

REDLINE
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

Proposed New, Amended and Repealed Rules

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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.~~ **NOTICE and BEFORE RULEMAKING HEARING**

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.

AFTER RULEMAKING HEARING

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. 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.