

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

NOTICE OF PROPOSED PERMANENT RULEMAKING HEARING  
November 7, 2019

**CHAPTER 18: PROFESSIONAL STANDARDS - APPRAISAL MANAGEMENT COMPANIES**

Pursuant to and in compliance with Title 12, Article 10 and Title 24, Article 4, C.R.S., as amended, notice of proposed rulemaking is hereby given, including notice to the Attorney General of the State of Colorado and to all persons who have requested to be advised of the intention of the Colorado Board of Real Estate Appraisers (the "Board") to promulgate rules, or to amend, repeal or repeal and re-enact the present rules of the Board.

**STATEMENT OF BASIS**

The statutory basis for the rules titled the Board of Real Estate Appraisers is Part 6 of Title 12, Article 10, Colorado Revised Statutes, as amended.

**STATEMENT OF PURPOSE**

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

**SPECIFIC PURPOSE OF THIS RULEMAKING**

The specific purpose of this rule is to amend or repeal existing rules with respect to the applicable version of the professional standards for appraisal management companies.

**Proposed New, Amended and Repealed Rules**

Deleted material is showed by ~~struck through~~; new material is indicated by underline. Rules, or portions of rules, which are unaffected are reproduced. Readers are advised to obtain a copy of the complete rules of the Board at [www.dora.colorado.gov/dre](http://www.dora.colorado.gov/dre).

**CHAPTER 18: PROFESSIONAL STANDARDS - APPRAISAL MANAGEMENT COMPANIES**

- 18.1 An appraisal management company must have and follow a written policy in place regarding the annual audit of appraisals completed for Colorado assignments during the previous ~~Reporting Period~~year. The policy must have an effective date and memorialize the dates any modifications are made. The policy must outline, at a minimum, the following:

- ~~A. Appraisal Selection. The audit sample must be randomly selected and consist of not less than two (2) USPAP Standard 3 Reviews for each appraiser who completed Colorado appraisal assignments during the previous year. If an appraiser completed only one (1) appraisal assignment in Colorado, the appraisal management company must complete a USPAP Standard 3 Review of the appraisal.~~
- A. Appraisal Selection. The audit sample must be randomly selected and a USPAP Standard 3 Review must be performed on not less than two percent (2%) of all appraisal reports performed by appraisers for the appraisal management company during the previous Reporting Period, however, a minimum of at least one (1) USPAP Standard 3 Review must be performed for each appraiser who completed a Colorado appraisal assignment during that Reporting Period.
- B. Risk-Based Reviews. If an appraisal management company maintains a risk-based review process, the appraisal management company is required to comply with Board Rule 18.1(A) of these Rules only for those appraisers for whom a USPAP Standard 3 Review was not performed under the risk-based appraisal review process.
- C. Review Criterion. The appraisals must be evaluated for compliance with state and federal regulations, including the USPAP.
- D. Reviewer Qualifications. The individual(s) performing the audit of the appraisals must possess a certified credential in this state or any jurisdiction and be competent to appraise residential real estate.
- E. Appraisal Deficiencies. The appraisal management company must have procedures in place to address material deficiencies that affect the value conclusion or the credibility of the report with the appraiser. Material violations of the USPAP or the Colorado Real Estate Appraiser Licensing Act must be reported to the Board.

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

**A hearing on the above subject matter will be held on Thursday, November 7, 2019, at the Colorado Division of Real Estate, 1560 Broadway, Room 100-C, Denver, Colorado 80202 beginning at 9:00 a.m.**

Any interested person may participate in the rulemaking through submission of written data, views and arguments to the Division of Real Estate. Persons are requested to submit data, views and arguments to the Division of Real Estate in writing no less than ten (10) days prior to the hearing date and time set forth above. However, all data, views and arguments submitted prior to or at the rulemaking hearing or prior to the closure of the rulemaking record (if different from the date and time of hearing), shall be considered.

Please be advised that the rule being considered is subject to further changes and modifications after public comment and formal hearing.