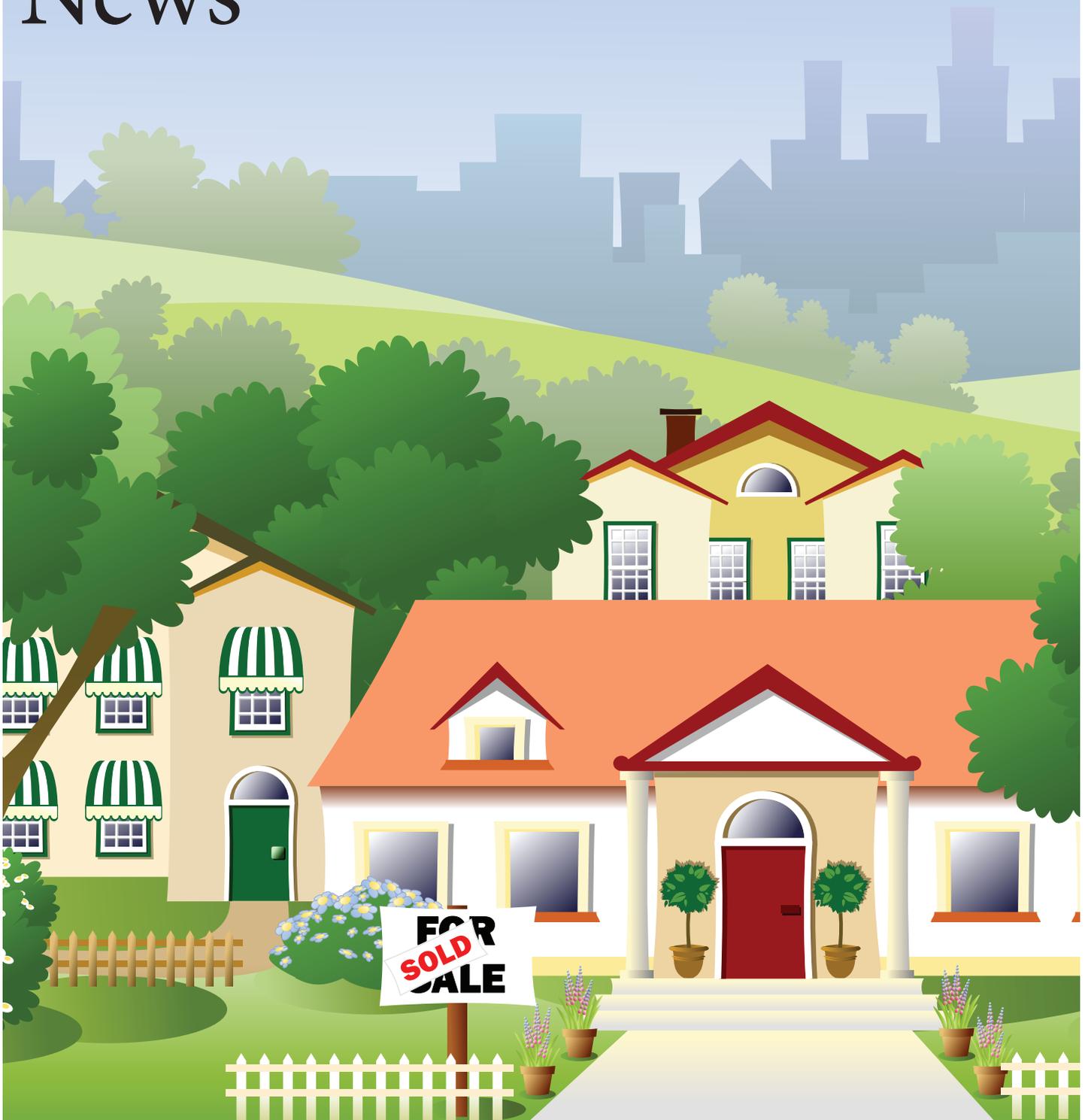


The Real Estate News



Fall
2013



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Governor of Colorado

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Deputy Director, Division of Real Estate

COLORADO REAL ESTATE COMMISSION

COLORADO BOARD OF MORTGAGE LOAN
ORIGINATORS

COLORADO BOARD OF REAL ESTATE
APPRAISERS

COLORADO CONSERVATION EASEMENT
OVERSIGHT COMMISSION

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(ARELLO)

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Director's Corner

Marcia Waters, Division Director

Contracts and Forms Moving Forward

Year after year we have watched the volume of Commission-approved contract revisions grow due to suggestions from industry stakeholders. Occasionally, we have seen modifications or new forms arise from new legislation. The contract revisions have created some challenges for our licensed real estate brokers. Many brokers were either unaware of the changes or they didn't understand the nature of the change and the impact that it had on their day-to-day business. Many of our licensees take an annual contracts course to stay abreast of the changes. But for some licensees, the ignorance of the forms changes has resulted in a Commission investigation and disciplinary action. This year the Real Estate Commission (the "Commission") decided to change the process.

After contemplating the issues surrounding the multitude of forms changes, the Commission decided to change the contract revision process. Three subcommittees were created within the Forms Committee to address the duties of screening, drafting and editing. A timeline was also created to ensure that last minute changes to the forms did not occur. If there were changes to the forms, the brokers, educators and publishers would have ample exposure to the forms before the January 1st effective date. The Commission also gave the Forms Committee specific direction about what modifications would be made to the contracts. The Commission's focus was to keep the number of forms changes to a minimum. After the Forms Committee worked through the contract modifications and learned the new process, the Commission adopted the contracts in August. The final versions of the forms are now posted on the Division's website.

Based on industry feedback and a desire to improve the contracts, for their intended users, brokers and consumers, the Commission placed a two-year moratorium on forms changes. The Commission would like the industry to have time to use the forms and identify potential issues with the current contracts, if there are any. In approximately six months, the Commission will convene a focus group, comprised of real estate brokers, who will be tasked with providing feedback regarding the current forms. Included in the group of brokers, the Commission will be seeking feedback from employing brokers who regularly field questions from their employed brokers in an effort keep deals alive. Additionally, we are revamping the process for submitting suggestions and comments about the forms. We will notify the licensees by email once the submission process has been finalized. The new process is designed to provide the Commission with insight regarding any contemplated change.

The Division of Real Estate
Welcomes new employees
in new places.



Vivian Grossman

AMC Program
Administrative
Support

Natalie Lutz

Conservation
Easement
Compliance
Investigator



Leah Thomas

Financial
Examiner /
Investigator

*For information on employ-
ment opportunities with the
Division of Real Estate please
visit the State of Colorado Em-
ployment webpage.*



How to Win With a Pair



By Clifford L. Cryer, SCRIP, MAI, SRPA, W. Thomas Cryer, SCRIP, SRA, and
Arnold M. Schwartz, SCRIP, RM, SRA
Originally published in the Sept. 1991 issue of Mobility, Revised May 2013, with
the permission of Clifford L. Cryer
Contributors: Lou Garone, R. John Fausett, Carl Hegewald and Harold Ovsowitz

Part II

This article is being presented in 3 installments. This first installment considered some background and challenges related to paired sales analysis, and requirements regarding data analysis and verification and was featured in the Summer 2013 Division of Real Estate News Letter. The second installment, will consider analysis of adjustments for physical and non-physical features and characteristics using paired sales analysis. The third and final installment, appearing in our Winter 2013 newsletter, will consider how to complete the sales comparison grid utilizing the results of paired sales analysis, what to do when current market data is lacking, and documenting your analysis.

ANALYSIS OF ADJUSTMENTS FOR NON-PHYSICAL CHARACTERISTICS: FINANCING, CONDITIONS OF SALE (MOTIVATION) AND CHANGES IN MARKET CONDITIONS (DATE/TIME)

Due to space constraints for this article, we have limited our analysis to the history of just three properties. Obviously, in “real life” we would use more than three sales, and would preferably use sales that were not used in our sales comparison grid to avoid introducing “inbreeding” of data. Although resales to calculate the market change adjustment are used from each sale in this analysis, in “real life” this would likely not be the case. More typically, resales to calculate the adjustment for changes in market conditions would come from similar sales in this or competing neighborhoods or market areas.

The appraiser should note the sale price of the comparable sale and then compare it to the prior sale. This “prior sale” research is required by the Uniform Standards of Professional Appraisal Practice, and FIRREA Title XI; such research is also an expectation of users of appraisals within the lending environment.

Three assumptions are made regarding the properties used in this market conditions example:

1. No physical changes have been made to these sale/resale examples from one sale to the next, or if there have been physical changes, they already have been adjusted out of the current sale price. This assumption allows for consideration of upgrading and updating of the properties.
2. The last prior sale occurred only months before the current “meeting of minds” for the sale of the comparable. Often, resale research reveals a combination of

**THE INS AND OUTS OF PROPERTY
MANAGEMENT**

It didn't sell, but I can find a tenant

Peter Meer MBA, MPM, President of Meer & Company, Inc., specializes in residential property management in Denver. He currently manages 150 single family homes.



Fall has arrived and you were unable to sell that really special house. You do a showing one day prior to listing expiration and the potential buyer wants to rent the property. Out of habit you had checked box 3.5.2 in your Exclusive Right-to-Sell Listing Contract (LC50-9-12), which allows to you negotiate leasing of the property. The owner signed the listing agreement, paying little if any attention to that portion of your eight page document. Maybe you even consider managing the property long term. After all, how hard can it be to find a tenant, sign a lease, and collect the rent/security deposit as well as manage it long term?

Since you have owner authorization to negotiate the lease you begin to work with this potential tenant. This could be the beginning of a complaint to the Commission. Commission Position Statement (CP-27) on the Performance of Leasing and Property Management Functions adopted in August of 2013 lays out specifics that you should be aware of. I have bullet pointed some specific areas that impact your decision to play leasing agent.

- Has the employing broker authorized the leasing activity and agreed to maintain all necessary trust accounts, records, and exercise control over your “new” program of leasing?
- Has the employing broker included the appropriate requirements in the office Policy and Procedure Manual?
- Are you and the employing Broker fully

aware of laws pertaining to security deposits, habitability, carbon monoxide alarms, asbestos, lead-based paint, handling of confiden-



both months and years prior to the current sale. The “meeting of minds” means when it went “under contract” (in escrow).

3. The fee simple interest is the real property interest to be valued.

If used in an appraisal, these assumptions should be expressed as extraordinary assumptions.

The appraiser should apply adjustments for non-physical property characteristics first. Adjustments for financing, conditions of sale (motivation) and market conditions (time) are usually based on a percentage of total sale price. In the recognized *sequence of adjustments* (i.e., the order in which quantitative adjustments are applied to sales prices) *transactional adjustments* are properly applied, when appropriate, before property feature adjustments. Transactional adjustments include real property rights conveyed, financing terms, conditions of sale (motivation) and market conditions.

The appraiser calculates intermediate adjusted sales prices which are used as the basis for subsequent adjustments. The percentage adjustment for financing is applied first to the unadjusted sales price before any other adjustment is made. The percentage conditions of sale (motivation) adjustment is based on the adjusted sales price after the financing adjustment was made. The percentage adjustment for changes in market conditions (time) is based on the adjusted sales price after the conditions of sale (motivation) adjustment is made (refer to *Illustration 2*).

Table 1 – Adjustment for Financing

Comparable 3

Unadjusted sale price	\$175,000
Less seller concessions, 2% of the \$150,000 loan (\$150,000 X .02)	<u>\$3,000</u>
Cash equivalent sale price	\$172,000

Only Comparable 3 needed a cash-equivalent adjustment. If the other comparable(s) had needed an adjustment, it would have been done at this point. This sequence and adjustment process also is appropriate for “prior sales” analysis.

Analysis of Adjustments for Conditions of Sale

Conditions of sale adjustments, which are often subjective and difficult to quantify, are made when either the buyer or seller were unusually motivated or under undue duress, or to reflect the effect of non-arm’s length transactions. An arm’s length transaction is arrived at in the open market by unrelated parties under no duress.

tial information and zoning?

- Prior to engaging in any leasing activity you must disclose in writing the different brokerage relationships that are available to the tenant (R E-35).
- Since there is no Commission-approved lease form, you must either hire an attorney to draft one, or have the (landlord) owner select one. You should avoid counseling the landlord or tenant as to the terms of the document, as this may be considered the unauthorized practice of law.
- The Commission strongly recommends the use of the Exclusive Right-To-Lease Listing Contract (LC57-8-10). While not required, it simply makes good sense to utilize this form as it hits all the areas you will need to consider as you proceed to lease the property.

Now we get to the heart of the matter. As a result of complaints received and issues identified in Commission investigations and audits, the Commission considers leasing and property management to be a complex area of practice. C.R.S. #12-61-113(1)(n) requires that a Broker be competent and worthy in the performance of their duties so as to not endanger the interest of the public. How comfortable are you and your broker with your competency level in this niche area of real estate practice?

Please consider all the above (and more) before you make that “easy” decision to lease the property. This is the first of a number of articles covering residential property management. You will be well served to review Chapter 20 in the Colorado Real Estate Manual as well as CP-27.



“Appraisers must be careful to identify when sales are occurring at market value, disposition value, or liquidation value. Even when the only sales occurring are distressed sales, they do not represent market value if they do not meet the conditions of the definition of market value.” (Source: Appraisal Institute, Guide Note 11). The appraiser’s analysis and verification will aid in determining if the conditions of the sale do not meet the conditions of the definition of market value, and whether appropriate adjustments should be applied for conditions of sale or if such a sale should be eliminated from consideration as a comparable. Based on the appraiser’s research and verification of factual information for the sales transactions, no adjustments to the sales prices are warranted in our example analysis.

Analysis of Adjustments for Changes in Market Conditions (Date/Time)

The second step in this paired sales analysis is to measure changes in market conditions (time adjustment). The price of each comparable sale is compared to the last prior sale to reveal if there has been any change in market conditions (see *Table 2*).

Table 2 – Measuring Changes in Market Conditions (Time Adjustment)

Comparable 1	
Sale 11 months ago	\$183,500
Current sale price	\$164,000
Difference	\$19,500
<i>Divided by 11 months to arrive at average dollar decline in price per month, slightly less than 1% per month. ($\\$1,773 / \\$183,500 = .0097$) \$1,773</i>	

Comparable 2	
Sale 6 months ago	\$173,500
Current sale price	\$163,500
Difference	\$10,000
<i>Divided by 6 months to arrive at average dollar decline in price per month, slightly less than 1% per month. ($1,667 / \\$173,500 = .0096$) \$1,667</i>	

Continue on
Page 10

News, Notes and Information Around the Division of Real Estate

Colorado Real Estate Commission

2014 approved contracts and forms posted to website

The Division of Real Estate and the Colorado Real Estate Commission, working in conjunction with the Forms Committee, refined its processes last year to ensure the mandatory contracts and forms were approved and ready for distribution by October 1. Please visit the Division's Contracts and Forms Webpage to review the red-line and clean DRAFTS of the 2014 contracts and forms. (You will need Adobe Acrobat version 10 or later to access the files) As a reminder, the 2014 contracts and forms are posted for educational purposes and not for use before January 1, 2014. The Division will have writeable versions posted to the website before this date.

Rule E-44 Adopted

On October 1st the Colorado Real Estate Commission approved the amending of Rule E. Separate Accounts – Records – Accountings – Investigations adding section E-44. Actions when license is suspended, revoked, expired or inactive. The new language in E-44 provides details and responsibilities of licensees when their license is suspended, revoked, expired or inactive.

CP-27 Performance of Residential Leasing and Property Management Functions

Please Click here to read the complete Commission Position 27 on the Performance of Residential Leasing and Property Management Functions.

Title Fact Sheet Bulletin Update

Additionally at the same August 6, 2013 meeting, the Commission updated the Title Fact Sheet Bulletin. Click here to review the revised version.

Conservation Easement Oversight Commission

The new application and review process for conservation easement tax credits has been established.

Rules that clarify and implement the new law SB 13-221 were drafted by the Division and a volunteer task force of land conservation professionals. The collaborative effort was completed over several months and the resulting revised C Rules for the application of a tax credit certificate, application review, and tax credit certificate issuance were noticed with the Secretary of State in September. The new process will begin in 2014 and provides greater security to landowners and stronger safeguards to the people of Colorado.



Board of Real Estate Appraisers

License renewal

License renewal will begin November 15, 2013 and as a condition of renewal, licensees must comply with the following:

Compliance with Board Rule 7.19 – completion of the 7-hour National USPAP Update Course every two calendar years.

Fingerprints

Submit a set of fingerprints to the Colorado Bureau of Investigations. Please review the instructions for submission of fingerprints for renewal for details; and completion of the required 42 hours of continuing education prior to license renewal.

Up Coming Rule Making Hearing

The Board of Real Estate Appraisers will be holding a rule making hearing on November 7, 2013 9:00 a.m., in Conference Room 1250-C regarding chapter 11: Standards of Professional Appraisal Practice .

Board of Mortgage Loan Originators

Online Renewal Season

Online renewals begin on November 1, 2013 and will continue until midnight on December 31, 2013. All licensed Mortgage Loan Originators must renew their license with the Colorado Division of Real Estate and the NMLS Registry.

Rule(s) Update

Chapter 1 – Definitions, Chapter 5 – Standards of Conduct, and Chapter 8 – Nationwide Mortgage Licensing System and Registry (“NMLS”) rules were adopted by the Board of Mortgage Loan Originators at their September 18 meeting.

The Board of Mortgage Loan Originators recently updated and adopted Board position statements:

MLO 1.3 – Board Position on Individuals Not Required to be Licensed – Supervisors and Support Staff

MLO 1.4 – Mortgage Loan Originator and Mortgage Company Exemptions

APPRAISER FINGERPRINT-
ING REQUIREMENTS FOR NEW,
UPGRADING AND RENEWING



HB12-1110 requires all new and upgrading appraisers who submit an application on or after July 1, 2013 to submit a set of fingerprints to the Colorado Bureau of Investigations prior to the submission of their application. It is strongly suggested that candidates submit this information as soon as possible to avoid additional delays due to fingerprint processing times. Please review the fingerprint information bulletin for additional details.

All currently licensed appraisers must also submit a set of fingerprints prior to renewal for licensees who expire December 31, 2013, 2014 and 2015. An appraiser who fails to submit fingerprints in time for their renewal will not be allowed to renew their license until fingerprints are received, and may incur reinstatement penalty fees. Appraisers may begin the fingerprint submission process at any time. Appraisers expiring in 2013 are strongly encouraged to submit their fingerprints in advance of their renewal to ensure timely processing. Please review the instructions for submission of fingerprints for renewal for further details.



DISCIPLINE

This notice serves to inform the public of the current and/or most recent disciplinary action taken against the individual listed. It DOES NOT, nor should it be intended to, serve as a complete listing of any and all discipline taken against the licensee. For complete license information including license status and additional disciplinary actions, please visit www.dora.colorado.gov/dre and click "Division of Real Estate."

Board of Real Estate Appraisers

Alphabetical by last name, real estate appraisers only. List contains discipline from July 1, 2013 - September 30, 2013.

(There were no Real Estate Appraisers Disciplined between July 1, 2013 - September 30, 2013.)

Colorado Real Estate Commission

Alphabetical by last name, real estate brokers only. List contains discipline from July 1, 2013 - September 30, 2013.

- Debie, Gerlinde Petronella** - Public Censure, Voluntary Relinquishment, a Fine and Coursework
- Hassing, Mary F.** - Public Censure, Voluntary Relinquishment, a Fine and Coursework
- Natividad, James** - Public Censure, Voluntary Relinquishment, a Fine and Coursework
- Smith, Cynthia Marie** - Public Censure, Voluntary Surrender, Fine and a Stayed Fine
- Poppe, Richard D.** - Public Censure, Suspension and Civil Penalty
- Zimmerman, Mary Ann** - Public Censure, Fine and Coursework

Board of Mortgage Loan Originators

Alphabetical by last name, Mortgage Loan Originators only. List contains discipline from July 1, 2013 - September 30, 2013.

- Cheek, Leslie** - Public Censure, Civil Penalty and Restitution
- Lundell, Carl** - Revoked
- Rego, Todd** - Public Censure, Fine, Coursework and Probation

The above list of disciplinary actions is only representative of discipline issued by the Division of Real Estate Boards and Commissions for the months of July, August and September 2013. These lists should not be considered a complete history of discipline for a licensee. To obtain a complete discipline history for a specific licensee please visit the Division's records Management System and search a licensee's personal record by name or license number.

WHAT AM I REALLY ENTITLED TO SEE AS A PURCHASER OF A UNIT?

What am I really entitled to see as a Purchaser of a Unit?



By: David A. Firmin: Partner
HindmanSanchez

In recent years, the Colorado Common Interest Ownership Act has been amended to provide greater transparency to both owners within the community and potential purchasers of units in Common Interest Communities. Sellers and purchasers alike, when performing due diligence, ask for a variety of different documents such as, financials for the association from inception, or every email ever sent concerning the unit in question when making a decision to buy into a community. This inevitably led to, "Do we have to give the owner or a purchaser access to these records?" Unless there was some attorney-client privilege issue or the request was not for a proper purpose, the answer was usually yes. Many of these requests would come on behalf of potential buyers of a unit within the community so that the future owner would be able to perform proper due diligence. Looking forward, as the pressure to provide more and more information to buyers and the existence of rumors that future legislation may require realtors and buyers to acknowledge receipt of documents from the Association, prior to closing a transaction, the question now becomes, "What am I really entitled to request and review, when placing a property under contract?"

The answer is found in HB12-1237, adopted by the Colorado legislature in 2012, and effective as of January 1, 2013. The intent of the bill was to delineate and clarify what association records are owners entitled to inspect and entitled to provide to a future purchaser of a Unit.

The statute then goes on to list several items that either must be or may be withheld from disclosure, which may include architectural plans for the unit in question if the owner does not give consent. So, when asking for information from the Association, the Buyer or broker should remember to obtain the consent of the owner to see any and all documents concerning their unit maintained by the Association, include architectural plans. Without this consent, the purchaser may miss out on relevant documents.



Pursuant to HB12-1237, the following documents have been established as the sole records of an association for purposes of inspection by owners:

- Records of receipts and expenditures affecting the operation and administration of the Association
- Records of claims for construction defects and amounts received pursuant to settlement of any such claims
- Minutes of all meetings of owners
- Minutes of all meetings of board members
- Records of actions taken by the owners without a meeting
- Records of actions taken by the board without a meeting, including written communications and e-mails among board members that are directly related to the action so taken
- Records of actions taken by any committee of the board without a meeting
- A list of the names of the owners in a form that permits preparation of a list of the names and mailing addresses of all owners, as well as the number of votes of each owner is entitled to vote
- The Association's governing documents which are comprised of:
 - o The declaration
 - o The bylaws
 - o The articles of incorporation
 - o Any rules and regulations and/or design guidelines
 - o Any policies adopted by the board, including the association's responsible governance policies.
- Financial statements for the last three years, which at a minimum shall include the balance sheet, the income/expense statement, and the amount held in reserves for the prior fiscal year
- Tax returns for the last seven years, to the extent available
- The operating budget for the current fiscal year
- A list, by unit type, of the association's current assessments, including both regular and special assessments
- The result of the association's most recent available financial audit or review, if any
- A list of the association's insurance policies, which shall include the company names, policy limits, policy deductibles, additional named insured, and expiration dates of the policies listed
- A list of the names, e-mail addresses and mailing addresses of the current board members and officers
- The most recent annual report delivered to the Secretary of State
- A ledger of each owner's assessment account
- The most recent reserve study, if any
- Current written contracts and contracts for work performed for the association within the prior two years
- Records of board or committee actions to approve or deny any requests for design or architectural approval from owners
- Ballots, proxies and other records related to voting by owners for one year after the election, vote or action to which they relate
- Resolutions adopted by the board
- All written communications sent to all owners generally within the past three years
- A record showing the date on which the association's fiscal year begins
- Any other records specifically defined in the declaration or bylaws

**PERPETUITY BRINGS
RISK**

CONSERVATION EASEMENT



By: Aaron Welch
Division of Real Estate
Conservation Easement
Investigator

In the days following Colorado's record busting rainfall and devastating floods, I attended the Land Trust Alliance's 2013 National Land Conservation Conference in New Orleans. Images of Colorado residents hoisted by military helicopter above inundated neighborhoods were on every TV in the conference hotel. The irony of witnessing Colorado's mile high floods from behind the levy in New Orleans urged me to search the conference for ways to manage risk.

Perpetuity brings risk. Perhaps not a flood or a hurricane, but given time, some unforeseen challenge to the protected conservation values may arise. Will rising demand for energy riddle protected properties with oil and gas wells? Will the water supply gap in Colorado dry up protected riparian and wetland habitats? Will congressional gridlock remove incentives for land conservation? Will climate change shift critical habitats away from properties protected for endangered species? In light of these questions, how can the Division of Real Estate, on behalf of Colorado citizens, ensure that conservation easements supported by tax credits are durable far into the future?

The seminars and workshops at the conference raise as many questions as they answer. Thinking about risk management in the face of perpetuity, one theme was dominant: be comprehensive. The Division of Real Estate strives to do this every day.



Continued
From Page 6

Comparable 3	
Sale 3 months ago	\$178,000
Current sale price (\$175,500 less \$3,000 seller concessions)	<u>\$172,500</u>
Difference	\$5,500
<i>Divided by 6 months to arrive at average dollar decline in price per month, slightly less than 1% per month. (1,833 / \$178,000 = .0103) \$1,833</i>	

Based on prior assumptions, our investigation revealed an extracted and documented price decline of about 1% per month over the past 11 months. Therefore, a downward adjustment of 1% per month will be applied to our sales for differences in sales dates between each sale in the following paired sales analysis.

We have tried to make this as "real life" as possible by using numbers that are not rounded. This allows us to see the application of the appraiser's judgment in the reconciliation process.

ANALYSIS OF ADJUSTMENTS FOR PHYSICAL FEATURES

When pairing sales to derive adjustments for physical features, the sales first must be adjusted for financing and cash equivalency before deriving any other adjustments from the market. The sales then must be adjusted for conditions of sale and to reflect current market conditions (adjusting for market change from the date of contract to the date of the appraisal). The concept for this procedure is to match two sold properties that are essentially the same except for one feature; the difference in price of the two sales indicates what value the market has placed on the particular feature (i.e., the market's reaction).

After the appraiser has extracted the financing terms, conditions of sale and market change from the sales prices, the contributory value of physical features and adjustments may be developed by pairing (comparing) the three comparable sales (see *Table 3*) and other sales outside the data set of three comparable(s). In "real life" the appraiser would attempt to use more than three sales, and would preferably use sales that were not used in the sales comparison grid to avoid introducing "inbreeding" of data where the independence of the data is lost.

It is inappropriate and may be misleading to apply unsupported, assumed dollar value adjustments to improperly force the final adjusted sales prices for the comparable sale to be equal to or nearly equal to each other, or to force the average of the adjusted sales prices to be convergent.

Colorado's conservation easement tax credit program is a collaborative and multilayered process designed to foster land conservation excellence. Organizations that hold conservation easements must be certified and renew their certification every year. Appraisals of conservation easements must be qualified and are subject to the highest appraisal standards. Protected conservation values must be documented and supported by annual monitoring and stewardship. By working to strengthen all aspects of conservation easement transactions, we can best ensure durable land conservation with lasting public benefits.

If in time the rivers should rise and the accumulated risks of perpetuity threaten to wash away the conservation values that we protect today, let the quality of our land protection work be the levy that keeps the land whole.

DORA's Division of Real Estate administers Colorado's tax credit program for conservation easements. In 2013, the state will issue up to \$34 million in tax credits for conservation easement donations that voluntarily and permanently protect private lands of high conservation value. Conservation easements usually involve a landowner who agrees to restrict the development rights associated with their property and a land trust that agrees to enforce those restrictions in perpetuity.



Table 3 – Paired Sales

Example 1 – Extracting Central Air conditioning Adjustment			
	Comparable 1	Comparable 2	
Sale Price	\$164,000	\$163,500	
Adjust for market conditions	(-1%) <u>-\$1,640</u>	(-2%) <u>-\$3,270</u>	
Adjusted sale price	\$162,360	\$160,230	
Differences in physical characteristics			
	Central Air Conditioning	Yes	No

The difference in adjusted sale price of Comparable 1 versus Comparable 2 is about \$2,130. Since all other differences have been accounted for already, the contributory value of the central air conditioning is about \$2,100 in this example.

Example 2 – Extracting Finished Basement Adjustment			
	Comparable 1	Comparable 2	
Sale Price	\$163,500	\$175,500	
Adjust for points	<u>-0-</u>	<u>-\$3,000</u>	
Adjusted sale price	\$164,000	\$172,500	
Adjust for market conditions	(-2%) <u>-\$3,270</u>	(-4%) <u>-\$6,900</u>	
Adjusted sale price	\$160,230	\$165,600	
Differences in physical characteristics			
	Basement finish	None	Yes

The difference in adjusted sale price of Comparable 2 versus Comparable 3 is about \$5,370. Since all other differences have been accounted for already, the contributory value of the basement finish is about \$5,400 in this example.



Every Quarter the Division of Real Estate finds the most asked question from licensees and reports on it.



How do I get a Certified License History from the Colorado Division of Real Estate?



The Colorado Department of Real Estate will provide a Certification of Licensure based upon information contained within our Electronic Records. Information older than seven (7) years is not available and will not be provided.

Please complete the Request for Certified License History Form and submit along with \$15.00 dollars (Money Order or Check) to the Division of Real Estate.



Example 3 – Extracting Finished Basement Adjustment		
	Comparable 1	Comparable 3
Sale Price	\$164,000	\$175,500
Adjust for seller concessions	<u>-0-</u>	<u>-\$3,000</u>
Adjusted sale price	\$164,000	\$172,500
Adjust for market conditions	<u>(-1%) -\$1,640</u>	<u>(-4%) -\$6,900</u>
Adjusted sale price	\$160,230	\$165,600
Differences in physical characteristics		
Basement finish	None	Yes
Central air conditioning	Yes	No
Previous adjusted sale price	\$162,360	\$165,600
Adjust for central air conditioning	<u>-\$2,100</u>	<u>-0-</u>
Adjusted sale price	\$160,260	\$165,600

The difference in adjusted sale price of Comparable 1 versus Comparable 3 is about \$5,340. Since all other differences have been accounted for already, the contributory value of the basement finish is between \$5,300 and \$5,400 in this example.

Example 3 provides the most interesting analysis of all the “paired sales” or “matched pairs.” The difference in adjusted sale price after adjusting for seller concessions and market conditions is \$3,240, but two differences remain: central air conditioning and basement finish. This dilemma is often encountered by the appraiser in “real life.” More often than not, there are more than two differences that must be dealt with! To make the sales equivalent we must either “add” the contributory value of the air conditioning to Comparable 3, or subtract it from Comparable 1.

Alternatively, we could add the value of the basement finish to Comparable 1 or subtract it from Comparable 3. Our previous paired sales analysis of Comparables 1 and 2 indicated that the contributory value of the air conditioning was about \$2,100, and is therefore subtracted from Comparable 1. The resulting difference should be about equivalent to the contributory value of the basement finish.



Attention Appraisers: Can you sign and not inspect?

With the removal of the registered appraiser credential effective July 1, 2013, a dilemma has surfaced for some supervisors and the unlicensed trainee. Can a supervisory appraiser sign the appraisal report and not inspect the property? The answer: it depends!!!

Advisory Opinions #2 and #28 in the 2012-2013 edition of USPAP provide a good road map and we encourage you to read these AO's carefully. While USPAP does not specifically require that the signing appraiser inspect the property, FNMA does. The FNMA Selling Guide has made it very clear that they do not allow any part of the preprinted certification to be altered. Certification #2 of the FNMA 1004 report form specifically requires the signing appraiser to have personally inspected the interior and exterior of the subject property. However, FNMA does allow for additions to the certification with approval from the lender. Such additional certifications would include the level of assistance provided by the unlicensed trainee. Please refer to the FNMA Selling Guide, the Real Property Appraisers Criteria, and Chapter 5 of Colorado's Board of Real Estate Appraisers Board Rules for further guidance.

In conclusion, any appraiser holding a credential who signs on the left hand side of FNMA 1004 report form **MUST** personally inspect the subject property. Not to do so is misleading and considered an ETHICS RULE violation which may result in disciplinary action by your State Board.



Division of Real Estate Education, Communication and Policy program director Eric Turner wins the first annual DORA chili cook-off raising money for the Colorado Combined Campaign.



Division of Real Estate employees participate at the Jefferson County Safety Fair in August providing homeowners valuable information regarding real estate, appraisals, mortgage loans and HOAs.

Upcoming Board and Commission Meetings

Board of Real Estate Appraisers	Real Estate Commission	Board of Mortgage Loan Originators	Conservation Easement Oversight Commission
November			
<p>November 7, 2013 9:00 a.m. Conference Room 1250C</p> <p>Rule Making Hearing November 7, 2013 9:00 a.m. Conference Room 1250C</p>		<p>November 20, 2013 9:00 a.m. Conference Room 1250C</p> <p>Rule Making Hearing November 20, 2013 9:00 a.m. Conference Room 1250C</p>	<p>November 4, 2013 10:00 a.m. Conference Room 1250C – Commission Authority Review</p>
December			
	<p>December 3, 2013 9:00 a.m. Conference Room 1250C</p>		<p>December 9, 2013 9:00 a.m. Conference Room 1250C</p>
January			
<p>January 9, 2014 9:00 a.m. Conference Room 1250C</p>			

