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The Second Exposure Draft: Proposed Revisions to USPAP

Appraisal Standards Board Webinar

WELCOME AND INTRODUCTIONS

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WEBINAR LOGISTICS


- **Webinar Being Recorded for Viewing on Foundation YouTube Channel**
- **Q&As / Chat Function**
- **Links to download today's presentation in the Chat window**
- **Survey**

AGENDA

- **Reporting Options: A New Direction**
- **STANDARDS RULES 2, 8 and 10**
- **Signing the Certification**
- **SCOPE OF WORK RULE**
- **DEFINITIONS**
- **Other edits**

Reporting Options: A New Direction

Is one set of reporting requirements still being proposed?

- 
- In response to stakeholder input about changes in the market for appraisals, the ASB for many years has been considering and proposing requirements for a single set of minimum reporting requirements.
 - The concept was not adopted for the 2020-21 edition of USPAP due to unintended consequences, and the ASB continued its examination of the issue within the first exposure draft for this cycle.
 - However, after considerable reflection (and considering the feedback received) the ASB has concluded that adding too much flexibility to USPAP would have a negative consequences.

Proposed changes to STANDARDS 2, 8 and 10

1

Modification of the requirement to label a report.

2

Rewording the first three introductory paragraphs to STANDARDS RULEs 2-2, 8-2 and 10-2.
The rewording is for simplicity and clarity but does not introduce any material changes.

3

Rephrase a Comment to delete the phrase “in order to satisfy disclosure requirements” in:

1. STANDARDS RULES 2-2(a)(ii), and STANDARDS RULES 2-2(b)(ii)
2. STANDARDS RULES 8-2(a)(ii), and STANDARDS RULES 8-2(b)(ii)

1

Proposed Change of the Requirement to Label the Report: SR 2-2, 8-2, and 10-2

The content and level of information provided in an appraisal report must be appropriate for the intended use and intended users of the appraisal.

Each written real property appraisal report must indicate which of the two report options in Standards Rule 2-2 is used, either:

- by stating that it is an Appraisal Report or Restricted Appraisal Report; or,
- if a different title or label is used, by stating whether the report is intended to comply with the requirements of Standards Rule 2-2(a) or Standards Rule 2-2(b).

The use of a different report title or label does not exempt an appraiser from adherence to USPAP.

Comment: Some examples of other report titles or labels that are commonly used in appraisal practice are Evaluation Report, Comprehensive Written Business Valuation Report, Comprehensive Valuation Report, or Abbreviated Valuation Report.

An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal is not misled and that the report complies with the applicable content requirements.

2

Proposed Change to **Reword Introductory Paragraphs: SR 2-2**

Since the content of the introductory language to (a) and (b) is proposed to be moved to the beginning of Standards Rule 2-2, the following changes would occur:

(a) ~~The content of an Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:~~ At a minimum, a real property Appraisal Report must:

(b) ~~The content of a Restricted Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:~~ At a minimum, a real property Restricted Appraisal Report must:

3

Proposed Change to **Rephrase a Comment**: SR 2-2, 8-2, and 10-2

(ii) state the identity of any other intended user(s) by name or type;

Comment: *A party receiving a copy of an Appraisal Report ~~in order to satisfy disclosure requirements~~ does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment.*

Proposed changes to SIGNING THE CERTIFICATION

- 1 Clarify that USPAP does not specify a particular method for signing a certification
- 2 Change “is required to” to “must”
- 3 Revise a Comment to emphasize the main point of the comment

1

Proposed Change to **Signing the Certification**: STANDARDS RULE 2-3(b)

(b) An appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign a certification- by using a generally-accepted method of attestation such as, but not limited to, signature (hand-written, electronic, digital, et al.) or password.

Comment: In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property, business or intangible asset assignment results not developed by the real property appraiser(s), any real property appraiser who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

2

Proposed Change to **Signing the Certification**: STANDARDS RULE 2-3(c)

(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.

(i) The signing appraiser ~~is required to~~ must have a reasonable basis for believing that those individuals performing the work are competent; and

3

Proposed Change to **Signing the Certification**: STANDARDS RULE 2-3(c)

(ii) *The signing appraiser must have no reason to doubt that the work of those individuals is credible.*

Comment: ~~Although~~ While a certification must contain the names of individuals providing significant real property appraisal assistance, ~~it is not required that a summary~~ the disclosure of the extent of their assistance may be located ~~in a~~ certification. ~~This disclosure may be in any part(s) of the report.~~

Proposed changes to the SCOPE OF WORK RULE

1 Clarify that disclosing the level of research may include describing *the level of inspection*.

2 Deleting part of a Comment in the DISCLOSURE OBLIGATIONS

1

Proposed Changes to the **SCOPE OF WORK RULE: DISCLOSURE OBLIGATIONS**

and

2

DISCLOSURE OBLIGATIONS

The report must contain sufficient information to allow the client and other intended users to understand the scope of work performed. The information disclosed must be appropriate for the intended use of the assignment results.

Comment: ~~Proper disclosure is required because clients and other intended users rely on the assignment results.~~ Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. This disclosure could also include information about the level of inspection.

The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report. The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

Proposed changes, deletions and additions to DEFINITIONS

Revision

1

APPRAISER

2

ASSIGNMENT ELEMENTS

3

PERSONAL INSPECTION

Deletion

4

MISLEADING

Addition

5

SIGNIFICANT APPRAISAL
ASSISTANCE

6

STATE

7

SUMMARIZE

Proposed Revisions to the Definition of **APPRAISER**, **ASSIGNMENT ELEMENTS**, and **PERSONAL INSPECTION**

1

APPRAISER: one who engages in appraisal practice and is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

2

ASSIGNMENT ELEMENTS: Specific information needed to identify the appraisal or appraisal review problem, such as: client and any other intended users; intended use of the appraiser's opinions and conclusions; type and definition of value; effective date of the appraiser's opinions and conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.

3

PERSONAL INSPECTION: ~~a~~ an in-person, physical observation of the subject property performed by an appraiser to assist in gathering information about ~~identifying~~ relevant property characteristics in a valuation service.

Comment: An appraiser's personal inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. An inspection by an appraiser is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator).

4 Proposed Deletion of the Definition of **MISLEADING**

~~**MISLEADING:** Intentionally or unintentionally misrepresenting, misstating, or concealing relevant facts or conclusions.~~

Proposed Addition of Definitions for **SIGNIFICANT APPRAISAL ASSISTANCE, STATE, and Summarize**

5 **SIGNIFICANT APPRAISAL ASSISTANCE:** Research, analysis, or other assistance that affects the assignment results and is provided by another appraiser explicitly in support of a particular assignment.

6 **STATE:** to report with a minimal presentation of information

7 **SUMMARIZE:** to report with more detail than a minimal presentation of information.

Proposed Edits for Clarity

1 The addition of the word transfer to the phrase “analyzing all sales...”

2 Revisions within STANDARDS RULE 8-2 to make it consistent

3 Removing a Comment from within STANDARDS RULES- when it is already in the SCOPE OF WORK RULE

1

The addition of the word **transfer**: STANDARD RULES 1-5, 2-2, 7-5, 8-2, and 9-4

Proposed Revision to STANDARDS RULE 1-5, SALE AGREEMENTS, OPTIONS, LISTINGS, ~~AND PRIOR SALES,~~ AND OTHER TRANSFERS

When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

- (a) analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal; and
- (b) analyze all sales and other transfers of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.

Proposed Revision to STANDARDS RULE 2-2, CONTENT OF A REAL PROPERTY APPRAISAL REPORT

- (a)(x)(3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings in accordance with Standards Rule 1-5;
- (b)(xii)(3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings in accordance with Standards Rule 1-5; and

2

Proposed Revision to **STANDARDS RULE 8-2(b)** to make consistent with **SR 8-2(a)**

(xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:

- (1) stating the appraisal methods and techniques employed;
- (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
- (3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings when, in accordance with Standards Rule 7-5, it was necessary for credible assignment results and if such information was available to the appraiser in the normal course of business; and

Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.

3

Removing Comments from within STANDARDS RULES (as the information is already in the SCOPE OF WORK RULE)

Proposed Revision to STANDARDS RULE 2-2(a)(viii), CONTENT OF A REAL PROPERTY APPRAISAL REPORT

(viii) summarize the scope of work used to develop the appraisal;

~~Comment: Summarizing the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.~~

Proposed Revision to STANDARDS RULE 2-2(b)(x), CONTENT OF A REAL PROPERTY APPRAISAL REPORT

(x) state the scope of work used to develop the appraisal;

~~Comment: Stating the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.~~

WE WANT TO HEAR FROM YOU!

- Written comment deadline is July 30, 2020
- Submit comments: ASBComments@appraisalfoundation.org
- Watch ASB public meeting on July 31st
Register for the Livestream:
https://zoom.us/webinar/register/WN_ulEuov5sSmmf8wcQ8eAWyQ

Thank you!

Communicating with the Foundation and its Boards is easy

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