> <li>• Administrative Recommendation 1.</li> </ul> |
| (II) If regulation is necessary, whether the existing statutes and regulations establish the least restrictive form of regulation consistent with the public interest, considering other available regulatory mechanisms, and whether agency rules enhance the public interest and are within the scope of legislative intent; | <ul style="list-style-type: none"> <li>• Profile.</li> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1 - 3.</li> </ul>   |
| (III) Whether the agency operates in the public interest and whether its operation is impeded or enhanced by existing statutes, rules, procedures, and practices and any other circumstances, including budgetary, resource, and personnel matters;  | <ul style="list-style-type: none"> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1, 3, 4, 5, and 6.</li> <li>• Administrative Recommendation 1.</li> </ul>         |
| (IV) Whether an analysis of agency operations indicates that the agency performs its statutory duties efficiently and effectively;   | <ul style="list-style-type: none"> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1 - 6.</li> <li>• Administrative Recommendation 1.</li> </ul>                     |
| (V) Whether the composition of the agency's board or commission adequately represents the public interest and whether the agency encourages public participation in its decisions rather than participation only by the people it regulates;   | <ul style="list-style-type: none"> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendation 1.</li> <li>• Administrative Recommendation 1</li> </ul>                           |
| (VI) The economic impact of regulation and, if national economic information is not available, whether the agency stimulates or restricts competition;   | <ul style="list-style-type: none"> <li>• Profile.</li> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1 and 2.</li> </ul>   |
| (VII) Whether complaint, investigation, and disciplinary procedures adequately protect the public and whether final dispositions of complaints are in the public interest or self-serving to the profession;   | <ul style="list-style-type: none"> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendation 1.</li> <li>• Administrative Recommendation 1.</li> </ul>  |
| (VIII) Whether the scope of practice of the regulated occupation contributes to the optimum use of personnel and whether entry requirements encourage affirmative action;  | <ul style="list-style-type: none"> <li>• Profile.</li> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1 - 3.</li> </ul>   |



| Sunset Criteria  | Where Applied   |
|--|---|
| <p>(IX) Whether the agency through its licensing or certification process imposes any sanctions or disqualifications on applicants based on past criminal history and, if so, whether the sanctions or disqualifications serve public safety or commercial or consumer protection interests. To assist in considering this factor, the analysis prepared pursuant to subsection (5)(a) of this section must include data on the number of licenses or certifications that the agency denied based on the applicant's criminal history, the number of conditional licenses or certifications issued based upon the applicant's criminal history, and the number of licenses or certifications revoked or suspended based on an individual's criminal conduct. For each set of data, the analysis must include the criminal offenses that led to the sanction or disqualification.</p> | <ul style="list-style-type: none"> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendations 1 - 6.</li> <li>• Administrative Recommendation 1.</li> </ul> |
| <p>(X) Whether administrative and statutory changes are necessary to improve agency operations to enhance the public interest.</p>   | <ul style="list-style-type: none"> <li>• History.</li> <li>• Legal Framework.</li> <li>• Program Administration.</li> <li>• Recommendation 1.</li> <li>• Administrative Recommendation 1</li> </ul>       |

These are but a few examples of how the various sections of a sunset report provide the information and, where appropriate, analysis required by the sunset criteria. Just as not all criteria are applicable to every sunset review, not all criteria are specifically highlighted as they are applied throughout a sunset review. While not necessarily exhaustive, the table below indicates where these criteria are applied in this sunset report.

## Sunset Process

Regulatory programs scheduled for sunset review receive a comprehensive analysis. The review includes a thorough dialogue with agency officials, representatives of the regulated profession and other stakeholders. Anyone can submit input on any upcoming sunrise or sunset review on COPRRR's website at [coprrr.colorado.gov](http://coprrr.colorado.gov).

The functions of the Board of Real Estate Appraisers (Board), as enumerated in Article 10 of Title 12, Colorado Revised Statutes (C.R.S.), shall terminate on September 1, 2022, unless continued by the General Assembly. During the year prior to this date, it is the duty of COPRRR to conduct an analysis and evaluation of the Board pursuant to section 24-34-104, C.R.S.

The purpose of this review is to determine whether the currently prescribed regulation should be continued and to evaluate the performance of the Board and staff of the Division of Real Estate (Division). During this review, the Board must demonstrate that the program serves the public interest. COPRRR's findings and recommendations are submitted via this report to the Office of Legislative Legal Services.

---

## Methodology

As part of this review, COPRRR staff attended Board meetings and interviewed past and present Board members; interviewed real estate industry stakeholders; reviewed Division records and interviewed Division staff; interviewed officials with state and national professional associations; interviewed federal, state, and local government officials; and reviewed federal laws, Colorado statutes and rules, and the laws of other states.

The major contacts made during this review include but are not limited to:

- American Society of Appraisers
- Appraisal Subcommittee of the Federal Financial Institutions Examination Council
- Colorado Association of Mortgage Professionals
- Colorado Association of Realtors
- Colorado Bankers Association
- Colorado Board of Real Estate Appraisers
- Colorado Chapter of the Appraisal Institute
- Colorado Civil Rights Division
- Colorado Home Builders Association
- Colorado Mortgage Lenders Association
- Denver City Council
- Denver Metro Association of Realtors
- Division of Real Estate
- Office of the Colorado Attorney General
- Real Estate Valuation Advocacy Association

In the spring of 2021, Colorado Office of Policy, Research and Regulatory Reform staff conducted a survey of all appraisers who are licensed by the Board. The survey was sent to 2,768 appraisers; 27 emails were returned as undeliverable. The survey received 502 responses, which is an 18.31 percent response rate. Survey results may be found in Appendix A.

## Profile of the Profession

In a sunset review, COPRRR is guided by the sunset criteria located in section 24-34-104(6)(b), C.R.S. The first criterion asks whether regulation by the agency is necessary to protect the public health, safety and welfare; whether the conditions which led to the initial regulation have changed; and whether other conditions have arisen which would warrant more, less or the same degree of regulation.

To understand the need for regulation, it is first necessary to understand what the profession does, where they work, who they serve and any necessary qualifications.



---

Real estate appraisers estimate the value of real estate by considering several variables that are common among properties such as location and sales comparisons. They then also consider what is unique to the subject property such as landscaping and interior finishes. An appraiser uses the variables to compute the value of a property. Most real estate appraisals are conducted preceding the sale of real property but some are conducted for insurance, taxes, refinancing, or other types of financial transactions.

According to Colorado law, an appraiser:

[P]rovides an estimate of the nature, quality, value, or utility of an interest in, or aspect of, identified real estate and includes one who estimates value and who possesses the necessary qualifications, ability, and experience to execute or direct the appraisal of real property.<sup>2</sup>

Appraisers spend much of their time visiting subject locations where they conduct a good deal of an appraisal. However, they also conduct research in an office setting. Residential appraisers tend to spend less time working in the office than commercial appraisers. Commercial real estate appraisers may spend weeks analyzing information for one property. Appraisers who work for banks and mortgage companies spend much of the time in an office and visit locations only when the situation makes it necessary.<sup>3</sup>

Federal law requires that appraisers who conduct appraisals on loans furnished by federally insured banks and financial institutions, hold a state-issued license or certification. In theory, each state sets its own requirements and licensure usually requires basic education courses, passing an examination, and completing on-the-job training.<sup>4</sup> In reality, most real estate appraisers are regulated by their licensing state under the umbrella of the federal Financial Institutions Reform, Recovery, and Enforcement Act.

The profession is not without controversy. Federal legislation regulating real estate appraisals followed real estate collapses from the savings and loan crisis of the late 1980s and the financial crisis of first decade of the 21<sup>st</sup> century. Regulation is intended to mitigate harm caused by some appraisers. While Congress has not directly legislated standards for appraisals, it endorsed Appraisal Foundation-promulgated standards following the savings and loan crisis. In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act required regulators to adopt rules ensuring the independence of appraisers from the lenders. The formal separation resulted in the proliferation of

---

<sup>2</sup> § 12-10-602(9)(a), C.R.S.

<sup>3</sup> U.S. Bureau of Labor Statistics. *Occupational Handbook: Appraisers and Assessors of Real Estate*. Retrieved December 14, 2020, from, <https://www.bls.gov/ooh/business-and-financial/appraisers-and-assessors-of-real-estate.htm#tab-3>

<sup>4</sup> U.S. Bureau of Labor Statistics. *Occupational Handbook: Appraisers and Assessors of Real Estate*. Retrieved December 14, 2020, from, <https://www.bls.gov/ooh/business-and-financial/appraisers-and-assessors-of-real-estate.htm#tab-4>

---

appraisal management companies in order to comply with a prohibition on mortgage lenders selecting specific appraisers.<sup>5</sup>

The sixth sunset criterion requires COPRRR to evaluate the economic impact of regulation. One way this may be accomplished is to review the expected salary of the profession.

Appraisers often work full time during regular business hours. Still, self-employed independent fee appraisers, frequently work more than a standard 40-hour workweek including weekends. In May 2020, the median annual wage for real estate appraisers was \$58,650 but the highest 10 percent earned more than \$107,090.<sup>6</sup> Colorado ranked among the top states with an annual wage averaging \$85,770.<sup>7</sup>

The job prospects for appraisers is projected to increase slower than the average for all occupations, approximately four percent over the next decade. However, the need for appraisals is linked to variations in the real estate market which are driven by economic factors that generate demand for property. Moving forward, mobile technology and increased use of automated valuation models may increase appraiser productivity.<sup>8</sup>

---

<sup>5</sup> Congressional Research Service, (2019), “Introduction to Real Estate Appraisals” In Focus, version 2, pp.1-2.

<sup>6</sup> U.S. Bureau of Labor Statistics. *Occupational Handbook: Appraisers and Assessors of Real Estate*. Retrieved August 31, 2021, from, <https://www.bls.gov/ooh/business-and-financial/appraisers-and-assessors-of-real-estate.htm#tab-5>

<sup>7</sup> U.S. Bureau of Labor Statistics. *Occupational Handbook: Appraisers and Assessors of Real Estate*. Retrieved August 31, 2021, from, <https://www.bls.gov/oes/current/oes132020.htm#st>

<sup>8</sup> U.S. Bureau of Labor Statistics. *Occupational Handbook: Appraisers and Assessors of Real Estate*. Retrieved September 17, 2021, from, <https://www.bls.gov/ooh/business-and-financial/appraisers-and-assessors-of-real-estate.htm#tab-6>

---

## Legal Framework

### History of Regulation

In a sunset review, the Colorado Office of Policy, Research and Regulatory Reform (COPRRR) is guided by the sunset criteria located in section 24-34-104(6)(b), Colorado Revised Statutes (C.R.S.). The first sunset criterion questions whether regulation by the agency is necessary to protect the public health, safety and welfare; whether the conditions which led to the initial regulation have changed; and whether other conditions have arisen that would warrant more, less or the same degree of regulation.

One way that COPRRR addresses this is by examining why the program was established and how it has evolved over time.

### Federal Regulation

The federal Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) was adopted in the aftermath of the savings and loan crisis in the 1980s. Among the changes FIRREA made were requirements for real estate appraisals and real estate appraiser training.<sup>9</sup> FIRREA authorized the Appraisal Foundation to serve as the determinant of appraisal standards and qualifications.<sup>10</sup> Under this law, all states must establish licensing and certification programs consistent with the requirements.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) was signed into law in 2010. It amended several financial and consumer protection laws including Title XI of FIRREA and added additional regulation to the appraisal industry.

### Appraiser regulation in Colorado

A sunrise application submitted post-FIRREA, prompted the General Assembly, in 1990, to regulate real estate appraisers. The bill established the Board of Real Estate Appraisers (Board) within the Division of Real Estate (Division) in the Department of Regulatory Agencies. That law made it unlawful for anyone to act as an appraiser without a license or certification. Regulations included those holding office as a county assessor and their employees who appraise real property for tax assessment purposes.

In 1992, the General Assembly required those training to become fully-certified appraisers to be registered.

---

<sup>9</sup> Investopedia. *Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)*. Retrieved December 22, 2020, from <https://www.investopedia.com/terms/f/financial-institutions-reform-recovery-enforcement.asp>

<sup>10</sup> The Appraisal Foundation. *History*. Retrieved December 21, 2020, from [https://appraisalfoundation.org/imis/TAF/About\\_Us/TAF/About\\_Us.aspx?hkey=52dedd0a-de2f-4e2d-9efb-51ec94884a91](https://appraisalfoundation.org/imis/TAF/About_Us/TAF/About_Us.aspx?hkey=52dedd0a-de2f-4e2d-9efb-51ec94884a91)

---

A 1996 sunset review and Colorado Supreme Court decision prompted the General Assembly to stop requiring county assessors to be registered. However, the employees in the county assessor offices who perform actual real estate appraisals, were still required to be registered. The General Assembly also increased the number of public members on the Board and prohibited appraiser contingency fees.

In 2000, the General Assembly increased the authority of the Board to allow public censure for a violation of the statute.

Before 2009, it was a criminal offense to perform a real estate appraisal without a license unless an individual was operating under a specific exemption. In 2009, the General Assembly limited the offense to apply only to a real estate appraisal in conjunction with federally guaranteed debt, or one regulated pursuant to Title 12, United States Code. The General Assembly increased the punishment for unlicensed practice or other specific violations from a Class 3 misdemeanor to a Class 1 misdemeanor and increased the punishment for any subsequent convictions, within five years, from a Class 1 misdemeanor to a Class 5 felony.

In 2012, the legislature adopted House Bill 1110 following the implementation of Dodd-Frank, which requires the states to register appraisal management companies in those states where they operate.<sup>11</sup>

In 2014, the entire Act was repealed and replaced. Since that time there have been several minor amendments to ensure that Colorado law comports with federal law.

During the 2019 legislative session, the General Assembly recodified Title 12, C.R.S. At that time, Article 61, Part 7 was repealed and reenacted as Article 10, Part 6. Though there were changes in the manner in which the law reads and many provisions of law were combined with common elements of other laws, none of those changes affected the implementation or enforcement of the Act.

## Legal Summary

The second and third sunset criteria question

Whether the existing statutes and regulations establish the least restrictive form of regulation consistent with the public interest, considering other available regulatory mechanisms, and whether agency rules enhance the public interest and are within the scope of legislative intent; and

Whether the agency operates in the public interest and whether its operation is impeded or enhanced by existing statutes, rules, procedures

---

<sup>11</sup> Appraisal Institute. *Appraisal Management Company Oversight*. Retrieved August 31, 2021, from <https://www.appraisalinstitute.org/advocacy/>

---

and practices and any other circumstances, including budgetary, resource and personnel matters.

A summary of the current statutes and rules is necessary to understand whether regulation is set at the appropriate level and whether the current laws are impeding or enhancing the agency's ability to operate in the public interest.

Federalism plays a large role in the regulation of appraisers. Regulation is prompted by the federal government but is mostly legislated and implemented by state governments.

An abridged working definition of an appraisal is that it is an analysis concerning the value of real estate. There are several factors that a real estate appraisal must consider, and those factors change based on the type of appraisal and the needs of the client.

### Federal Laws

According to federal law, for most real estate transactions involving a loan made by a financial institution regulated by the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, or the National Credit Union Administration the property must be appraised by a licensed or certified appraiser.<sup>12</sup> The licensed or certified appraiser obtains his or her credential from a state agency. Each state with an appraiser certifying and licensing agency is required to register all appraisers and appraisal management companies regulated by the agency and remit registry fees to the federal government. Furthermore, disciplinary actions taken by the agency must be reported on the registry.<sup>13</sup>

FIRREA mandates that every state have a regulatory agency responsible for licensing and certifying real estate appraisers. The Appraisal Foundation Appraiser Qualifications Board sets the minimum appraiser qualification criteria (Real Property Appraiser Qualification Criteria) and the Appraisal Foundation's Appraisal Standards Board develops the standards of practice for the appraisal profession (Uniform Standards of Professional Appraisal Practice or USPAP). The Appraisal Subcommittee of the Federal Financial Institutions Examination Council oversees both the Appraisal Foundation and the states to ensure each state meets and implements the minimum qualification criteria and upholds appraiser and appraisal standards.<sup>14</sup> It conducts reviews of state programs every two years.

---

<sup>12</sup> 12 U.S.C. §§ 3341,3342, and 3343

<sup>13</sup> 12 U.S.C. § 3338(a)

<sup>14</sup> The Appraisal Foundation. *The Appraiser Regulatory System in the United States*. Retrieved December 22, 2020, from [https://www.appraisalfoundation.org/imis/TAF/About\\_Us/Appraiser\\_Regulatory\\_System/TAF/Regulatory\\_Structure.aspx](https://www.appraisalfoundation.org/imis/TAF/About_Us/Appraiser_Regulatory_System/TAF/Regulatory_Structure.aspx)

---

USPAP contain standards for all types of appraisal services, including real estate. Adherence to USPAP is required by state-licensed and state-certified appraisers involved in federally-related real estate transactions. USPAP are the nationally accepted standards of practice as recognized by federal law. The real estate standards include:<sup>15</sup>

- **Standards 1 and 2** establish requirements for the development and reporting of a real property appraisal.
- **Standards 3 and 4** establish requirements for the development and reporting of an appraisal review.
- **Standards 5 and 6** establish requirements for the development and reporting of mass appraisals.

When Dodd-Frank passed, it separated federal oversight of residential and commercial appraisals; prohibited people from attempting to influence an appraiser; and mandated that professionals who have a reasonable basis to believe that an appraiser is engaging in illegal, unethical, or unprofessional conduct, report him or her to the state certifying and licensing agency.<sup>16</sup>

### Colorado Laws

Article 10 of Title 12, (Act) Colorado Revised Statutes (C.R.S.), governs the real estate appraisal profession in Colorado. The Legislative Declaration in the Act explicitly states the Act was intended to comport with the provisions of FIRREA.<sup>17</sup> The Act created the, type 1,<sup>18</sup> Board to implement the Act and comply with FIRREA.<sup>19</sup> Furthermore, the Act unambiguously prohibits the Board from establishing any requirements that are more stringent than those in federal law.<sup>20</sup> Any provision of the Act that a court finds is out of compliance with FIRREA, is null and void.<sup>21</sup>

The Board consists of seven Governor-appointed members. The Act stipulates that three members must be licensed or certified by the Board, one must have expertise in eminent domain, one must be a current county assessor, one must be employed by a commercial bank with experience in real estate lending, one must be employed at an appraisal management company, and one must represent the general public and not be engaged in any of the endeavors represented by other Board members. Member terms are three years and a member may be removed for misconduct, neglect of duty, or

---

<sup>15</sup> Appraisal Institute. *Standards of Professional Practice*. Retrieved July 26, 2021. From <https://www.appraisalinstitute.org/professional-practice/ethics-and-standards/standard-of-professional-appraisal-practice/>

<sup>16</sup> Congressional Research Service, (2019), "Introduction to Real Estate Appraisals," *In Focus*, Version 2, p.1

<sup>17</sup> § 12-10-601, C.R.S.

<sup>18</sup> § 12-10-603(2)(a), C.R.S.

<sup>19</sup> §§ 12-10-604(1)(a)(I), C.R.S.

<sup>20</sup> § 12-10-604(1)(a)(II), C.R.S.

<sup>21</sup> § 12-10-622(1), C.R.S.



---

incompetence.<sup>22</sup> Member per diem is limited to \$50 and they are allowed reimbursement for actual and necessary expenses incurred when conducting official duties.<sup>23</sup>

The Act empowers the Board to enact and amend rules necessary to comply and stay current with FIRREA<sup>24</sup> including the regulation of all categories of appraisers and appraisal management companies (AMCs). Additionally, the Board may:<sup>25</sup>

- Charge application, examination, and license and certificate renewal fees;
- Issue, deny, or refuse to renew a license or certificate;
- Take disciplinary actions;
- Direct the Director of the Division to administer and enforce the Act, when applicable;
- Approve any licensure examination to be administered at least twice per year and establish a passing score that reflects a minimum level of competency;
- Make study materials developed by the testing vendor available;
- Employ administrative judges;
- Conduct investigations and conduct disciplinary hearings; and
- Apply for a waiver of the federal certification or licensing requirements.

Disciplinary investigation information collected pursuant to the Act is not available to the public, however, all final actions taken by the Board are subject to Colorado sunshine laws and judicial review.<sup>26</sup> The Act provides that all fees, penalties, and fines be remitted to the Division Cash Fund.<sup>27</sup>

The Board has the ability to seek an injunction against any appraiser or AMC to stop violations of the Act.<sup>28</sup>

As the responsible entity in Colorado, the Board is required to annually submit a roll of, and registration fees for all Colorado individual (except those who work for a county assessor) and AMC licensees to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council.<sup>29</sup>

---

<sup>22</sup> § 12-10-603(1), C.R.S.

<sup>23</sup> § 12-20-603(3), C.R.S.

<sup>24</sup> § 12-10-604(1)(a), C.R.S.

<sup>25</sup> §§ 12-10-604(1)(b) through (1)(j), C.R.S.

<sup>26</sup> §§ 12-10-604(2) and 715, C.R.S.

<sup>27</sup> § 12-10-605, C.R.S.

<sup>28</sup> § 12-10-618(1), C.R.S.

<sup>29</sup> § 12-10-620, C.R.S.

---

## APPRAISAL MANAGEMENT COMPANY REGULATION

An AMC does not perform appraisals. It is an entity that contracts with an appraiser, to perform an appraisal for a lender, on a consumer's principal dwelling.<sup>30</sup> Individuals, partnerships, limited liability companies, or corporations may be licensed as AMCs.<sup>31</sup> An AMC must be properly registered with the Colorado Department of Revenue and the Colorado Secretary of State prior to applying for a license.<sup>32</sup> However, an AMC owned and controlled by a financial institution governed by a federal financial institution regulatory agency, is exempt from licensing by the Board.<sup>33</sup> Each AMC must maintain a \$25,000 surety bond to become and remain licensed.<sup>34</sup>

Each AMC must have a controlling appraiser who is actively certified according to federal law and who is responsible for the practices of the AMC. The Board has jurisdiction over both the AMC and the controlling appraiser.<sup>35</sup> No license can be issued until the controlling appraiser and any individual who owns more than 10 percent of the AMC meets Board-adopted fitness standards and passes a fingerprint-based national criminal history record check conducted by the Colorado Bureau of Investigation.<sup>36</sup> The Board must deny a license to an AMC if the controlling appraiser, any owner, or the AMC itself has had license, registration, or certification refused, denied, cancelled, surrendered, or revoked. Such an action in this or any related occupation in any other jurisdiction is *prima facie* evidence of grounds for denial of a license by the Board.<sup>37</sup> Additionally, the Board may rescind the ability of an AMC to conduct business under a controlling appraiser whether or not the controlling appraiser has had his or her license revoked or is aware of a violation that was committed.<sup>38</sup>

If an entity acts as an AMC without obtaining a license, it commits a misdemeanor. The penalty for the first violation and conviction is a fine up to \$500, imprisonment in county jail up to six months, or both. Any second or subsequent violation, carries a fine up to \$1,000, imprisonment in county jail up to six months, or both. The Board has the ability to seek an injunction to prohibit any violation of the Act, including practicing without a license.<sup>39</sup>

Based on any complaint, the Board may investigate any AMC or controlling appraiser. If it finds that there has been a violation, the Board may issue a fine up to \$25,000 for each offense, place the licensee on probation, or suspend or revoke a license for several

---

<sup>30</sup> § 12-10-602(2), C.R.S.

<sup>31</sup> § 12-10-617(1), C.R.S.

<sup>32</sup> § 12-10-607(8)(a), C.R.S.

<sup>33</sup> § 12-10-607(9), C.R.S.

<sup>34</sup> § 12-10-609(1), C.R.S. The surety is required to notify the Board within 30 days of any payment made against the bond.

<sup>35</sup> § 12-10-607(2), C.R.S.

<sup>36</sup> § 12-10-607(3), C.R.S.

<sup>37</sup> §§ 12-10-607(4), 607(5), and 607(6), C.R.S.

<sup>38</sup> § 12-10-614(4), C.R.S.

<sup>39</sup> § 12-10-617(2), C.R.S.

---

reasons.<sup>40</sup> If the Board determines that a licensee's actions do not warrant formal action, it may issue a letter of admonition.<sup>41</sup> The Board, at its sole discretion, may also reconsider any action it has taken.<sup>42</sup> Violations concerning the appraiser/AMC relationship include:<sup>43</sup>

- Failing to ensure each appraiser is credentialed;
- Failing to comply with the federal Truth in Lending Act;
- Requiring an appraiser to indemnify the AMC for the appraiser's services;
- Influencing, or attempting to influence an appraisal;
  - The AMC may ask an appraiser to consider additional information, provide more detail, or correct errors in a report.
- Prohibiting an appraiser from communicating with an entity for pertinent information (unless the client makes this request in writing);
- Altering an appraisal without the consent of the appraiser;
- Requiring access to an appraiser's electronic signature;
- Failing to annually audit an appraiser's work product for compliance with legal standards;
- Failing to pay an appraiser within 60 days of an appraisal, unless there is a bona fide dispute;
- Failing to fulfil the terms of an agreement with an appraiser; and
- Failing to disclose the identity of a client to the appraiser.

An AMC is also responsible for business conduct and subscribing to certain norms, which include:<sup>44</sup>

- Only using an appraisal for the purpose for which it was intended, unless the client consents, in writing, to a change;
- Not maintaining records for the requisite period of time after the AMC testifies in court;
- Entering a guilty plea, an Alford plea, a plea of *nolo contendere*, or being convicted of misdemeanor or felony theft, embezzlement, bribery, fraud, misrepresentation, deceit, or similar offense, concerning an appraisal;
- Receiving a disciplinary action as a licensee in another jurisdiction based on acts or omissions that would constitute a violation of the Act;
- Violating the Colorado Consumer Protection Act;
- Making an effort to obtain, or obtaining a license through fraud, misrepresentation, deceit, or by making a material misstatement of fact;
- Deliberately making false promises;
- Failing to disclose an appraiser's fee to a client; and
- Violating the Act or any associated rule.

---

<sup>40</sup> § 12-10-614(1), C.R.S.

<sup>41</sup> § 12-10-614(2), C.R.S.

<sup>42</sup> § 12-10-614(7), C.R.S.

<sup>43</sup> § 12-10-614(1)(a) through (1)(j), C.R.S.

<sup>44</sup> § 12-10-614(1)(k) through (1)(r), C.R.S.

---

Any licensee that has direct knowledge of an AMC violating the Act must report what he or she knows to the Board.<sup>45</sup>

#### APPRAISER REGULATION

Every person that performs appraisals in Colorado is required to be licensed.<sup>46</sup> The Board is directed to provide the licensing or certification of appraisers in accordance with FIRREA and the licensing requirements established by the Appraisal Foundation's Appraiser Qualifications Board.<sup>47</sup> The Board fulfilled this obligation by adopting Chapter 2 of the *Rules of the Colorado Board of Real Estate Appraisers- Requirements for Licensure as a Real Estate Appraiser*<sup>48</sup> (Chapter 2). Each level of appraiser licensure has specific education, experience, and examination qualification requirements. Chapter 2 lays out the detailed requirements for each of the levels.

The Board offers four levels of regulation:

- Certified General Appraiser.
  - Whose scope of practice includes all types of real property.<sup>49</sup>
- Certified Residential Appraiser.
  - Whose scope of practice is limited to one- to four-unit residential properties.<sup>50</sup>
- Licensed Appraiser.
  - Whose scope of practice is limited to non-complex one- to four-unit residential properties with a transaction valued up to \$1 million and complex one- to four-unit residential properties with a transaction value less than \$250,000.<sup>51</sup>
  - No person may obtain this license without having 12 months of appraisal experience.<sup>52</sup>
- Licensed Ad Valorem Appraiser.
  - Who may not perform appraisals outside of a County Assessor's office or the Colorado Division of Property Taxation.<sup>53</sup>
  - The Act requires that the county of employment pay the costs to obtain and maintain this license.<sup>54</sup>
  - These licensees are not regulated under FIRREA but are subject to regulation under the Act.<sup>55</sup>

---

<sup>45</sup> § 12-10-614(6), C.R.S.

<sup>46</sup> § 12-10-619(1), C.R.S.

<sup>47</sup> § 12-10-704(1)(a)(I), C.R.S.

<sup>48</sup> 4 CCR 725-2 (2) Colorado Board of Real Estate Appraisers

<sup>49</sup> 4 CCR § 725-2-1.15 Colorado Board of Real Estate Appraisers

<sup>50</sup> 4 CCR § 725-2-1.14 Colorado Board of Real Estate Appraisers

<sup>51</sup> 4 CCR § 725-2-1.13 Colorado Board of Real Estate Appraisers

<sup>52</sup> § 12-10-606(5), C.R.S.

<sup>53</sup> 4 CCR § 725-2-1.37 Colorado Board of Real Estate Appraisers

<sup>54</sup> § 12-10-606(4)(c), C.R.S.

<sup>55</sup> § 12-10-601, C.R.S.

- 
- The Board may not discipline these appraisers for having performed beyond their level of competency.<sup>56</sup>

Prior to a credential being issued, an applicant must pass a state and national fingerprint-based criminal history background check unless he or she is applying for an Ad Valorem license.<sup>57</sup> The Board is also required to prescribe continuing education requirements.<sup>58</sup>

Excepting appraisers employed by a state or local government, all active appraisers must have errors and omissions insurance. The policy may be through the Division or a licensee may obtain it independently.<sup>59</sup> The Division is required to determine the terms and conditions of the coverage and every licensee must file a certificate showing compliance with those terms and conditions.<sup>60</sup>

The Director is instructed by the Act to determine when licenses expire and the fees for license renewal.<sup>61</sup> There is a 30-day grace period for those who do not renew by that prescribed date. If a person goes beyond that 30-day period but applies for reinstatement within one year, that appraiser pays the renewal fee plus a reinstatement fee that is an additional one-third of the renewal fee. If an appraiser reinstates between one year and two years, the reinstatement fee increases to two-thirds of the renewal fee.<sup>62</sup> The Board is also required to collect and transmit fees required for an appraiser to be listed on the federal registry.<sup>63</sup>

If all renewal and reinstatement provisions are followed but a licensee fails to complete mandatory continuing education, the license is placed on inactive status. When a license is inactive, the appraiser cannot perform real estate appraisals, management, or hold one's self out as an active appraiser.<sup>64</sup>

Any licensee that owns more than 10 percent of an AMC must submit to a criminal history record check whenever renewing. The Board has the ability to refuse to renew or reinstate a license based on the outcome of that record check.<sup>65</sup>

As the regulator of the appraisal industry, the Board is empowered to deny or refuse to renew a license or certificate, revoke or suspend a license or certificate, place a licensee on probation, impose public censure, and issue fines for violations of the Act.<sup>66</sup> The Board can start a disciplinary action when it has reasonable grounds to believe a

---

<sup>56</sup> *ibid.*

<sup>57</sup> §§ 12-10-606(6)(a) and (6)(b), C.R.S.

<sup>58</sup> §§ 12-10-606(2)(a) and (2)(b), C.R.S.

<sup>59</sup> § 12-10-608(1), C.R.S.

<sup>60</sup> § 12-10-608(3), C.R.S.

<sup>61</sup> § 12-10-610(1)(a), C.R.S.

<sup>62</sup> § 12-10-610(1)(b)(III), C.R.S.

<sup>63</sup> § 12-10-610(2), C.R.S.

<sup>64</sup> § 12-10-610(3)(b), C.R.S.

<sup>65</sup> § 12-10-610(4), C.R.S.

<sup>66</sup> §§ 12-10-613(2) and 613(7), C.R.S.

---

licensee has violated the Act.<sup>67</sup> All hearings must be held according to the State Administrative Procedure Act.<sup>68</sup>

If a person acts in good faith when cooperating in a proceeding, that person is immune from civil or criminal liability concerning their participation.<sup>69</sup> Additionally, any person regulated by the Board is required to report any violation of the Act to the Board.<sup>70</sup>

When the Board believes that formal action is not warranted, it may issue a letter of admonition by certified mail to an appraiser. The appraiser has the right to request a formal hearing on such letter, if the request is made within 20 days.<sup>71</sup>

Generally, violations of the Act encompass criminal or deceitful activities such as having been convicted of a felony or pleading guilty or *nolo contendere* to a felony related to the ability to act as an appraiser. Others include:<sup>72</sup>

- Using false, deceptive, or misleading advertising;
- Accepting compensation to influence an appraisal;
- Obtaining licensure through fraud or misrepresentation;
- Committing fraud when performing an appraisal;
- Being disciplined in another jurisdiction;
- Failing to disclose fees paid by an AMC; and
- Performing any act that would constitute grounds for denial of licensure.

If a person's license has been revoked, that person is not eligible to reapply for two years.<sup>73</sup> The Board, at its sole discretion, may reconsider any disciplinary action it has taken at any subsequent time.

In addition to the aforementioned criminal activities of committing fraud and accepting money to influence an appraisal, there are other actions that can result in a class 1 misdemeanor for a first offense and a class 5 felony for a subsequent violation within five years of conviction. Including:

- Performing an appraisal without licensure,
- Accepting a fee that is dependent upon a predetermined outcome,
- Characterizing a consultation as an appraisal, and
- Not disclosing consultation fees when they are contingent.

---

<sup>67</sup> § 12-10-613(4), C.R.S.

<sup>68</sup> § 12-10-613(5), C.R.S.

<sup>69</sup> § 12-10-613(8), C.R.S.

<sup>70</sup> § 12-10-613(9), C.R.S.

<sup>71</sup> § 12-10-613(3), C.R.S.

<sup>72</sup> § 12-10-613(1), C.R.S.

<sup>73</sup> § 12-10-613(6)(a)(II), C.R.S.



---

## Program Description and Administration

In a sunset review, the Colorado Office of Policy, Research and Regulatory Reform (COPRRR) is guided by sunset criteria located in section 24-34-104(6)(b), Colorado Revised Statutes (C.R.S.). The third, fourth and fifth sunset criteria question:

Whether the agency operates in the public interest and whether its operation is impeded or enhanced by existing statutes, rules, procedures practices and any other circumstances, including budgetary, resource and personnel matters;

Whether an analysis of agency operations indicates that the agency performs its statutory duties efficiently and effectively; and

Whether the composition of the agency's board or commission adequately represents the public interest and whether the agency encourages public participation in its decisions rather than participation only by the people it regulates.

In part, COPRRR utilizes this section of the report to evaluate the agency according to these criteria.

Article 10 of Title 12, (Act) C.R.S., governs the real estate appraisal profession in Colorado.

The Act creates the Board of Real Estate Appraisers (Board) to implement the Act and comply with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA).<sup>74</sup> Furthermore, the Act unambiguously prohibits the Board from establishing any requirements that are more stringent than those in federal law.<sup>75</sup> Any provision of the Act that a court finds is out of compliance with FIRREA, is null and void.<sup>76</sup> The Board and the Colorado Division of Real Estate (Division) are charged with implementing federal and state regulation pertaining to real estate appraisers.

The Board is a type 1, seven-member, Governor-appointed body that meets every other month to discuss issues surrounding the licensing and regulation of appraisers. The Act requires three members to be licensed or certified by the Board, one must have expertise in eminent domain, one must be a current county assessor, one must be employed by a commercial bank with experience in real estate lending, one must be employed at an appraisal management company, and one must represent the general public.<sup>77</sup>

---

<sup>74</sup> §§ 12-10-603(1) and 604(1)(a)(I), C.R.S.

<sup>75</sup> § 12-10-604(1)(a)(II), C.R.S.

<sup>76</sup> § 12-10-622(1), C.R.S.

<sup>77</sup> § 12-10-603(1), C.R.S.

---

Table 1 shows the Board expenditures and full-time equivalent (FTE) employees for the period under review.

**Table 1**  
**Agency Fiscal Information**

| <b>Fiscal Year</b> | <b>Total Program Expenditure</b> | <b>FTE</b> |
|--------------------|----------------------------------|------------|
| 15-16              | \$896,610                        | 7.33       |
| 16-17              | \$850,966                        | 7.33       |
| 17-18              | \$1,023,862                      | 8.33       |
| 18-19              | \$1,136,268                      | 9.43       |
| 19-20              | \$813,429                        | 6.43       |

Table 1 shows that both Total Program Expenditures and FTE increased in fiscal years 17-18 and 18-19. This is likely due to an increase in the number of complaints handled by the Division and Board during the time preceding the increase. Once the number lessened the expenditures normalized.

During fiscal year 20-21, the Division allotted 5.43 FTE to program operations. Those FTE were allotted as follows:

- Compliance Investigator I, 3.0 FTE - Performs investigations on appraiser complaints.
- Program Assistant I, 1.0 FTE - Assists the Division Director and the Board with program administration.
- Division Director, 0.33 FTE - Acting team lead for the appraiser program.
- Technician III, 0.10 FTE - Reviews and approves Temporary Authority Permit applications and assists with the license upgrade process.
- Compliance Specialist IV, 1.0 FTE - Performs experience reviews of candidates seeking licensure as an appraiser.

The Board is also required by federal law to annually transmit to the Appraisal Subcommittee of the Federal Financial Institutions Examination Council, registration information and fees regarding appraisers and appraisal management companies (AMCs) regulated under the Act.<sup>78</sup> The Division reported that the AMC registration fees transmitted for 2020 were \$107,550.

---

<sup>78</sup> §§ 12-10-620(1)(a) and (1)(b), C.R.S.

---

## Licensing

Except for Ad Valorem appraisers, who appraise property for a county assessor's office or the Colorado Division of Property Taxation,<sup>79</sup> appraisers are regulated under the umbrella of FIRREA. The underlying theme of appraiser regulation is compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), which are developed by the Appraisal Standards Board (ASB) of the Appraisal Foundation. The Appraisal Foundation is authorized by the U.S. Congress to set the standards for the appraisal profession in the U.S. The Board has officially adopted USPAP to regulate in Colorado.<sup>80</sup>

### Appraisal Management Companies

To acquire or renew a license as an Appraisal Management Company (AMC), an applicant must have a controlling appraiser who holds an active appraiser's license as well as proper business registration prerequisites, surety of at least \$25,000, a roster of appraisers, an appropriate criminal history, and paid registry fees.<sup>81</sup> An AMC is not required to be domiciled in Colorado to obtain a license as long as the AMC has a place of business in another jurisdiction and is registered as a foreign entity with the Colorado Secretary of State.<sup>82</sup>

Table 2 lists the total AMCs, the number of new AMCs licensed, and the number of licenses renewed each fiscal year examined for this sunset review.

**Table 2**  
**Appraisal Management Company**  
**Licensing Information**

| Fiscal Year | Initial Licenses | License Renewals | Total |
|-------------|------------------|------------------|-------|
| 15-16       | 20               | 142              | 162   |
| 16-17       | 9                | 152              | 161   |
| 17-18       | 11               | 148              | 159   |
| 18-19       | 4                | 141              | 144   |
| 19-20       | 8                | 136              | 144   |

Table 2 shows that the number of licenses issued by the Division declined slightly during the last two years of the time cohort. The Division did not know of any regulatory or marketplace occurrences that might have caused the decline.

---

<sup>79</sup> 4 CCR § 725-2-1.37 Colorado Board of Real Estate Appraisers

<sup>80</sup> 4 CCR 725-2 § 1.10, Colorado Board of Real Estate Appraisers.

<sup>81</sup> 4 CCR 725-2, Ch.17, Colorado Board of Real Estate Appraisers.

<sup>82</sup> 4 CCR 725-2 § 17.12, Colorado Board of Real Estate Appraisers.

---

AMC licenses expire each year on December 31.<sup>83</sup> As of June 2021, the AMC licensing fees were as follows:

- Initial License Fee  
\$1,936.00
- Renewal Fee  
\$830.00
- Reinstatement Fee (Expired One Year or Less)  
\$1,105.67
- Reinstatement Fee (Expired More than One Year, but Less than Two Years)  
\$1,381.33

### Appraisers

The Board credentials several levels of appraisers as well, including:

- Licensed Ad Valorem Appraiser
- Licensed Appraiser
- Certified Residential Appraiser
- Certified General Appraiser

The Appraisal Qualifications Board (AQB) of the Appraisal Foundation creates the minimum education, experience, and examination standards implemented by states. To be licensed as an appraiser in Colorado, applicants must complete required qualifying education and experience, pass a background check, submit an application and fees to the Division, and then pass an examination. Candidates for the Ad Valorem credential do not need to pass a criminal background check.<sup>84</sup>

The education and experience for each category of appraiser are listed below:<sup>85</sup>

- Licensed Ad Valorem Appraiser - 110 hours of education, including:
  - Basic Appraisal Principles,
  - Basic Appraisal Procedures,
  - 15-Hour National USPAP Course or its Equivalent, and
  - Introduction to Mass Appraisal.
- Licensed Appraiser - 1,000 hours of experience in no fewer than six months and 150 hours of qualifying education, including:
  - Basic Appraisal Principles,
  - Basic Appraisal Procedures,
  - 15-hour National USPAP Course or its equivalent,
  - Residential Market Analysis & Highest & Best Use,

---

<sup>83</sup> 4 CCR 725-2 § 17.3, Colorado Board of Real Estate Appraisers.

<sup>84</sup> 4 CCR 725-2 § 6.1, Colorado Board of Real Estate Appraisers.

<sup>85</sup> Colorado Department of Regulatory Agencies. *Appraiser Qualifying Education, Experience & Examination Requirements*. Retrieved July 23, 2021, from <https://dre.colorado.gov/division-programsreal-estate-appraiserlicensing/appraiser-qualifying-education-experience>

- 
- Residential Appraiser Site Valuation & Cost Approach,
  - Residential Sales Comparison and Income Approaches, and
  - Residential Report Writing and Case Studies.
- Certified Residential Appraiser - 1,500 hours of experience in no fewer than 12 months, appropriate college education, and 200 hours of qualifying education, including:
    - Basic Appraisal Principles;
    - Basic Appraisal Procedures;
    - 15-hour National USPAP Course or its equivalent;
    - Residential Market Analysis & Highest & Best Use;
    - Residential Appraiser Site Valuation & Cost Approach;
    - Residential Sales Comparison and Income Approaches;
    - Residential Report Writing and Case Studies;
    - Statistics, Modeling and Finance;
    - Advanced Residential Applications and Case Studies; and
    - 20 hours of Appraisal Subject Matter Electives.
  - Certified General Appraiser - 3,000 hours of experience (1,500 must be with nonresidential appraisals) in no fewer than 18 months, Bachelor's degree from an accredited university, and 300 hours of qualifying education, including:
    - Basic Appraisal Principles;
    - Basic Appraisal Procedures;
    - 15-hour National USPAP Course or its equivalent;
    - General Appraiser Sales Comparison Approach;
    - General Appraiser Site Valuation and Cost Approach;
    - General Appraiser Income Approach;
    - General Appraiser Report Writing and Case Studies;
    - Statistics, Modeling and Finance;
    - Appraisal Subject Matter Electives; and
    - General Appraiser Market Analysis & Highest & Best Use.

These requirements were created understanding that the Act unambiguously prohibits the Board from establishing any requirements that are more stringent than those in federal law.<sup>86</sup> Therefore, the Colorado qualifications match the minimums established by the AQB.

The Board also issues licenses by endorsement to individuals actively licensed in another jurisdiction that has substantially equivalent requirements to Colorado,<sup>87</sup> as long as the home jurisdiction is “in compliance” with Title XI of FIRREA as determined by the Appraisal Subcommittee (ASC) of the Federal Financial Institutions Examination Council. The Board also issues temporary practice permits for short-term, assignment-specific cases.<sup>88</sup>

---

<sup>86</sup> § 12-10-604(1)(a)(II), C.R.S.

<sup>87</sup> 4 CCR 725-2 § 9.1, Colorado Board of Real Estate Appraisers.

<sup>88</sup> 4 CCR 725-2 Ch. 10, Colorado Board of Real Estate Appraisers.

Table 3 lists the number of appraisers licensed by category during each fiscal year examined for this sunset review.

**Table 3**  
**Appraiser Licensing Numbers by Type**  
**Initial, Renewal and by Endorsement**

| Appraiser License Types      | Fiscal Years |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
|                              | 15-16        | 16-17        | 17-18        | 18-19        | 19-20        |
| <b>Ad Valorem</b>            |              |              |              |              |              |
| Initial                      | 40           | 40           | 57           | 30           | 16           |
| Renewal                      | 34           | 58           | 110          | 91           | 120          |
| By endorsement               | 0            | 0            | 0            | 0            | 0            |
| <b>Licensed</b>              |              |              |              |              |              |
| Initial                      | 5            | 20           | 27           | 37           | 41           |
| Renewal                      | 68           | 90           | 162          | 98           | 98           |
| By endorsement               | 6            | 5            | 4            | 6            | 6            |
| <b>Certified Residential</b> |              |              |              |              |              |
| Initial                      | 7            | 16           | 25           | 87           | 45           |
| Renewal                      | 384          | 376          | 855          | 399          | 888          |
| By endorsement               | 26           | 54           | 52           | 17           | 20           |
| <b>Certified General</b>     |              |              |              |              |              |
| Initial                      | 7            | 13           | 17           | 22           | 15           |
| Renewal                      | 363          | 351          | 643          | 370          | 647          |
| By endorsement               | 48           | 58           | 52           | 33           | 56           |
| <b>Total Active</b>          | <b>2,637</b> | <b>2,736</b> | <b>2,733</b> | <b>2,819</b> | <b>2,801</b> |

\*Licenses renew every two years on issue date.

The total number of credentialed appraisers has shown a slight increase, 6.2 percent, during the time cohort examined. However, according to Division staff and external stakeholders, there is a shortage of appraisers in Colorado.

Regulation is cash-funded. All fees, penalties, and fines are credited to the Division cash fund.<sup>89</sup> Table 4 lists the license fees as of spring of 2021.

<sup>89</sup> § 12-10-605, C.R.S.



**Table 4  
Appraiser Licensing Fees  
Spring 2021**

| License Type   | Initial License | License Renewal | Reinstatement Expired One Year or Less | Reinstatement Expired One to Two Years |
|--|-----------------|-----------------|--|--|
| Ad Valorem   | \$134           | \$133           | \$176                                  | \$220                                  |
| Licensed Appraiser, Certified Residential, and Certified General | \$240           | \$221           | \$267                                  | \$313                                  |

Additionally, a temporary license was \$75 and a license by endorsement was \$221 during June 2021. Neither of those licenses are available for an Ad Valorem appraiser credential.

Any licensee, may request an upgrade of her or his license when she or he has satisfied the rule-established requirements for the credential for which the licensee is applying.<sup>90</sup>

### Continuing Education

The seventh sunset criterion requires COPRRR to examine whether complaint, investigation and disciplinary procedures adequately protect the public and whether final dispositions of complaints are in the public interest or self-serving to the profession.

In part, COPRRR utilizes this section of the report to evaluate the program according to this criterion.

The Act directs the Board to determine mandatory continuing education (MCE) requirements for all Ad Valorem appraisers and all appraisers regulated under FIRREA.<sup>91</sup> Prior to renewing a license, each licensee must complete 28 hours of MCE during the two-year renewal cycle.<sup>92</sup> The ASC requires the Division to audit MCE compliance so the Division audits a sample of approximately 10 percent of the licensees. If an appraiser is out of compliance, the typical sanction is a fine and proof they have successfully completed the deficient hours of continuing education. Table 5 shows the audits performed by the Division during the fiscal years analyzed for this sunset review. The data in this table are displayed in two calendar year parcels, rather than by fiscal year which is the common practice in a sunset report because MCE cycles dictate the time frame in which the data are reported.

<sup>90</sup> 4 CCR 725-2 § 1.33, Colorado Board of Real Estate Appraisers.

<sup>91</sup> § 12-10-606(2), C.R.S.

<sup>92</sup> 4 CCR 725-2 § 7.2, Colorado Board of Real Estate Appraisers.

**Table 5  
MCE Audit Information**

|               | 2013-2015 | 2014-2016 | 2015-2017 | 2016-2017 | 2017-2018 | 2018-2019 |
|---------------|-----------|-----------|-----------|-----------|-----------|-----------|
| MCE Audits    | 130       | 111       | 127       | 135       | 114       | 250       |
| Non-Compliant | 9         | 7         | 11        | 12        | 9         | 10        |
| Fine Totals   | \$2,145   | \$1,155   | \$2,070   | \$2,415   | \$2,070   | \$1,897   |

The fine amounts are inconsistent from year to year. The Division explained that this is due to the number of continuing education hours the licensee is deficient. The fines include a 15 percent surcharge. Section 24-34-108, C.R.S., establishes the Consumer Outreach and Education Cash Fund to develop, implement, and maintain the Consumer outreach and Education Program within the Department of Regulatory Agencies (DORA). DORA’s Executive Director is authorized to collect a surcharge for fines that are to be credited to the cash fund. The fine surcharge is an additional 15 percent of the total of the fine and it is included in the totals.

All FIRREA-regulated licensees must also pass an AQB-approved, seven-hour National USPAP Update Course, or its equivalent, every two calendar years per federal regulation. The course emphasizes changes to the USPAP and matters that affect everyday practice. The Division audits licensees for compliance with this requirement. Failure to submit course completion certificates by December 31 of the renewal year results in license expiration. Table 10, also in the two calendar year parcels, shows the USPAP audit data.

**Table 6  
USPAP Audit Information**

|                    | 2013-2015 | 2014-2016 | 2015-2017 | 2016- 2017 | 2017-2018 | 2018-2019 |
|--------------------|-----------|-----------|-----------|------------|-----------|-----------|
| USPAP Audits       | 873       | 736       | 704       | 824        | 737       | 1,534     |
| Non-Compliant      | 97        | 99        | 124       | 18         | 9         | 31        |
| Non-Compliance Fee | \$14,550  | \$14,850  | \$18,600  | \$2,700    | \$1,350   | \$4,650   |

During the time examined for this sunset review, the fee for non-compliance with this requirement was \$150. It has since been increased to \$300 to help increase compliance. When a licensee does not complete the USPAP requirement within their cycle they are noncompliant, and the \$300 fee is assessed. If a licensee does not complete the requirements or pay the fee, the license is moved to “inactive” status. If the requirement are still not completed by December 31, the license expires.

---

## Examinations

The eighth sunset criterion questions whether the scope of practice of the regulated occupation contributes to the optimum utilization of personnel and whether entry requirements encourage affirmative action.

In part, COPRRR utilizes this section of the report to evaluate the program according to this criterion.

One of the requirements to be an appraiser in Colorado is passing a licensing examination specially developed for the level of license sought by the applicant. All candidates except those for the Ad Valorem license, must pass an examination that is developed by the AQB. To qualify, a person must complete all requisite education and experience. Once qualified, a candidate receives a Letter of Exam Eligibility from the Board and may make an appointment to take the appropriate examination. The examinations to become credentialed in Colorado are offered through PSI testing service. PSI has 15 test centers in Colorado.<sup>93</sup> The AQB disseminated an outline that lays out the content areas of the examination, including:<sup>94</sup>

- Real Estate Market,
- Property Description,
- Land or Site Valuation,
- Sales Comparison Approach,
- Cost Approach,
- Income Approach,
- Reconciliation of Value Indications, and
- USPAP.

Table 7 enumerates the first-time examinations taken and the percentage of those passing during the time examined for this sunset review.

---

<sup>93</sup> PSI. *PSI Exams Online*. Retrieved May 11, 2021, from [https://candidate.psiexams.com/registration/testcenter\\_details.jsp?testid=3659&statername=Colorado&country=USA](https://candidate.psiexams.com/registration/testcenter_details.jsp?testid=3659&statername=Colorado&country=USA)

<sup>94</sup> Pearson VUE. *Appraiser Qualification Board National Uniform Licensing and Certification Examinations Content Outline*. Retrieved July 26, 2021, from <https://home.pearsonvue.com/getattachment/ce05dd77-96e7-4954-991f-9e09726a970f/Examination%20Content%20Outline%20for%20AQB%20Uniform%20Licensure%20Exams%20Licensed%20Residential.aspx>

**Table 7**  
**Appraiser Examinations**  
**Number of Examinees/Percent Passing**

| License Type          | Fiscal Years |       |       |       |       |       |       |       |
|-----------------------|--------------|-------|-------|-------|-------|-------|-------|-------|
|                       | 15-16        |       | 16-17 |       | 17-18 |       | 18-19 |       |
| Ad Valorem            | 43           | 74.4% | 48    | 62.5% | 62    | 74.2% | 33    | 51.5% |
| Licensed Appraiser    | 4            | 25%   | 20    | 65%   | 25    | 75.9% | 42    | 59.5% |
| Certified Residential | 13           | 61.5% | 17    | 82.3% | 28    | 64.3% | 96    | 71.9% |
| Certified General     | 8            | 62.5% | 15    | 80%   | 18    | 50%   | 23    | 56.5% |

Table 7 shows that the ratio of those passing varies widely in every category of examination. Division staff explained that because the examination is developed by the AQB and it changes every two years when the USPAP standards change, they are unaware of why the rates fluctuate so much.

### Complaint and Disciplinary Action

The seventh sunset criterion requires COPRRR to examine whether complaint, investigation and disciplinary procedures adequately protect the public and whether final dispositions of complaints are in the public interest or self-serving to the profession.

In part, COPRRR utilizes this section of the report to evaluate the program according to this criterion.

The USPAP, adopted by Congress in 1989, sets the standards for the appraisal profession across the United States, including Colorado.<sup>95</sup> Complaints alleging a violation may come to the Board through the Division website or written document. The Board also has the authority to initiate a complaint against a licensee when it believes it is necessary.<sup>96</sup>

When the Board notifies a licensee that a complaint has been filed against her or him, that licensee must submit a written response within the time specified in the Board notice. Failure to submit a response within that time, is grounds for discipline. The response must address:<sup>97</sup>

- The factual recitations, allegations, or averments;
- Any other questions, allegations, or averments in the notification letter;
- Documents or records requested in the notice; and
- Any additional information relevant or material to the matters addressed in the notice.

<sup>95</sup> 4 CCR 725-2 § 1.10, Colorado Board of Real Estate Appraisers.

<sup>96</sup> 4 CCR 725-2 § 13.1, Colorado Board of Real Estate Appraisers.

<sup>97</sup> 4 CCR 725-2 § 13.4, Colorado Board of Real Estate Appraisers.

Table 8 catalogs the complaints and the alleged violations that the Board received during the period analyzed for this sunset review.

**Table 8  
Complaints**

| Nature of Complaints                            | Fiscal Year 15-16 | Fiscal Year 16-17 | Fiscal Year 17-18 | Fiscal Year 18-19 | Fiscal Year 19-20 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| AMC statutes or rules violation                 | 0                 | 1                 | 11                | 7                 | 1                 |
| MCE non-compliance                              | 21                | 23                | 39                | 19                | 25                |
| Competency                                      | 4                 | 0                 | 0                 | 5                 | 2                 |
| Criminal matters                                | 2                 | 1                 | 2                 | 1                 | 0                 |
| Criminal guilty plea or conviction              | 2                 | 1                 | 1                 | 2                 | 0                 |
| E&O audit                                       | 0                 | 16                | 0                 | 0                 | 0                 |
| FHA/VA  | 0                 | 0                 | 0                 | 1                 | 0                 |
| Failure to retain records                       | 1                 | 0                 | 0                 | 0                 | 0                 |
| Incompetency or negligence                      | 0                 | 18                | 5                 | 0                 | 4                 |
| Improper disclosure of confidential information | 0                 | 0                 | 1                 | 0                 | 0                 |
| Misrepresentation                               | 3                 | 1                 | 6                 | 1                 | 1                 |
| No jurisdiction                                 | 36                | 32                | 21                | 4                 | 2                 |
| New complaint(unspecified)                      | 85                | 34                | 30                | 24                | 73                |
| Non-responsive to requests                      | 0                 | 1                 | 3                 | 0                 | 0                 |
| Over-valuation                                  | 0                 | 6                 | 0                 | 0                 | 0                 |
| USPAP deficiencies, standards 1 and 2           | 129               | 151               | 95                | 30                | 8                 |
| USPAP deficiencies, standard 3                  | 1                 | 1                 | 1                 | 1                 | 0                 |
| Pre-license investigation                       | 3                 | 6                 | 4                 | 3                 | 5                 |
| Stipulation violation                           | 0                 | 0                 | 1                 | 0                 | 0                 |
| Recordkeeping                                   | 2                 | 0                 | 0                 | 0                 | 1                 |
| Under-valuation                                 | 4                 | 44                | 22                | 5                 | 1                 |
| Unethical behavior                              | 2                 | 4                 | 5                 | 3                 | 0                 |
| Unlicensed activity                             | 2                 | 3                 | 2                 | 2                 | 0                 |
| Unpaid appraisers (AMCs)                        | 0                 | 4                 | 2                 | 0                 | 0                 |
| Unworthiness and incompetence                   | 0                 | 0                 | 0                 | 1                 | 0                 |
| <b>Total</b>                                    | <b>297</b>        | <b>347</b>        | <b>251</b>        | <b>109</b>        | <b>126</b>        |

Table 8 notes that the overwhelming majority of complaints are for "USPAP deficiencies, standards 1 and 2." The Board received 1,130 complaints during the period analyzed for this report and 417, or 37 percent, were in that single category. The Division no longer categorizes complaints on intake as it did in the first three fiscal years under review. The "standards 1 and 2" complaints were a generic catchall category and now the Division completes a preliminary investigation before categorizing the complaints. This also cuts down on the number dismissals made by the Board because a complaint was unfounded, as noted below in Table 9.

The Board may deny or refuse to renew a license or certificate, revoke or suspend a license or certificate, place a licensee on probation, impose public censure, and issue fines for violations of the Act.<sup>98</sup> If a licensee is placed on probationary status, that status may include additional training or education, practice supervision, and practice restrictions.<sup>99</sup> Table 9 shows the disciplinary actions taken by the Board when it found violations had occurred.

**Table 9  
Board Final Actions**

| Type of Action                                    | Fiscal Year<br>15-16 | Fiscal Year<br>16-17 | Fiscal Year<br>17-18 | Fiscal Year<br>18-19 | Fiscal Year<br>19-20 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Revocation/Surrender/<br>Voluntary Relinquishment | 2                    | 6                    | 3                    | 4                    | 1                    |
| Suspension  | 1                    | 0                    | 0                    | 3                    | 1                    |
| Probation/Practice<br>Limitation                  | 1                    | 0                    | 1                    | 1                    | 3                    |
| Letter of Admonition                              | 0                    | 0                    | 0                    | 1                    | 0                    |
| License Denied                                    | 0                    | 0                    | 0                    | 0                    | 0                    |
| Fine  | 30                   | 26                   | 40                   | 33                   | 29                   |
| Other   |                      |                      |                      |                      |                      |
| Coursework  | 29                   | 24                   | 39                   | 30                   | 24                   |
| Supervision                                       | 2                    | 4                    | 3                    | 7                    | 2                    |
| Work Product Review                               | 11                   | 11                   | 4                    | 10                   | 1                    |
| Public Censure                                    | 3                    | 4                    | 17                   | 23                   | 8                    |
| Stayed Fines                                      | 2                    | 3                    | 4                    | 3                    | 2                    |
| License Downgrade                                 | 0                    | 1                    | 0                    | 0                    | 1                    |
| Requalify for Credential                          | 0                    | 0                    | 0                    | 3                    | 1                    |
| <b>Total Disciplinary Actions</b>                 | 34                   | 31                   | 44                   | 41                   | 34                   |
| Dismissals  | 118                  | 142                  | 150                  | 70                   | 46                   |
| Letter of Concern                                 | 0                    | 0                    | 0                    | 0                    | 2                    |
| <b>Total Dismissals</b>                           | 118                  | 142                  | 150                  | 70                   | 48                   |

<sup>98</sup> §§ 12-10-613(2) and 613(7), C.R.S.

<sup>99</sup> § 12-10-613(6)(c), C.R.S.



Table 9 indicates that the majority of complaints are unfounded and dismissed. It also shows that the Board rarely suspends or revokes a license opting to require additional training or supervision rather than take a person’s livelihood away.

## Financing Authority

The seventh sunset criterion requires COPRRR to examine whether complaint, investigation and disciplinary procedures adequately protect the public and whether final dispositions of complaints are in the public interest or self-serving to the profession.

In part, COPRRR utilizes this section of the report to evaluate the program according to this criterion.

The Board is authorized to impose fines up to \$2,500 per violation against AMCs.<sup>100</sup> It may also issue a fine between \$300 and \$500 for a first violation and between \$1,000 and \$2,000 for a subsequent violation against an individual licensee.<sup>101</sup> Table 10 shows the fining activity of the Board during the time cohort examined for this sunset review.

**Table 10  
Financing Activity**

| Fiscal Year | Number of Fines Imposed | Total Value of Fines Imposed | Total Value of Fines Collected* |
|-------------|-------------------------|------------------------------|---------------------------------|
| 15-16       | 32                      | \$20,613                     | \$19,168 (\$1,445 Stayed)       |
| 16-17       | 29                      | \$26,393                     | \$18,918 (\$7,475 Stayed)       |
| 17-18       | 44                      | \$36,040                     | \$32,200 (\$1,840 stayed)       |
| 18-19       | 36                      | \$46,875                     | \$40,940 (\$6,900 stayed)       |
| 19-20       | 31                      | \$39,790                     | \$36,340 (\$3,450 stayed)       |

\*The totals include the Consumer Outreach and Education Cash Fund surcharge.

The staying of fines means that the violator does not have to pay the fine immediately but must pay if the licensee subsequently violates the Act. The average fine has approximately doubled during the sunset review cohort from \$644 per fine in fiscal year 15-16, to \$1,284 per fine in fiscal year 19-20. The Division explained that last two years had a higher number of AMC cases which carry heftier fines and more cases were referred to the Colorado Attorney General which may have led to higher fines. Additionally, in fiscal year 17-18, \$2,000 worth of fines were sent to collections and in fiscal year 18-19, \$1,035 was sent to collections.

<sup>100</sup> § 12-10-614(1), C.R.S.

<sup>101</sup> § 12-10-613(7), C.R.S.

---

## Collateral Consequences - Criminal Convictions

The ninth sunset criterion requires COPRRR to examine whether the agency under review, through its licensing processes, imposes any sanctions or disqualifications based on past criminal history, and if so, whether the disqualifications serve public safety or commercial or consumer protection interests.

In part, COPRRR utilizes this section of the report to evaluate the program according to this criterion.

The Division reported that no sanctions or disqualifications were made based on past criminal history.

## COVID-19 Response

The COVID-19 pandemic placed extraordinary pressures on the citizens of Colorado, the Colorado economy and Colorado state government. As a result, COPRRR asked the Division to summarize any measures the agency may have implemented in response to the COVID-19 pandemic, the results of those efforts and any lessons learned. This section of the report is intended to provide a high-level summary of those responses.

Adjustments made by the Division meant moving program operations to the internet. This included holding Board meetings and all testimony using a video chat platform. For licensees, the continuing education requirements did not stop. Therefore, distance learning was the only way for individuals to obtain the mandatory continuing education credits. No other changes were instituted at the regulatory level. In the field, each individual appraisal created issues for the particular appraiser performing the appraisal, but no steps were taken by the Board to regulate or standardize procedures.

---

## Analysis and Recommendations

The final sunset criterion questions whether administrative and statutory changes are necessary to improve agency operations to enhance the public interest. The recommendations that follow are offered in consideration of this criterion, in general, and any criteria specifically referenced in those recommendations.

### **Recommendation 1 - Continue the regulation of Appraisal Management Companies and real estate appraisers by the Board of Real Estate Appraisers for nine years, until 2031.**

The first statutory criterion adopted by the General Assembly to guide the sunset review process asks:

Whether regulation by the agency is necessary to protect the public health, safety, and welfare; whether the conditions that led to the initial regulation have changed; and whether other conditions have arisen that would warrant more, less, or the same degree of regulation;

The chief tasks of a sunset review are to determine whether regulation is necessary to protect consumers and make recommendations to the General Assembly.

Real estate appraisers estimate the value of real estate, including the land and any improvements to that land. Generally, an appraisal is conducted prior to the sale of a piece of property. However, there are times when appraisals are conducted for insurance, taxes, refinancing, or other financial transactions when knowing the value of real property is necessary.

Appraisers often focus on residential property or commercial property and develop an assessment of value using financial modeling and comparable properties. To be accurate, a real estate appraiser needs to understand an area's real estate market.

Real estate purchases and sales are among the most emotional and financially costly transactions many people may experience. The average cost of a Colorado residence as of the beginning of September 2021 was \$601,385, and there were just over 96,530 homes sold.<sup>102</sup> Real estate is big business as well as personal and impacting.

Past breakdowns of the real estate market have had dire effects on individual net worth and the U.S. economy in general. Federal regulation was adopted to mitigate harm caused by dishonest and/or incompetent appraisers. Congress has authorized the Appraisal Foundation to establish national qualifications and standards. Appraisers who conduct appraisals on loans furnished by federally insured banks and financial

---

<sup>102</sup> Colorado Association of Realtors. *Statewide Report Single Family and Townhouse-Condo May 2021*. P.14. Retrieved September 17, 2021, from <https://car-co.stats.showingtime.com/docs/mmi/x/Statewide?src=page>

---

institutions must have a state-issued license or certification, according the federal Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). Appraisers of personal and business property, or government assessors are not required to be licensed by federal law. However, Colorado does require Ad Valorem appraisers (those who work for an assessor) to be licensed.

One other federal law, the Dodd-Frank Wall Street Reform and Consumer Protection Act, has had a major impact on appraiser regulation. Among its provisions, it requires the independence of appraisers from lenders. That relationship was a major contributing factor to real estate problems in the first decade of the 2000s. The required separation led to the proliferation of Appraisal Management Companies (AMCs), which are also required to be regulated under federal law and which act as a go-between with lenders and the field appraisers.

The case for the continued licensing of AMCs and real estate appraisers in Colorado is salient and simple. First, consumers have been harmed in extreme and measurable ways in the past due to dishonest and/or incompetent appraisers and appraisals. While regulation cannot end such actions, it provides for minimal competency of appraisers and recourse for individuals who have been harmed. Both conditions could prevent a substandard appraiser from harming consumers.

Second, not regulating AMCs and real estate appraisers, could upend the real estate sector of the Colorado economy. The majority of residential mortgage loans are funded by federally insured institutions. According to federal law, the appraisal conducted for every one of those loans must be performed by a state-licensed appraiser. It is reasonable to assume that if the licensing of appraisers was to sunset, most of those loans would not be made and many Colorado consumers would not be able to purchase a home.

For both of these reasons, licensing AMCs and appraisers is necessary to protect public health, safety, and welfare. The membership of the Board of Real Estate Appraisers (Board) includes the requisite expertise needed to determine the issues of competence and misconduct with which it is confronted.

Therefore, the General Assembly should continue the regulation of AMCs and real estate appraisers by the Board. Because the real estate industry can be dynamic, COPRRR recommends the General Assembly should not extend regulation for the maximum number of years and schedule the next sunset review for nine years, in 2031.

---

## Recommendation 2 - Adopt a limited exemption to the Uniform Standards of Professional Appraisal Practice and allow licensed appraisers to perform evaluations.

In Colorado every licensed appraiser must follow the Uniform Standards of Professional Appraisal Practice (USPAP) when appraising real estate. However, not all assessments of real property are legally required to conform to the USPAP and there are times when a federally regulated financial institution does not want or need a USPAP-conforming appraisal. Those circumstances include:<sup>103</sup>

- Commercial real estate-related financial transactions under \$500,000;
- Any non-commercial real estate related financial transaction under \$400,000;
- Qualified business loans with a transaction value less than \$1 million;
- Subsequent transactions, such as a refinance, if there is no new money and no quantifiable change in the market since the last transaction; and
- Rural real estate-related transactions under \$400,000 when the financial institution has made a bona-fide attempt to obtain an appraisal.

In such cases the institution may use internal bank staff, financial analysts, accountants, and brokers/salespersons, among others to obtain an evaluation. Evaluations are condensed appraisals that can usually be done from a desktop using historical information. They are less expensive to perform and are done on low-risk loans.

Notwithstanding, under the USPAP, an evaluation is an appraisal. Because it is considered an appraisal, all standards must be adhered to. Currently, in Colorado, because of the manner in which the Act and associated rules are written and strict adherence to the USPAP is required, out-of-state companies perform all evaluations on Colorado properties. Typically, those evaluators have no familiarity with local conditions and Colorado licensed appraisers are prohibited from competing in this space.

According to *appraiser focus magazine*, the difference between an appraisal and an evaluation is:<sup>104</sup>

- An appraisal requires both an analysis of the property's highest and best use, as well as a summary of the logic and rationale behind that analysis within the report. There is no such requirement in an evaluation.
- An appraisal requires an analysis of reasonable exposure time, as well as its statement within the report, but not in an evaluation.
- Currently, an appraisal can be presented in only one of two formats, an Appraisal Report, or a Restricted Appraisal Report. An evaluation has no such requirement.

---

<sup>103</sup> Appraisal Institute. *Evaluations*. Retrieved July 12, 2021, from <https://www.appraisalinstitute.org/advocacy/evaluations/>

<sup>104</sup> Timothy C Anderson, "An Appraisal Versus and Evaluation," *appraiser focus magazine*, Q3, 2019.

- 
- An appraisal requires a signed certification as part of every written appraisal report and the work file of an oral report. An evaluation has no such requirement.
  - In an appraisal, there are numerous “i’s” to dot and “t’s” to cross. Given that an evaluation is a less formal document, there are fewer “i’s” and “t’s”.
  - USPAP requires an appraisal to be credible. The evaluation guidelines require an evaluation to be reliable.

There are several states that have created limited exemptions to the USPAP that allow licensed appraisers to perform evaluations. Among those are neighboring states South Dakota and Utah.

The second sunset criterion asks the General Assembly to determine if current regulation is consistent with public protection but also the least restrictive regulation consistent with the public interest. Given that other states have amended laws that allow licensees to perform evaluations, Colorado regulation is overly restrictive in prohibiting evaluations. The Utah law provides consumer protections that ensure professional standards are not abandoned. The Utah law specifically states that its regulatory board may not exempt a licensee from the USPAP ethics rule, the record keeping rule, the competency rule, and the scope of work rule when performing evaluations.

The General Assembly should adopt a limited exemption to the USPAP and allow licensed appraisers to perform evaluations. In doing so it should use the Utah law as a model.

### **Recommendation 3 - Amend the Act to comport with federal law.**

The Act is explicit that its purpose is to regulate the real estate appraisal industry in compliance with federal law and not be more stringent than federal law.<sup>105</sup> From time to time the federal laws that govern appraisers change and it is important for the Act to keep current. The following changes are necessary to make the Act harmonize with federal law:

Federal law requires AMCs doing business in two or more states with a panel (list of credentialed appraisers) of 25 or more to pay the fee. The Act requires AMCs with *more than* 25 to pay the fee. Therefore, the Act should be updated to comport with the federal standard.

There are some AMCs that operate under a federal exemption and are not required to register in Colorado. Section 12-10-607(9), C.R.S., contains the exemption. The language in the section is not specific enough to satisfy the federal inspectors who scrutinize Colorado’s program. Therefore, the Act should be updated to contain the specific language and comport with the federal standard.

---

<sup>105</sup> §§ 12-10-604(1)(a)(I) and 604(1)(a)(II), C.R.S.

---

The Appraiser Qualifications Board (AQB) of the Appraisal Foundation creates the minimum requirements necessary for appraisers to qualify for a credential. The AQB has lowered the experience requirements from 12 months to 6 months. Section 606(5) of the Act reads, “The Board shall not issue an appraiser's license as referenced in subsection (1)(b)(IV) of this section unless the applicant has at *least 12 months' appraisal experience.*” Therefore, the Act should be updated to comport with the federal standard.

The AQB has promulgated standards for an inactive credential holder to become reactivated, including required education. The Act's standards do not match the AQB's standards. The Act should be updated to incorporate the AQB standards by reference and direct that the Board keep the education standards in sync with the AQB standards by rule.

The first sunset criterion asks if conditions have changed that warrant changes to regulation. In this case, changes to federal law require changes in the Act, and the General Assembly should make the necessary updates.

#### **Recommendation 4 - Repeal the requirement that letters of admonition be sent by certified mail.**

Sections 613(3) and 614(2) of the Act require the Board to send letters of admonition to licensees via certified mail. While this delivery method allows the Division and the Board to verify that a delivery attempt was made, it does not guarantee that the addressee actually receives the letter. The addressee can decline to sign for or pick up the letter, and then she or he could claim notice was not received. This defeats the purpose of sending the letter by certified mail.

Certified mail also costs more than first-class mail.

Repealing the requirement that letters of admonition be sent via certified mail would save money and streamline the administrative process without compromising enforcement authority.

The fourth sunset criterion requires examination to determine, “Whether an analysis of agency operations indicates that the agency performs its statutory duties efficiently and effectively.” The Act necessitates Division inefficiency. Therefore, the General Assembly should repeal the requirement that letters of admonition be sent by certified mail.



---

## Recommendation 5 - Clarify the fining structure.

Section 12-10-613(7), C.R.S., reads:

(7) In addition to any other discipline imposed pursuant to this section, any person who violates this part 6 or the rules promulgated pursuant to this article 10 may be penalized by the Board upon a finding of a violation pursuant to Article 4 of Title 24 as follows:

(a) In the first administrative proceeding against a person, a fine of not less than \$300 but not more than \$500 per violation;

(b) In any subsequent administrative proceeding against a person for transactions occurring after a final agency action determining that a violation of this part 6 has occurred, a fine of not less than \$1,000 but not more than \$2,000.

When one compares paragraphs (a) and (b) it is confusing. The reader cannot be sure what the intent of General Assembly is regarding first violations and subsequent violations. The standard set in paragraph (a) is \$300 to \$500 per violation. The standard in paragraph (b) changes to a fine of \$1,000 to \$2,000 per proceeding. When implementing the statutes as written, a violator could be fined more in a first proceeding than subsequent proceedings. The wording has been confusing for Division staff, the Board, and Board counsel.

Confusing statutes make for inefficient implementation. The fourth sunset criterion asks analysis to consider whether the agency is able to perform its duties efficiently and effectively. The tenth sunset criterion asks whether changes are necessary to improve agency operations and public interest. Clarifying the fining structure will make agency operations more efficient and improve agency operations.

The assumption is that the per violation standard should be consistent for both sections and that is the General Assembly's and statute's intent. Because there is confusion concerning the maximum amount the Act should follow the real estate broker licensing law and establish \$1,000 as the maximum, per violation, fine. Therefore, the General Assembly should modify the wording in section 12-10-613(7), C.R.S., to specifically reflect the per violation standard in both paragraph (a) and paragraph (b).

## Recommendation 6 - Direct penalties and fines collected pursuant to the Act to be credited to the General Fund.

Section 12-10-605, C.R.S., directs all penalties and fines collected pursuant to the Act be credited to the Division's cash fund. Fines collected should instead be credited to the state's General Fund. There are two basic reasons that this change is necessary.

Typically, when a state agency is granted fining authority, funds generated by fines are credited to the state's General Fund. This is done so that a state agency has no

---

incentive to impose fines other than taking legitimate, disciplinary action. When fines are credited to a state agency's cash fund, there can be a perceived conflict of interest that the state agency is imposing fines in an attempt to increase its revenue. Although there is no reason to believe that the Board or Division staff has acted improperly, this recommendation is important as a public policy matter to prevent any such allegation that may arise concerning the imposition of fines.

Additionally, for cash funded agencies, any increase in revenue can require them to reduce fees. Civil penalties are meant to be used for discipline, not to raise revenue.

The tenth sunset criterion asks the General Assembly to consider if changes are necessary to improve the public interest. The General Assembly should require penalties and fines collected for violations of the Act to be credited to the state's General Fund. Doing so will serve to remove any appearance of impropriety concerning the collection of such funds by the Board and the Division.

**Administrative Recommendation 1- The Division should add a link to the program website so an individual may more easily report a violation.**

During the course of this sunset review, COPRRR received input from multiple stakeholders concerning the quality of appraiser services and the work product of licensees. When queried whether the stakeholders had filed a complaint with the Board, most replied "no." Generally, the reasons given were that the individual did not know how, did not know she or he could, or she or he looked on the program website and did not find any information.

It must be noted that the Division has a web page on which a person make file a complaint. However, there is not access from the appraiser page. Therein lies the confusion.

The licensing of a business, profession, or occupation is established to protect the public. If any individuals believe that they have been wronged and that an appraiser has violated the norms of the profession, they should submit a complaint to the Board. The complaint process should not be too difficult to negotiate.

Therefore, the Division should have information about the complaint process, or even a means to make a complaint, on the program website.

---

## Appendix A - Customer Service Survey

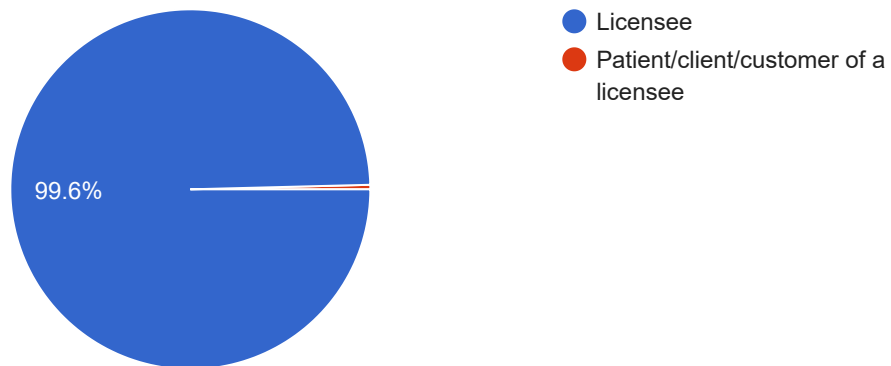
In the spring of 2021, Colorado Office of Policy, Research and Regulatory Reform staff conducted a survey of all appraisers who are licensed by the Board of Real Estate Appraisers. The survey was sent to 2768 appraisers; 27 emails were returned as undeliverable. The survey received 502 responses, which is an 18.31 percent response rate. Survey results may be found on the pages that follow.

# Customer Service Survey for Colorado Board of Real Estate Appraisers

502 responses

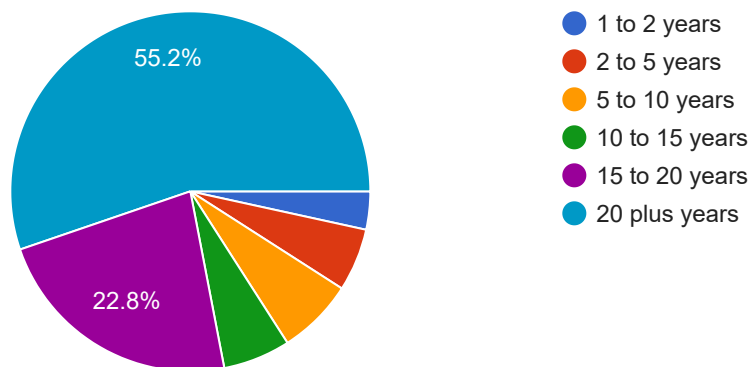
## What is your relationship to the State Board of Real Estate Appraisers?

497 responses



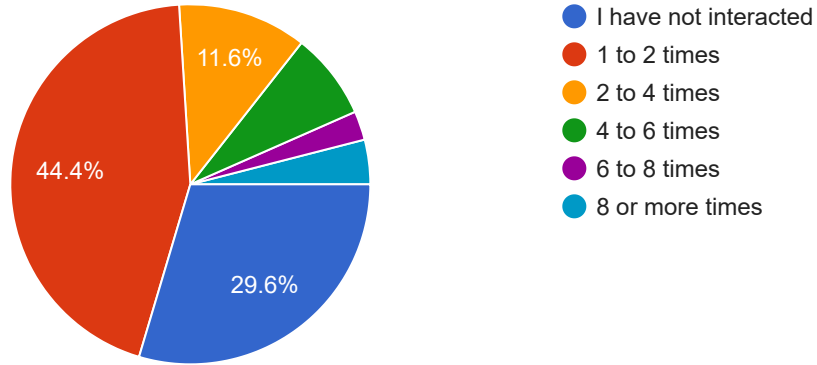
## If you are a member of the profession or occupation that is regulated by the State Board of Real Estate Appraisers, please indicate your years of experience.

496 responses



In the past year, how many times have you interacted with the State Board of Real Estate Appraisers. Please count all forms of interaction (telephone, e-mail, internet or website, regular mail, in person).

500 responses



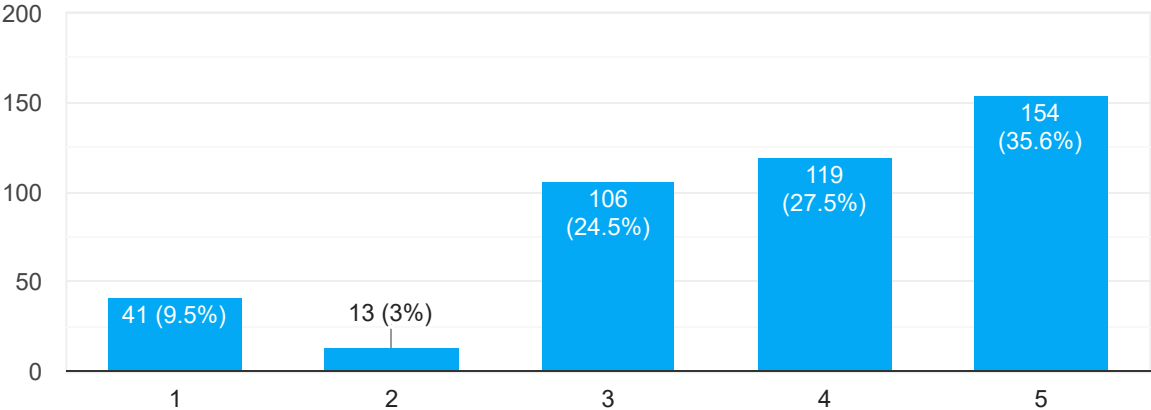
What was your primary purpose in interacting with the board?

390 responses

- licensing or registration - 54.4%
- continuing education - 15.4%
- respond to a complaint - 11%
- update my information - 4.1%
- to obtain help with an issue - 3.3%
- inspection, audit, or examination - 3.3%
- to learn about the requirements of a profession or occupation - 2.3%
- comment on or learn about existing/proposed rules or legislation - 1.5%
- other - 4.7%

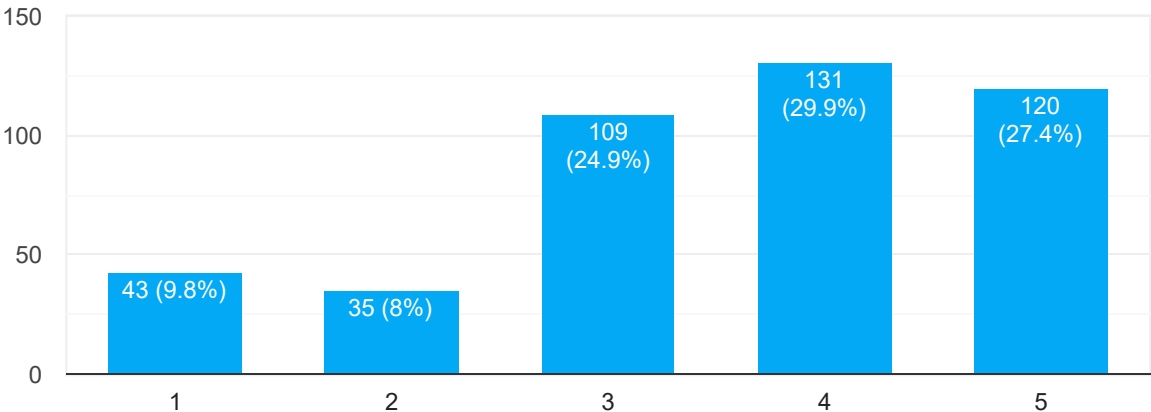
Overall please rate the service provided by the State Board of Real Estate Appraisers on a scale of 1 to 5 with 1 being unacceptable and 5 being very acceptable.

433 responses



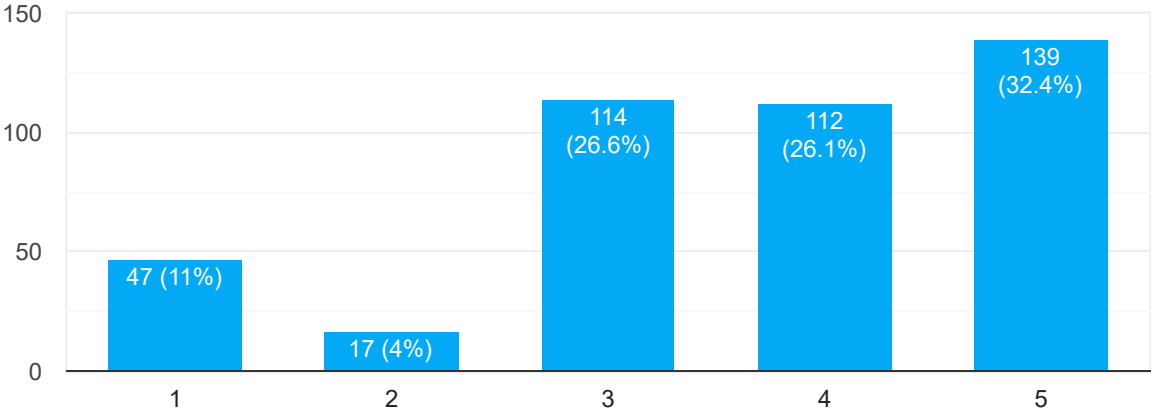
Please rate the the usefulness of the State Board Real Estate Appraiser's website in answering your questions or providing needed information on a scale of 1 to 5 with 1 being not very useful and 5 being very useful.

438 responses



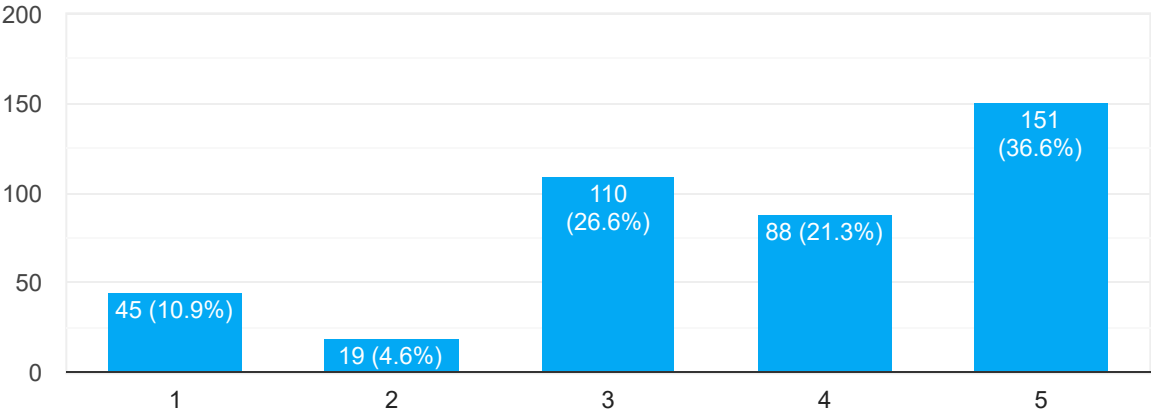
Please rate the the usefulness of the State Board of Real Estate Appraiser's communications in answering your questions or providing needed information on a scale of 1 to 5 with 1 being not very useful and 5 being very useful.

429 responses



Regardless of the outcome of your most recent issue, do you feel the State Board of Real Estate Appraisers listened to your concerns? Please use a scale of 1 to 5, with 1 being none of my concerns were heard and 5 being all of my concerns were heard.

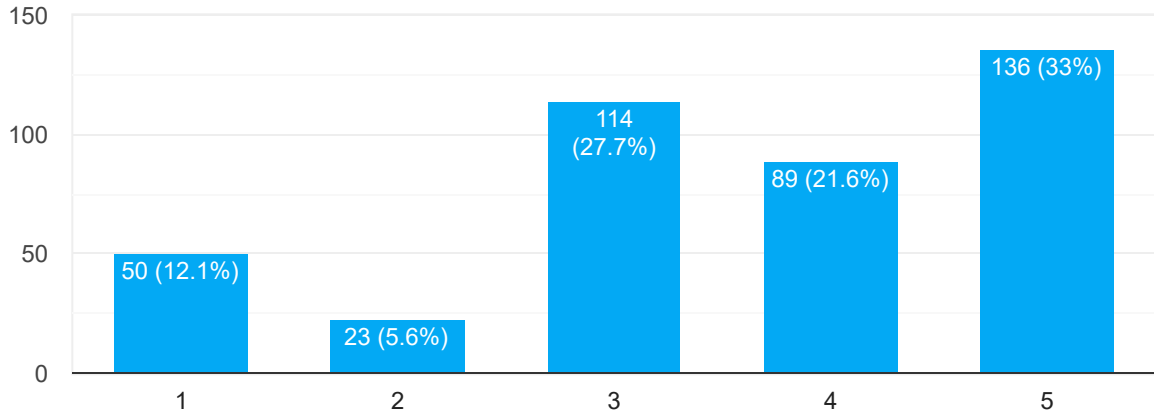
413 responses



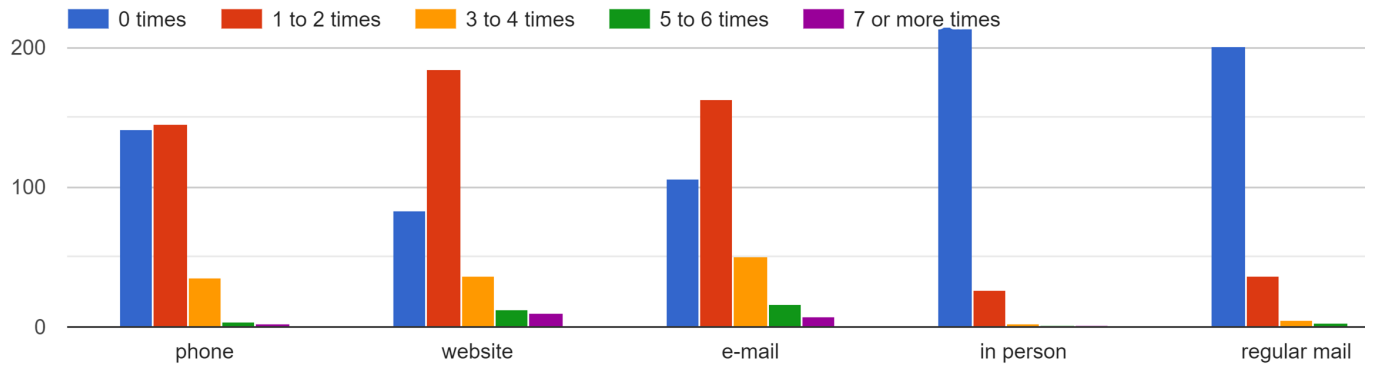


Please rate the timeliness of the State Board of Real Estate Appraisers in responding to your issues on a scale of 1 to 5 with 1 being very untimely and 5 being very timely.

412 responses

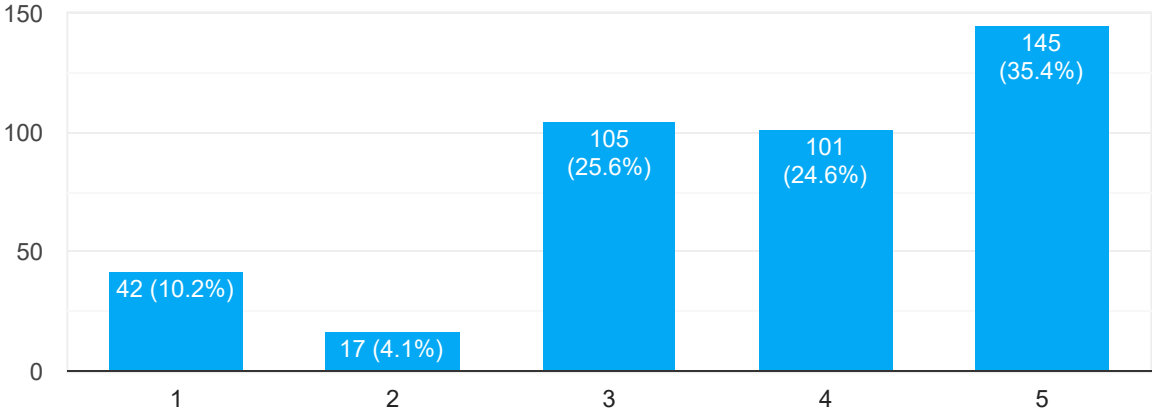


Please provide the number and types of interactions that were required to resolve or address your most recent issue. (Please select all applicable types of interactions used AND the number times for each type interaction selected.)



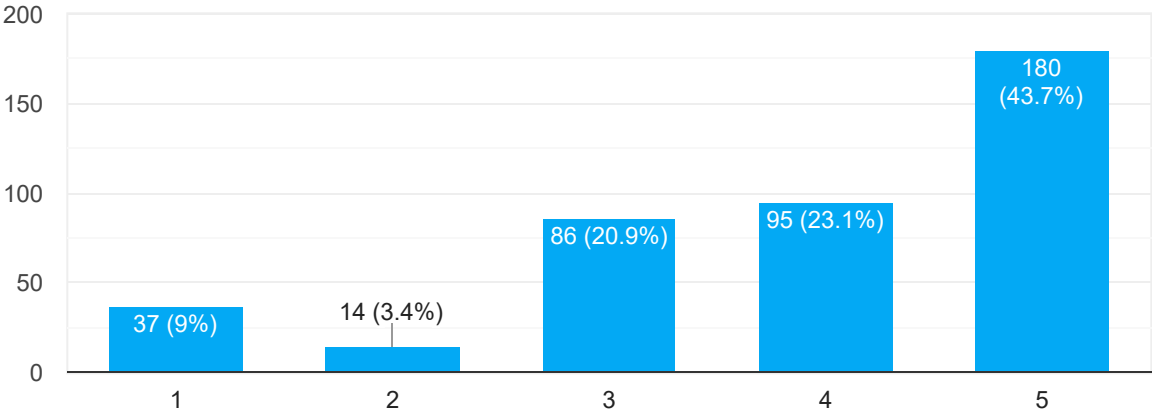
Please rate the helpfulness of the State Board of Real Estate Appraisers in resolving your issue or need with 1 being not very helpful and 5 being very helpful.

410 responses



Please rate the professionalism of the program's staff on a scale of 1 to 5 with 1 being very unprofessional and 5 being very professional.

412 responses



On a scale of 1 to 5 please rate the accuracy of information provided by the board with 1 being not very accurate and 5 being very accurate.

417 responses

