

# 2019 ICAP Seminar

Changes to the 2020-21 Edition of USPAP



## New Definition -

- Liar – Someone who says that they are here for the material and not the CE hours.

## Revision Process for 2020-21 USPAP

Focused Survey – September 2017

Discussion Draft – January 2018

First Exposure Draft – May 2018

Online Briefing – June 2018

Second Exposure Draft – August 2018

First Exposure Draft for Advisory Opinions – September 2018

Third Exposure Draft – December 2018

**Adopt Changes – February 2019**

2020-21 USPAP & Courses – September/October 2019

- Changes need to be finalized by February! (Agree to do 3 ICAP Presentations starting March 11<sup>th</sup>)
- Fourth Exposure Draft issued in March 14<sup>th</sup>
- Changes were adopted April 5, 2019 for the 2020-21 edition of USPAP

## Session Overview

- Power of Your Idea - Email your ideas to the ASB
- Will you still be able to use the labels Appraisal Report and Restricted Appraisal Report?
- Proposed Changes to Reporting
- Changes to the Competency Rule and the Definitions
- Smokin' Hot Revisions to the AO's (Advisory Opinions if you are not hip)
- Future Changes to USPAP – Your Thoughts
- When in doubt, disclose. Be truthful about what you did.
- Comments matter.
- Questions and thoughts

Power of Your Idea -  
Email your ideas  
to the ASB



## Will you still be able to use the labels Appraisal Report and/or Restricted Appraisal Report?

- Yes While there was an Exposure Draft that eliminated Restricted Appraisal Reports, they are still here.
- The Board adopted revisions to permit additional intended users besides the client for Restricted Appraisal Reports. The second adopted change for Restricted Appraisal Reports is a simplification of warning language that will no longer include a reference to the appraiser's workfile.

## Proposed Changes for 2020-21 USPAP

- Reporting Options and Comments in Standards Rules
- Scope of Work Rule
- Competency Rule
- Definitions
- Other edits to improve clarity and enforceability of USPAP

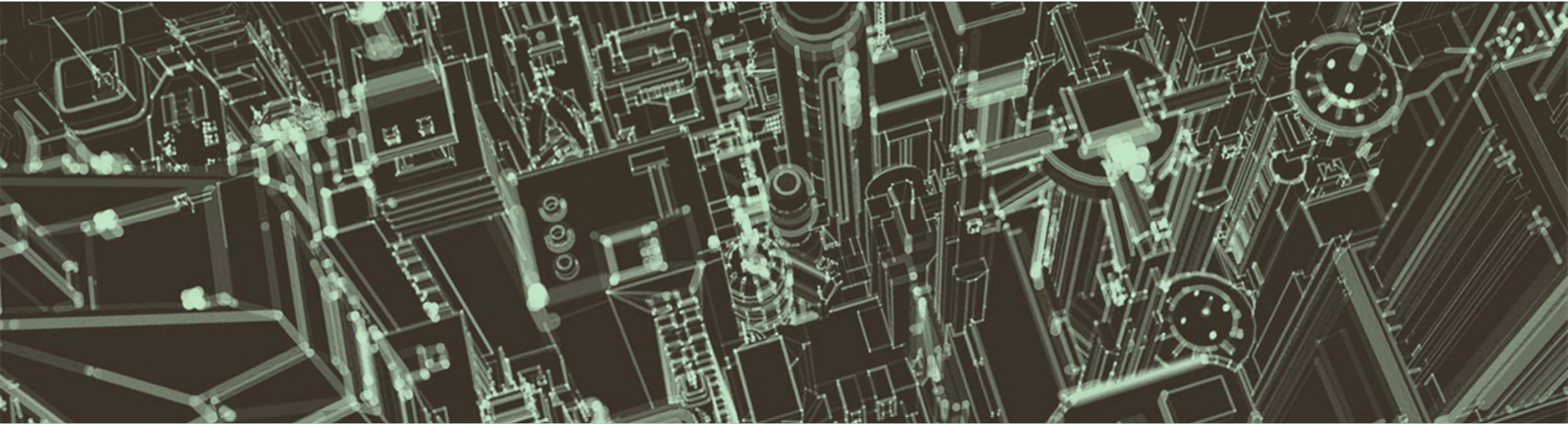


## Proposed Changes for 2020-21 USPAP Reporting

- 3<sup>rd</sup> Exposure Draft - Remove multiple report options (i.e., *Appraisal Report* and *Restricted Appraisal Report*)
- Have one set of minimum requirements for all reports (less than *Appraisal Report* and more than *Restricted Appraisal Report*)
- Any use restrictions or other limitations would have to be stated accurately, clearly, and conspicuously
- 4<sup>th</sup> Exposure Draft – Keeps Restricted Appraisal Report

## 4<sup>th</sup> Exposure Draft Restricted Appraisal Report

- No longer is limited to a single client as the lone intended user
- Other intended users have to be named not merely “by type”
- No longer include a reference to the appraiser’s work file
  
- In the back row – Do you utilize Restricted Appraisal Reports?



# Changes to the Competency Rule and the Definitions



## Competency Rule Change

- Move “Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner.” language from development standards into COMPETENCY RULE. Currently this language is only a Comment under appraisal development standards, not in reporting standards at all.

**YEAH!**

## Definitions

- Remove Comments from existing definitions
- Add new definitions for: *assignment elements*, *effective date*, *inspection*, *misleading*, *physical characteristics*, and *relevant characteristics*, to help clarify how each term is used in USPAP
- *INSPECTION* has been renamed *PERSONAL INSPECTION*
- Would you prefer “Visual Observation” instead of “Inspection”?

## Comments in Standards Rules

- Where Comments include requirements, remove language from Comments and modify Standards Rules
- Maintain Comments where needed to better understand requirements of Standards Rules
- Add descriptive titles to each Standards Rule

## SCOPE OF WORK RULE

- Add language to the Disclosure Obligations section of the SCOPE OF WORK RULE clarifying that the information disclosed must be appropriate for the intended use of the assignment results.

The home-buyer paid for the appraisal, is making a loan based on the appraisal, gets a copy, ....

- “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.”
- USPAP is written “To promote and maintain a high level of public trust in the appraisal profession ...” Do you think that the prospective borrower/buyer that often pays for the appraisal and gets a copy of the appraisal should be an intended user to promote public trust in the appraisal profession?



# Smokin' Hot Revisions to the AO's (Advisory Opinions if you are not hip)

## Proposed Creation of a New Advisory Opinion:

- *AO-38, Content of an Appraisal Report*

## Proposed Retirement of Advisory Opinions:

- *AO-4, Standards Rule 1-5(b)*
- *AO-11, Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*
- *AO-12, Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*

## *Proposed Revisions of Advisory Opinions for 2020-21*

- *AO-1, Sales History*
- *AO-2, Inspection of Subject Property*
- *AO-3, Update of a Prior Appraisal*
- *AO-28, Scope of Work Decision, Performance, and Disclosure*
- *AO-31, Assignments Involving More than One Appraiser*
- *AO-32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*
- *AO-38, Content of a Report (NEW)*

## ADVISORY OPINION 1, *Sales History*

- Based upon stakeholder feedback from the Exposure Drafts, the Board made further edits to provide additional detail and illustrations related to an appraiser's obligation to analyze the listing, contract, and sales history of the subject property.

## Revisions to ADVISORY OPINION 2, *Inspection of Subject Property*

- The Board adopted revisions to Advisory Opinion 2, *Inspection of Subject Property*, to provide guidance and illustrations reflecting changes in the marketplace related to an appraiser's inspection of a property.

## Revisions to ADVISORY OPINION 28, *Scope of Work Decision, Performance, and Disclosure*

- 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.

A real property appraiser is contacted by a potential client to appraise a one-unit residence. The client informs the appraiser that a property inspection completed by others will be provided to the appraiser, and that the property will not be available for inspection by the appraiser. This is an assignment condition, and the appraiser must consider this in the identification of the problem to be solved and the determination of the scope of work. To perform this assignment, the appraiser is required to:

- Determine that the client's assignment condition does not limit the scope of work to such a degree that assignment results are not credible in the context of the intended use;
- Identify, from sources the appraiser reasonably believes to be reliable, relevant characteristics of the property.

If the appraiser cannot gather sufficient information about the property's relevant characteristics from the third-party property inspection, the appraiser must seek additional information, which could include interviewing the inspector or gathering data from other sources. If uncertainties remain, but the appraiser can still develop credible assignment results, the appraiser may need to use an extraordinary assumption regarding the decision to rely on the information contained in the third party inspection report. Otherwise, if the appraiser cannot gather sufficient information from the third-party inspection report and other sources to produce credible assignment results, the appraiser must either seek to change the scope of work or withdraw from the assignment.

## ADVISORY OPINION 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*

- The Board made edits to this Advisory Opinion to clarify an appraiser's requirement to make a proper disclosure of the client and other intended users in an Appraisal Report or Restricted Appraisal Report, particularly in cases where the client has requested anonymity from being identified in the report.



## Future Changes to USPAP – A

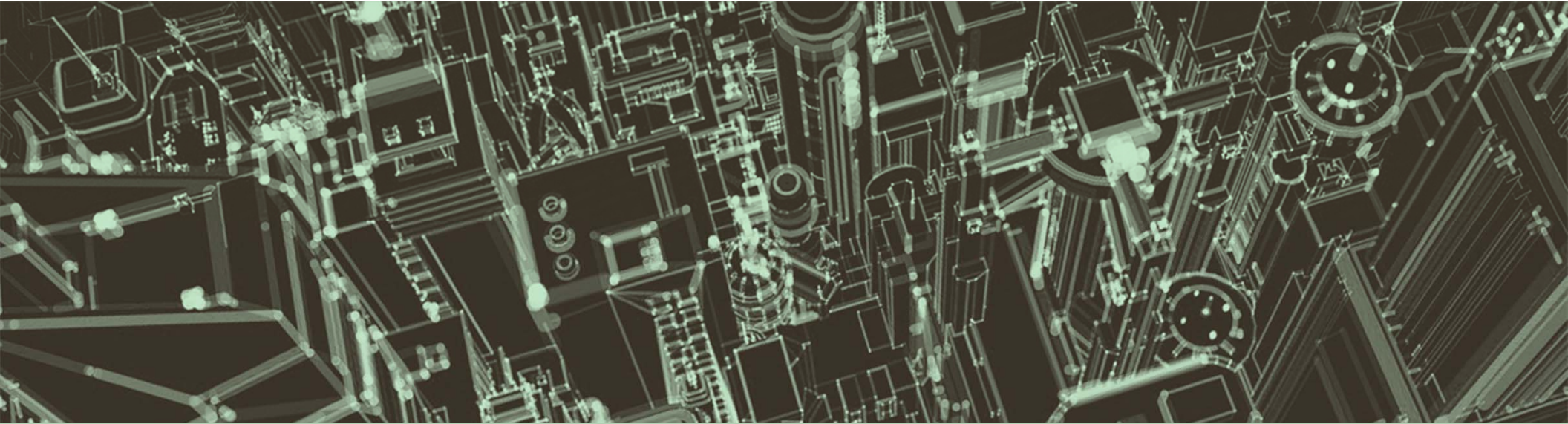
- Technology is evolving quickly and what needs to be changed in USPAP to keep up with these changes. (Row 1)
- Does there need to be more than one minimum set of reporting requirements? (Row 2)
- Can you combine the development and reporting standards since they say the exact same thing? (Row 3)
- What do you think of creating a “USPAP-compliant Report” whereby one must fulfill the minimum set of reporting requirements and for everything else, an appraiser must just adhere to the USPAP Rules?

## Future Changes to USPAP – B

- Can you prepare a “Market Value Appraisal” where there no intended use and no intended user? Would this promote a “high level of public trust in the appraisal profession”? In other words, would you be less biased if you wrote an appraisal report and did not know the user and the use but simply were asked to document your estimate of market value.
- Should the Restricted (Results-only) Report stay or go - remember promote a high level of public trust in the appraisal profession?

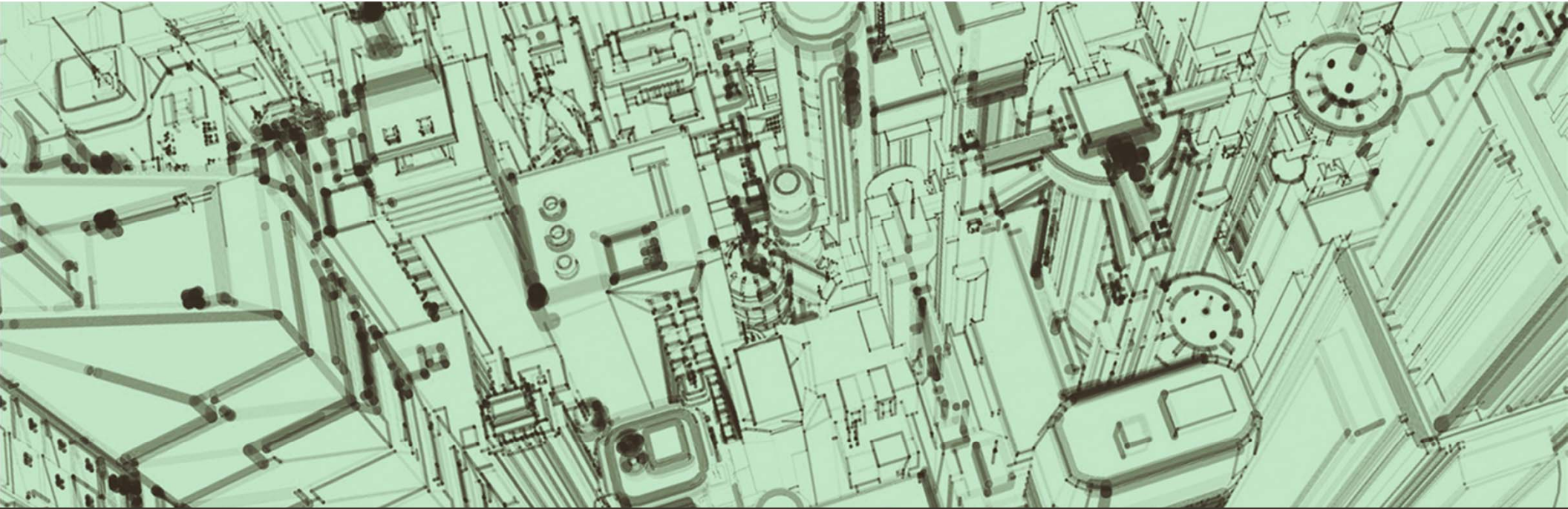
When in doubt, disclose. Be truthful about what you did.





Comments matter.  
“The ASB clearly heard the concerns,”  
[asbcomments@appraisalfoundation.org](mailto:asbcomments@appraisalfoundation.org)





# Questions and thoughts

