

***7-Hour National Uniform
Standards of Professional
Appraisal Practice (USPAP)
Update Course***

2012-2013 USPAP

Preview

Design

- Course designed to incorporate usage of the actual USPAP document
- Interactive exercises and real world problems are intended to illustrate applications of USPAP

Materials You Will Need

- ❑ Student Manual
- ❑ USPAP Document, which includes:
 1. USPAP
 2. Advisory Opinions (AO)
 3. *Frequently Asked Questions (FAQ)*

Materials You Will Need

Course Objectives

- Present and explain revisions to USPAP effective Jan 1, 2012 through Dec 31, 2013
- Present changes to USPAP in a variety of scenarios for discussion
- Present “real world” scenarios that challenge participants to interpret and apply USPAP

Announcements

- Break times and lunch
- Restroom locations
- Smoking areas
- Please silence your cell phone
- Recording is prohibited
- Be considerate of those near you
- Attendance sheet
- Certificates and evaluation forms

Introductions

Instructor

<Instructor name>

<phone>

<email>

Section One

Changes to USPAP and Application of the Changes

Changes to USPAP

Why and How USPAP Changes

- A. The ASB develops and submits drafts for public exposure
 - 1. Exposure Drafts
 - a. Combined result of numerous sources
 - b. ASB takes ownership of the language and officially votes to approve it for release

Changes to USPAP

Why and How USPAP Changes

- A. The ASB develops and submits drafts for public exposure (cont'd)
 2. Comment deadlines
 - a. Exposure period is not less than 30 days though typically 60 days. Visit TAF website: www.appraisalfoundation.org
 - b. A longer time may be selected for complex documents

Changes to USPAP

Why and How USPAP Changes

- B. The ASB analyzes comments received
 - 1. All comments are sent to the TAF office in Washington, DC, where a permanent file of all comments is maintained. All comments are given impartial consideration by the ASB
 - 2. Each individual submitting a response receives an acknowledgement of receipt from the staff. Further communication with respondents is optional at the discretion of the ASB

Changes to USPAP

Why and How USPAP Changes

- B. The ASB analyzes comments received (cont'd)
 - 3. Comment letters are read and are valued by the ASB. A good example of this is the fact the current PREAMBLE was taken almost verbatim from a comment letter
 - 4. A permanent record of the history of the drafts, a file of comments received in response to the exposure draft(s), and other pertinent correspondence and reports is maintained

Changes to USPAP

Why and How USPAP Changes

B. The ASB analyzes comments received (cont'd)

5. If changes in the original exposure draft are substantial enough to constitute a fundamental change in direction, then consideration is given to additional exposure drafts as needed
 - a. Five exposure drafts for 2012-2013
 - b. Postponed COMMUNICATION RULE in Third Exposure Draft for 2012-2013

Changes to USPAP

Why and How USPAP Changes

- C. The ASB finalizes any changes to USPAP
 - 1. Final action on a proposed change may be taken only
 - a. After the completion of the exposure process and
 - b. After discussion and adoption at a public meeting
 - 2. Once adopted, the changes must be definitive and cannot contain alternative wordings

Changes to USPAP

Illustration: Process in Action

The new RECORD KEEPING RULE illustrates how the process works. The record keeping issue was brought to the ASB from several sources. Record Keeping has been a section within the ETHICS RULE for over two decades. Minor record keeping errors such as not having a signed copy of the report in the workfile, could be classified as an ETHICS RULE violation. So the Record Keeping section was moved from the ETHICS RULE to its own rule. Initial feedback was that failure to properly maintain a workfile should be considered an ethical violation.

Changes to USPAP

Illustration: Process in Action

(cont'd) The ASB was still concerned that appraisers might, in some cases, be considered unethical because of what might be clerical errors by the appraiser. The ASB then added language to the ETHICS RULE addressing “willingly and knowingly” violating the RECORD KEEPING RULE in the next draft. After additional feedback, the language in the Fifth Exposure Draft was “willingly or knowingly,” so that, for enforcement purposes, either would be an ethical violation

Changes to USPAP

Rationale of the 2012-2013 Changes

A. Definitions

Changes were made to three DEFINITIONS and a new definition was added: client, extraordinary assumption, and hypothetical condition were revised, and exposure time was added.

Note: As appropriate throughout this section of the course, revisions are shown in ~~strikethrough~~ and underscore text

Changes to USPAP

Rationale of the 2012-2013 Changes

A. Definitions

1. Client

a. Rationale

1. Questions and concerns regarding definition, particularly with Appraisal Management Companies
2. AMCs were often identified as the client when, in practice AMCs were acting as an agent of a client who initiated the order

Changes to USPAP

Rationale of the 2012-2013 Changes

A. Definitions

1. Client

a. Rationale (cont'd)

3. Guidance is provided in 2012-2013 FAQs 116 and 117

4. Comment was changed to make it clear an agent may act as a representative of the client

5. Edits were also made to SMT-9

Changes to USPAP

Rationale of the 2012-2013 Changes

b. Revised definition

CLIENT: the party or parties who engage, ~~an appraiser~~ by employment or contract, an appraiser in a specific assignment.

Comment: The client ~~identified by the appraiser in an appraisal, appraisal review, or appraisal consulting assignment (or in the assignment workfile) is the party or parties with whom the appraiser has an appraiser-client relationship in the related assignment, and~~ may be an individual, group, or entity, and may engage and communicate with the appraiser directly or through an agent.

Changes to USPAP

Rationale of the 2012-2013 Changes

A. Definitions

2. Exposure Time

a. Rationale

1. The only definition of exposure time was included in SMT-6
2. The definition is substantially the same and moving it to the DEFINITIONS enhances the usability of USPAP

Changes to USPAP

Rationale of the 2012-2013 Changes

b. Revised definition

EXPOSURE TIME: estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market.

Changes to USPAP

Rationale of the 2012-2013 Changes

A. Definitions

3. Extraordinary Assumptions and Hypothetical Conditions

a. Rationale

1. Often misunderstood and misapplied
2. Adding the concept of effective date reduces misunderstanding and misapplication

Changes to USPAP

Rationale of the 2012-2013 Changes

A. Definitions

3. Extraordinary Assumptions and Hypothetical Conditions

a. Rationale (cont'd)

3. Additional wording also makes it clear that a Hypothetical Condition is contrary to what is known to exist on the effective date of the assignment results

Changes to USPAP

Rationale of the 2012-2013 Changes

b. Revised definition

EXTRAORDINARY ASSUMPTION: an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Changes to USPAP

Rationale of the 2012-2013 Changes

b. Revised definition

HYPOTHETICAL CONDITION: a condition, directly related to a specific assignment, that which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used ~~supposed~~ for the purpose of analysis.

Comment: Hypothetical conditions are ~~assume conditions~~ contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Changes to USPAP

Rationale of the 2012-2013 Changes

B. Revisions relating to development and disclosure of exposure time

1. Rationale

- a. The reporting requirements in STANDARDS 2, 6, 8, AND 10 include the following Comment:

Stating the definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.

Interpretations of this comment vary. Some think it means that when an opinion of exposure time is developed, that opinion must be reported. Others think that when there are atypical conditions requiring explanation, those conditions, which might include exposure time, must be addressed. Still others see this Comment as unclear

Changes to USPAP

Rationale of the 2012-2013 Changes

1. Rationale (cont'd)
 - b. The ASB wanted a clear requirement that reasonable exposure time must be **reported** in all assignments in which an opinion must be **developed**
 - c. While USPAP had requirements for developing an opinion of reasonable exposure time when developing an opinion of market value for real and personal property, the reporting of such an opinion was not clearly specified in the reporting requirements of STANDARDS 2 (real property) and 8 (personal property)

Changes to USPAP

Rationale of the 2012-2013 Changes

1. Rationale (cont'd)

- d. Proposed language was suggested as a Comment to Standards Rule 7-2(c):

Comment: *When exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion.*

Changes to USPAP

Rationale of the 2012-2013 Changes

1. Rationale (cont'd)

- e. STANDARD 1 had the requirement that the appraiser, when developing an opinion of market value, also develop an opinion of reasonable exposure time linked to the market value opinion. Based on this development requirement, inclusion of the exposure time opinion in the report would be the appropriate means to indicate compliance with STANDARD 1

Changes to USPAP

Rationale of the 2012-2013 Changes

1. Rationale (cont'd)

- f. The Comment of Standards Rule 1-2(c) was edited to require the opinion of reasonable exposure time whenever it is an element of the definition, regardless of what the type of value is labeled
- g. Language was added to Standards Rules 2-2(a)(v), 2-2(b)(v), and 2-2(c)(v) requiring that the opinion of exposure time, when developed in compliance with Standards Rule 1-2(c), be stated in the report
- h. To add to the overall understandability of USPAP, the definition of exposure time was moved from SMT-6 and placed in DEFINITIONS in the USPAP document

Changes to USPAP

Rationale of the 2012-2013 Changes

2 Changes

~~*Comment: When developing an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion.*~~

Comment: When exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion. See Statement on Appraisal Standards No. 6, Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions. See also Advisory Opinion 7, Marketing Time Opinions, and Advisory Opinion 22, Scope of Work in Market Value Appraisal Assignments, Real Property

Changes to USPAP

Rationale of the 2012-2013 Changes

2. Changes (cont'd)

- c. Only the edits to STANDARD 2 were shown above; however, corresponding edits were also made to STANDARD 8
- d. Revisions, including corresponding edits, were made to SMT-6 to reflect the changes to the Standards Rules regarding exposure time. Reference is made to SMT 6 in your USPAP document

Changes to USPAP

In the Real World

- 1) I received an appraisal order from an Appraisal Management Company (AMC) which has requested to be identified as the client in the appraisal report. The AMC will not provide its client's name. Does USPAP allow me to identify the AMC as the client if the AMC will not disclose the name of its client?

Changes to USPAP

In the Real World

- 2) I was recently asked to perform an appraisal assignment, but the individual that contacted my firm was not the client and indicated that the client could not be identified. Can I accept this assignment and comply with USPAP?

Changes to USPAP

In the Real World

- 3) I am completing a market value appraisal. I use standard pre-printed residential report forms that ask for a neighborhood marketing time. Does marketing time on these forms mean the same thing as exposure time as it is used in USPAP?

Changes to USPAP

In the Real World

- 4) What is the difference between a client and an intended user?

Changes to USPAP

In the Real World

- 5) When appraising real property, confusion often exists between hypothetical conditions and extraordinary assumptions, and between extraordinary assumptions and assumptions. This confusion leads to potential misapplication in appraisal assignments. Test your understanding of the terms by identifying the following examples as: a) an extraordinary assumption; b) a hypothetical condition; or c) an assumption. You may want to review the definitions of all three first.

Changes to USPAP

In the Real World

5) (cont'd)

1. Title to the property is good and marketable
2. Appraising a site as if sewer were available when it is not
3. Appraising a site as if the zoning were different
4. Appraising a site under an assumed zoning when the zoning is not known and there is no evidence that the assumed zoning is not possible

Changes to USPAP

In the Real World

5) (cont'd)

5. Appraising irrigated farmland on the premise water supply is adequate for irrigated crop production, knowing that the existing supply is not adequate
6. Appraising a property as though there were no issues when there is a potential structural problem (i.e., crack in a foundation wall)

Changes to USPAP

In the Real World

5) (cont'd)

7. Appraising proposed improvements, such as new construction or additions, as of the date of completion (a prospective date of value)
8. Appraising proposed improvements, such as new construction or additions, assuming they were completed as of a current effective date

Changes to USPAP

In the Real World

6) The Federal Highway Administration (FHWA) publishes a *Guide for Preparing an Appraisal Scope of Work*. One of the items listed is that the property being acquired should be “appraised as if free and clear of contamination,” unless otherwise specified. Is this a jurisdictional exception, extraordinary assumption, or hypothetical condition?

Changes to USPAP

In the Real World

- 7) If I employ a hypothetical condition or an extraordinary assumption in an assignment, does USPAP require me to label it as such?

Changes to USPAP

Rationale of the 2012-2013 Changes

C. RECORD KEEPING RULE and related edits to the Conduct section of the ETHICS RULE

1. Rationale for addition of Rule and related edits
 - a. The appropriateness of having record keeping requirements located within the ETHICS RULE has been questioned
 - b. While record keeping is important, minor infractions should not rise to the level of an ethical violation. However, deliberate acts that violate the record keeping requirements should be seen as ethical violations

Changes to USPAP

Rationale of the 2012-2013 Changes

C. RECORD KEEPING RULE and related edits to the Conduct section of the ETHICS RULE

1. Rationale for addition of Rule and edits (cont'd)

c. The prohibition against a willful or deliberate failure to comply with the RECORD KEEPING RULE has been added to the Conduct section of the ETHICS RULE. Regardless of how minor errors originate, appraisers are ultimately responsible for record keeping requirements.

d. The changes improve clarity and reasonableness.

Changes to USPAP

Rationale of the 2012-2013 Changes

C. RECORD KEEPING RULE and related edits to the Conduct section of the ETHICS RULE

2. Changes

- a. The RECORD KEEPING RULE was added to the 2012-2013 edition of USPAP, replacing the prior Record Keeping section of the ETHICS RULE
- b. The new Rule incorporates parts of the prior Record Keeping section of the ETHICS RULE, with changes and additions. The new RECORD KEEPING RULE appears on the following page

Changes to USPAP

Rationale of the 2012-2013 Changes

C RECORD KEEPING RULE and related edits to

An appraiser:

must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE;

An appraiser who willfully or knowingly fails to comply with the obligations of this RECORD KEEPING RULE is in violation of the ETHICS RULE.

document for the entire rule. The additional prohibition states

Changes to USPAP

Rationale of the 2012-2013 Changes

C. RECORD KEEPING RULE and related edits to the Conduct section of the ETHICS RULE

2. Changes

- d. With the adoption of the RECORD KEEPING RULE, edits to Standards Rules 2-4, 3-7, 5-4, 8-4, and 10-4 were required

Changes to USPAP

Rationale of the 2012-2013 Changes

D. Revisions to Standards Rules 2-3, 3-6, 5-3, 6-9, 8-3, and 10-3, addressing prior services in the report certification

1. Rationale for revision

- a. In the 2010-2011 edition of USPAP, prior services were to be addressed in the certification only when the appraiser had provided them within the relevant time frame
- b. Conversely, in the same edition of USPAP, the appraiser must disclose either the presence or absence of any current or prospective interest regarding the subject or the parties involved

Changes to USPAP

Rationale of the 2012-2013 Changes

D. Revisions to Standards Rules 2-3, 3-6, 5-3, 6-9, 8-3, and 10-3, addressing prior services in the report certification

1. Rationale for revision (cont'd)

- c. Confusion among appraisers and users of appraisal services exists with respect to disclosing and reporting a prior serviced.
- d. To improve consistency and help reduce client questions, an addition has been made to the certification regarding prior services

Changes to USPAP

Rationale of the 2012-2013 Changes

D Revisions to Standards Rules 2-3, 2-6, 5-3, 6-

SR 2-3, 5-3, 6-9, 8-3, and 10-3:

I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

SR 3-6:

I have performed no (or the specified) other services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.

Changes to USPAP

In the Real World

- 1) If I have appraised a property multiple times within the previous three years, do I have to disclose the *number* of appraisal services? (e.g., “I have appraised the subject property three times during the previous three years.”)

Changes to USPAP

In the Real World

- 2) If I have performed a service other than appraisal practice, such as acting as a general contractor within the prior three years, do I have to describe the specific service or merely state a service was performed?

Changes to USPAP

In the Real World

- 3) The Comment to the Conduct section of the ETHICS RULE states, in part, *“If an appraiser has agreed with a client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignments that fall within the three-year period.”* Does this really mean that the appraiser could not be engaged by this same client, on this property, within the three-year period?

Changes to USPAP

In the Real World

- 4) I am aware of the disclosure requirements in the Conduct section of the ETHICS RULE that requires me to disclose any services I performed regarding the subject property within the prior three years. If I have *not* performed any such services, am I required to make that disclosure as well?

Changes to USPAP

In the Real World

- 6) How must recognition of my significant appraisal assistance be included when there is no written report, but significant assistance was provided and documentation of my work is in the workfile?

Changes to USPAP

In the Real World

7) I am aware of and comply with the workfile retention requirements in the RECORD KEEPING RULE in USPAP. However, once the required retention period has passed, does USPAP dictate a method I must employ to dispose of the workfiles?

Changes to USPAP

In the Real World

- 8) The RECORD KEEPING RULE states, in part:
The workfile must include...true copies of any written reports... Does a true copy have to include a signature on the certification?

Changes to USPAP

Rationale of the 2012-2013 Changes

E. Revisions to STANDARDS 7 and 8: Personal Property Appraisal, Development and Reporting

1. Rationale for revising STANDARDS 7 and 8
 - a. The personal property community indicated that STANDARDS 7 and 8 did not use personal property terminology and, in some cases, did not reflect current practice within the personal property discipline

Changes to USPAP

Rationale of the 2012-2013 Changes

E. Revisions to STANDARDS 7 and 8: Personal Property Appraisal, Development and Reporting

1. Rationale for revising STANDARDS 7 and 8 (cont'd)

- b. STANDARDS 7 and 8 had not been comprehensively reviewed for several years
- c. A Personal Property Task Force (PPTF) was appointed and made numerous recommendations to the ASB, resulting in significant changes to STANDARD 7

Changes to USPAP

Rationale of the 2012-2013 Changes

2. Changes

- a. STANDARD 7 has changed significantly. Many of the changes present language that is more consistent with that used by personal property appraisers. However, some of the changes have a more significant effect on acceptable performance
- b. Personal property can have multiple market and multiple uses, and is largely portable in nature. Therefore, Standards Rule 7-3(a) was changed to eliminate the language that is typically associated with highest and best use to be more consistent with the vocabulary and practices of the personal property appraiser

Changes to USPAP

Rationale of the 2012-2013 Changes

2. Changes

- c. Personal property appraisals frequently involve multiple objects in a single appraisal assignment, and the value significance of these objects can vary greatly. Standards Rule 7-4(e) was changed to specify that objects which are more significant to the assignment results should be the focus of the analysis
- d. Wording in Standards Rule 7-5 was changed. The Rule now requires the analysis of prior sales that occurred within a reasonable and applicable time period, if relevant given the intended use of the appraisal and property type.

Changes to USPAP

Rationale of the 2012-2013 Changes

2. Changes

- e. Edits were made to STANDARD 8 consistent with changes to STANDARD 2 and the other reporting standards regarding the reporting of exposure time, the labeling of hypothetical conditions, the RECORD KEEPING RULE, and the revised certification
- f. It is important to reference STANDARDS 7 and 8 in their entirety because of the extensive updating and revising to both

Changes to USPAP

Rationale of the 2012-2013 Changes

F. Revisions to Advisory Opinion 21, USPAP Compliance

1. Rationale for revising

- a. Requests were received from appraisers, appraisal clients, and state appraisal regulatory officials for additional clarification and additional illustrative examples in Advisory Opinion 21, *USPAP Compliance*
- b. The addition of the new RECORD KEEPING RULE necessitated, in part, some edits and enhancements to the Advisory Opinion

Changes to USPAP

Rationale of the 2012-2013 Changes

F. Revisions to Advisory Opinion 21, USPAP Compliance

2. Changes

- a. The illustrations in AO-21 were reviewed and updated or replaced as necessary to provide relevant guidance regarding when USPAP applies.
- b. Other edits were made as necessary
- c. Reference is made to AO-21 in the USPAP document under the Advisory Opinions tab for the full content of the revised Advisory Opinion

Changes to USPAP

Rationale of the 2012-2013 Changes

G. Other changes to USPAP

1. Appropriate edits were made throughout USPAP to reflect the changes
2. No STATEMENTS were added or deleted for 2012-2013. As appropriate, STATEMENTS were edited for consistency with changes to the USPAP document
3. No Advisory Opinions were added and none were deleted for 2012-2013.

Changes to USPAP

Rationale of the 2012-2013 Changes

G. Other changes to USPAP

4. Guidance was removed from Advisory Opinion 13 (AO-13), *Performing Evaluations of Real Property Collateral to Conform with USPAP*, for the 2012-2013 edition of the USPAP document. The guidelines offered in AO-13 were superseded by revised *Interagency Appraisal and Evaluation Guidelines* issued on December 2, 2010. As a result, the ASB will be working with the Interagency Work Group to update AO-13 to provide meaningful guidance on this more recent edition of the guidelines.

Changes to USPAP

Rationale of the 2012-2013 Changes

G. Other changes to USPAP

4. Advisory Opinion 13 (AO-13) (cont'd)

- a. The ASB intends to expose proposed revisions to AO-13 as soon as possible, and expects to issue an updated version of AO-13 prior to the effective date of the next edition of USPAP (January 1, 2014)
- b. Appraisers, in the interim, are urged to review the revised guidelines on The Appraisal Foundation's website

Changes to USPAP

In the Real World

- 1) Robert Agent is an individual who provides both brokerage and appraisal services. What are Robert's obligations under USPAP when preparing a broker's price opinion (BPO)?

Changes to USPAP

In the Real World

- 2) A client has asked Mike Black to perform a rent survey. The client owns the Acme Office Building and wants to know if he is charging enough rent. The client asked Mike to perform this work because he knows Mike is an appraiser; therefore, this valuation service is included in appraisal practice and USPAP applies. How can Mike provide this service in compliance with USPAP?

Changes to USPAP

In the Real World

- 3) Dan Williams is an appraiser. He was asked by a client to perform an “administrative screening review” of an appraisal report to determine if a more thorough review is warranted. The client would like Dan to check the math calculations and determine whether the appraisal report complies with the client’s basic content specifications. What are Dan’s obligations under USPAP?

Changes to USPAP

In the Real World

- 4) Marie Vaughn has a diverse practice that includes specialized litigation services. She commonly aids attorneys in developing cross-examination strategies for expert witness testimony from appraisers. How does USPAP apply to Marie's "litigation services"?

Changes to USPAP

In the Real World

- 5) A client feels that her property is over assessed by the county. She's asked me to perform a tax consulting service that involves advocacy for her position and I'd like to charge her on a contingency fee basis. This assignment would not include an appraisal. I have two questions: Is this service allowed under USPAP? If not, can I perform this assignment outside of USPAP?

Changes to USPAP

In the Real World

- 6) I'm a personal property appraiser and I've been asked to donate my professional services to help raise funds for a charitable organization. The charity wants to hold an event where individuals can bring in their personal property items and, for a nominal fee that is paid to the charity, receive an oral report of my opinion as to the value of their item(s).

Changes to USPAP

In the Real World

6) (cont'd) This appears to be similar to television shows where people bring in their personal items to be valued. If I decide to participate, would my opinions be considered appraisals and, if so, how could I comply with USPAP in performing these assignments?

Section Two

Review of SCOPE OF WORK RULE and USPAP Applied to Real World Examples

SCOPE OF WORK RULE

Review of Rule

A. Three sections to the Rule

1. Problem identification

- a. The extent to which the property is identified
- b. The extent to which tangible property is inspected
- c. The type and extent of data researched
- d. The type and extent of analyses applied to arrive at opinions or conclusions

SCOPE OF WORK RULE

Problem Identification

2. Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work in an assignment
3. Credible assignment results require support by relevant evidence and logic
4. The credibility of assignment results is measured in the context of the intended use

SCOPE OF WORK RULE

Problem Identification

A.

1. Client and any other intended users
2. Intended use of the appraiser's opinions and conclusions
3. Type and definition of value
4. Effective date of the appraiser's opinions and conclusions
5. Subject of the assignment and its relevant characteristics
6. Assignment conditions

SCOPE OF WORK RULE

Problem Identification

- B. Assignment elements provide an appraiser with the basis for determining type and extent of research and analyses to include in the development of an appraisal. (Similar information is also necessary in appraisal review and appraisal consulting assignments.)
- C. Requires communication with client to establish most of the information necessary; however, identification of relevant characteristics is a judgment made by the appraiser that requires competency

SCOPE OF WORK RULE

Problem Identification

D. Assignment conditions include

1. Assumptions
2. Extraordinary assumptions
3. Hypothetical conditions
4. Laws and regulations
5. Jurisdictional exceptions
6. Other conditions that affect the scope of work

SCOPE OF WORK RULE

Acceptability

- A. Scope of work is acceptable when it meets or exceeds:
1. Expectations of parties who are regularly intended users for similar assignments **and**
 2. What an appraiser's peers' actions would be in performing the same or a similar assignment

SCOPE OF WORK RULE

Acceptability

B. Process

1. Determining scope of work is an ongoing process during the assignment
2. Information or conditions discovered during the assignment might necessitate reconsidering the scope of work
3. An appraiser must be prepared to support the exclusion of any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers

SCOPE OF WORK RULE

Acceptability

C. Assignment conditions

1. An appraiser must not allow assignment

2.

3. An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased

SCOPE OF WORK RULE

Disclosure Requirements

- A. Report must contain sufficient information to allow intended users to understand the scope of the work performed
- B. This includes disclosure of research and analyses performed and might include disclosure of research and analyses not performed
- C. There is no requirement for the scope of work to be in a defined, specific or separate section of the report

SCOPE OF WORK RULE

In the Real World

- 1) I am a residential appraiser performing work for several Appraisal Management Companies. Often I am asked to perform an appraisal assignment outside the areas I am most familiar with. The assignments come with a requirement that a completed report be submitted within 48 hours or less. This time frame does not permit me to adequately research the subject property market. Is it permissible for me to accept an assignment under these conditions?

SCOPE OF WORK RULE

In the Real World

- 2) An appraiser completed an appraisal for Client A. Client B received a copy of the appraisal from Client A and finds it acceptable for their purposes, but wants to be identified as the client in the appraisal report. Client B is aware that appraisers are prohibited from readdressing (or transferring) a completed report to a different client's name.

SCOPE OF WORK RULE

In the Real World

- 2) (cont'd) As a result, Client B would like to engage the appraiser in a new assignment, limiting the appraiser's scope of work to only identifying them as the new client. Can the appraiser complete the assignment from Client B under these terms?

SCOPE OF WORK RULE

In the Real World

3) In the SCOPE OF WORK RULE, one of the two tests regarding the acceptability of an appraiser's scope of work is what the appraiser's peers would do. There are many appraisers that do things differently, so how would I know what they would do in an assignment?

SCOPE OF WORK RULE

In the Real World

- 4) Can an appraisal, appraisal review, or appraisal consulting assignment include more than one intended use?

SCOPE OF WORK RULE

In the Real World

- 5) Why are appraisers required to report the scope of work in an appraisal, appraisal review, or appraisal consulting report?

SCOPE OF WORK RULE

In the Real World

- 6) AO-26 and AO-27 clarify that I cannot readdress an appraisal, and I must treat a subsequent request as a new assignment. Does that mean I must start from scratch since I would be performing a new assignment for a different client? Must I re-inspect the property?

SCOPE OF WORK RULE

In the Real World

7) I have been asked to perform an appraisal involving proposed improvements. The client has indicated that plans and specs have not been finalized. Does USPAP require me to review the plans and specifications prior to completing this assignment?

SCOPE OF WORK RULE

In the Real World

- 8) I am valuing a controlling interest in a business enterprise by use of an asset-based (cost) approach, and that business owns real property. Am I required to have an appraisal of the real property or may I use other indications of the real property value?

SCOPE OF WORK RULE

In the Real World

- 9) A client has asked me to disregard any foreclosure, real estate owned (REO), or short sales when performing market value appraisal assignments. Is this an acceptable assignment condition?

SCOPE OF WORK RULE

In the Real World

10) What is the difference between exposure time and marketing time?

SCOPE OF WORK RULE

In the Real World

11) I live and work just outside an area that was devastated by a catastrophic weather event. My market area experienced sudden changes in supply and demand, and real estate sales prices climbed rapidly for a period of time following the disaster. Does USPAP provide advice to real estate appraisers on how to handle sudden market changes brought about by such catastrophic events?

SCOPE OF WORK RULE

In the Real World

12) The real estate market I appraise in has slowed down over the last 12 to 18 months, and it is now extremely common to see seller concessions as part of a purchase transaction. What are the USPAP requirements regarding proper treatment of sales/financing concessions?

SCOPE OF WORK RULE

In the Real World

13) I have a client that just wants me to provide comps from a neighborhood. Are there any USPAP requirements I must comply with to perform this task?

SCOPE OF WORK RULE

In the Real World

14) I was recently contacted by a client for whom I had previously completed an appraisal. The client asked if I could simply tell them whether there have been changes in the market, or not, since the time of my appraisal, and that the value of the property remains the same. Am I permitted to do this under USPAP?

SCOPE OF WORK RULE

In the Real World

15) I have completed an appraisal assignment for a client. The report was completed using the 2005 version of the Uniform Residential Appraisal Report (URAR). The client has requested that I remove one of the comparable properties from the report because, in the underwriter's opinion, it is not sufficiently similar to the subject property. If I do this, will my action comply with USPAP?

SCOPE OF WORK RULE

In the Real World

- 16) I am completing an appraisal assignment in which I was engaged by an Appraisal Management Company (AMC) on behalf of a lender. The AMC has asked me to collect a fee from the prospective borrower. I am to retain my portion of the total amount collected as the fee for my appraisal services, and forward the balance to the AMC. The AMC requires that there is to be no disclosure in the report of the total fee, nor of the manner in which the fee is to be split. Does USPAP permit this type of fee arrangement?

SCOPE OF WORK RULE

In the Real World

- 17) I am a personal property appraiser that specializes in the appraisal of coins and currency. I am required, by federal law, to report United States counterfeit coins and currency to the U.S. Secret Service. In reporting these counterfeit coins and currency, I am also required under federal law to provide them with the name and contact information of my client. Would disclosing my client's name under these circumstances be a jurisdictional exception under USPAP?

SCOPE OF WORK RULE

In the Real World

- 18) I am aware that development of an opinion of market value also requires development of an opinion of reasonable exposure time linked to the value opinion. The assignment I am working on has an assignment condition under the Uniform Appraisal Standards for Land Acquisitions (the Yellow Book) that requires me to disregard any decrease or increase in market value of the property prior to the effective date of value that is caused by the public improvement for which the property is being acquired. (cont'd)

SCOPE OF WORK RULE

In the Real World

18) (cont'd) My research indicates the time frames of buyers and sellers are often influenced by pending public improvement projects. Does this requirement represent a jurisdictional exception?

SCOPE OF WORK RULE

In the Real World

19) I am aware of some appraisers who perform property tax assessment appeal assignments where their fee is based on a percentage of the tax savings to the property owner. Doesn't USPAP prohibit appraisers from accepting assignments where the fee is based on a specific outcome?

SCOPE OF WORK RULE

In the Real World

20) I occasionally receive requests to appraise a property that I have appraised in the past. Since the ETHICS RULE requires me to disclose any assignments that I performed within the three years prior to the date of acceptance of the assignment, isn't such a disclosure a violation of an appraiser's responsibility under the Confidentiality section of the ETHICS RULE?

SCOPE OF WORK RULE

In the Real World

21) The Conduct section of the ETHICS RULE requires the appraiser to disclose, prior to engagement in the assignment, any services performed on the subject property within the prior three-year period. Following is a series of services. Which of the following series of services require disclosure by the appraiser if they were performed within the three-year period?

SCOPE OF WORK RULE

In the Real World

21) A) If I performed an appraisal that was “subject to” completion of repairs, and subsequently received a request to perform a “final inspection” confirming that the work had been completed, am I required to disclose that I previously appraised the property even if it is obvious to the client that I’ve done so?

SCOPE OF WORK RULE

In the Real World

21) B) If I perform an appraisal and use a property as one of my comparable sales, and later receive a request to appraise the property was used as a comparable sale, must I disclose that I “performed a service” on that property because I used it as a comparable sale?

SCOPE OF WORK RULE

In the Real World

21) C) I am involved in many aspects of the real estate industry. As such, I “perform services” on a great number of properties in many different ways. It would be very difficult for me to recall each and every property I’ve performed services on in a three-year period. Is it permissible to comply with the disclosure requirements by saying something to the effect of “To the best of my knowledge?”

SCOPE OF WORK RULE

In the Real World

21) D) I perform residential real estate appraisals using “standard” pre-printed appraisal forms, such as those developed by Fannie Mae. I’ve heard that Fannie Mae does not allow any changes to their certifications, so how can I comply with the USPAP requirement to disclose, in the certification, any prior services I have or have not performed on the property within the prior three years?

SCOPE OF WORK RULE

In the Real World

22) I am concerned that when I tell a prospective client that I have previously provided a service related to a property, it will lead to questions that I cannot answer without violating the Confidentiality section of the ETHICS RULE. I am sure the new client will want to know when I appraised it and what my value conclusions had been. How can I address these questions and comply with USPAP?

SCOPE OF WORK RULE

In the Real World

23) The real property that I am appraising involves proposed improvements, and the client needs to know my opinion of market value as if the proposed improvements are complete, both as of the current date and as of a future date. I have two questions:
1) When the date of value is a current date, is my opinion developed on the basis of a hypothetical condition or an extraordinary assumption?

SCOPE OF WORK RULE

In the Real World

23) (Cont'd)

2) When the date of value is a future date, when the proposed improvements will be complete, is my opinion developed on the basis of a hypothetical condition or an extraordinary assumption?

SCOPE OF WORK RULE

In the Real World

24) I have been engaged to perform a real property valuation assignment. The assignment is to develop an opinion of the market value of the subject property in its current “as-is” condition. USPAP states, Current appraisals occur when the effective date of the appraisal is contemporaneous with the date of the report. In this context, what defines contemporaneous with the date of the report?

SCOPE OF WORK RULE

In the Real World

25) May I perform an appraisal with multiple intended uses and communicate the results in a single report with a single valuation and be in compliance with USPAP? All of the intended uses have the same type and definition of value and were performed with the same scope of work.

SCOPE OF WORK RULE

In the Real World

26) If an appraiser is bound by USPAP for a particular assignment, when must the appraiser comply with USPAP appraisal reporting requirements?

SCOPE OF WORK RULE

In the Real World

27) I was recently told that USPAP allows appraisers to wait and create a workfile after the report has been delivered to the client for an appraisal, appraisal review, or appraisal consulting assignment. Is this true?

SCOPE OF WORK RULE

In the Real World

28) I am a research assistant with an appraisal firm that has three state certified or licensed real property appraisers. My responsibilities include preparing an appraisal file on each new assignment, researching past sales of the subject, obtaining zoning information, tax data, market information and sales research (including confirming the sales) for three associates. The licensed or certified appraisers usually inspect the property and prepare the appraisal themselves. Currently, they do not recognize me in these reports, and I am not permitted to sign them. (cont'd)

SCOPE OF WORK RULE

In the Real World

28) I also sometimes go with them on inspections and write portions of the reports. In these cases they do recognize me, as required by USPAP. I am concerned about receiving experience credit for all my appraisal assistance from my state's appraiser licensing board or a professional association if I apply for a designation. Should my participation be referenced in all the reports when I provide assistance, or only when I inspect the property and write portions of the report?

SCOPE OF WORK RULE

In the Real World

29) I am aware that STANDARDS 4 and 5 in USPAP apply to real property appraisal consulting, but which Standards apply to personal property appraisal consulting?

SCOPE OF WORK RULE

In the Real World

30) An appraiser receives a request to review an appraisal; however, the reviewer has previously appraised the same property. Does the reviewer's prior experience with the property create a bias that then precludes an objective review?



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