



THE APPRAISAL FOUNDATION
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APPRAISAL STANDARDS BOARD

TO: All Interested Parties

FROM: Wayne R. Miller, Chair
Appraisal Standards Board

RE: **Fourth Exposure Draft of proposed changes for the 2020-21 edition of the
*Uniform Standards of Professional Appraisal Practice***

DATE: February 27, 2019

The goal of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. With this goal in mind, the Appraisal Standards Board (ASB) regularly solicits and receives comments and suggestions for improving USPAP. Proposed changes are intended to improve USPAP understanding and enforceability, and thereby achieve the goal of promoting and maintaining public trust in appraisal practice.

The ASB is currently considering changes for the 2020-21 edition of USPAP. **All interested parties are encouraged to comment in writing to the ASB before the deadline of April 1, 2019.** Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited during the ASB Public Meeting on April 5, 2019 in Kansas City, Missouri.

Written comments on this exposure draft can be submitted by mail and email.

Mail: Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: asbcomments@appraisalfoundation.org

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request. The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached exposure draft, please contact Aida Dedajic, Standards Board Program Manager at The Appraisal Foundation, via e-mail at aida@appraisalfoundation.org or by calling (202) 624-3058.

You may register to attend the April 5th ASB Public Meeting in person, or watch it via live stream by visiting:

https://www.appraisalfoundation.org/TAFCore/Events/Event_Display.aspx?EventKey=ASB201904

Learn more about the proposed changes in the Fourth Exposure Draft in a free WEBINAR with Wayne Miller, Chair of ASB, and John Brennan, Vice President Appraisal Issues, by registering here: https://zoom.us/webinar/register/WN_giVF_XUbTnuVGe2717MxHQ

Background

The ASB issued a First Exposure Draft in May 2018, a Second Exposure Draft in August 2018, and a Third Exposure Draft in December 2018, proposing potential changes for the 2020-21 edition of USPAP. These exposure drafts were based on comments received following the issuance of a Discussion Draft in January 2018, identifying potential areas of change for the 2020-21 edition of USPAP. The exposure drafts addressed:

- Reporting Options
- SCOPE OF WORK RULE
- COMPETENCY RULE
- Comments in Standards Rules
- DEFINITIONS
- Other edits to improve clarity and enforceability of USPAP

In addition to the three exposure drafts and discussion draft referenced above, in September 2018 the ASB also issued an exposure draft of revisions pertaining to Advisory Opinions. The ASB is proposing one new Advisory Opinion (AO-38), and the retirement of Advisory Opinions 4, 11, and 12. Administrative edits may be made to the Advisory Opinions depending upon what changes to USPAP are adopted for the 2020-21 edition. While the ASB may adopt new Advisory Opinions and changes to existing Advisory Opinions without public exposure, the Board believes it is in the best interests of all to go through the exposure process and receive public input prior to adoption.

The ASB has reviewed all of the comments received in response to the exposure drafts, and believes it is fulfilling its work plan and addressing the needs of appraisers and users of appraisal services by introducing this Fourth Exposure Draft of proposed changes for the 2020-21 edition of USPAP, which includes the proposals related to the Advisory Opinions.

Of paramount importance to the Board when considering any potential revisions to USPAP is the issue of public trust. This umbrella of public trust, therefore, remains the primary consideration of the ASB in putting forth the concepts contained in this document.

The Board intends to adopt any revisions for the 2020-21 edition of USPAP at its public meeting on April 5, 2019 in Kansas City, Missouri. Any such revisions to USPAP would become effective on January 1, 2020.

Executive Summary

Fourth Exposure Draft of Proposed Changes for the 2020-21 USPAP

This Executive Summary is intended to be a *brief* discussion of each section in the document. Because some readers may not have an interest in every section of the document, the Executive Summary gives an overview to help readers find the sections related to their specific interest(s).

For detailed information on proposed revisions and the reasons for the proposals, the ASB encourages readers to review the rationale as well as the specific changes being proposed. As always, the ASB requests readers to submit any relevant comments.

Section 1 – STANDARDS (Reporting Options and Comments in Standards Rules)

Reporting Options

In a move intended to create greater flexibility for how appraisers report assignment results, the ASB proposes two significant revisions to the requirements for Restricted Appraisal Reports in STANDARDS 2, 8 and 10. If adopted, the new requirements will permit additional intended users besides the client for a Restricted Appraisal Report, as long as the other intended users are *named* in the report (i.e., not merely identified “by type.”) The second proposed change for Restricted Appraisal Reports is a simplification of warning language that will no longer include a reference to the appraiser’s workfile.

In addition to the two new proposed revisions to requirements for a Restricted Appraisal Report, the ASB continues to propose a modified version of revisions to the reporting requirements for an Appraisal Report in STANDARDS 2, 8 and 10. The modifications from the Third to the Fourth Exposure Draft take into account both the reinstatement of the Restricted Appraisal Report and also some edits that were suggested in recent comments to the ASB.

In sum, the ASB is proposing a set of changes that are more narrowly focused than those proposed in earlier exposure drafts, which delineated one set of minimum reporting standards that would apply to all appraisal reports. The intent remains to ensure that minimum reporting requirements continue to protect public trust in the appraisal profession, while not creating impediments for appraisers, as they continue to adapt to significant changes in the valuation profession. The ASB intends to further examine the concept of a single set of minimum reporting standards for future editions of USPAP because comments to the exposure drafts have indicated significant support for this idea.

Comments in Standards Rules

In the First and Second Exposure Drafts the ASB proposed several actions related to Comments in the Standards Rules. These actions included deleting some Comments that had duplicate requirements clearly stated elsewhere and incorporating others directly into the Standards Rules. The responses to the First and Second Exposure Drafts indicated these actions were helpful in increasing the clarity of USPAP. In response to stakeholder input, the Third Exposure Draft

included a proposal to revise the structure of the long Comment following the Certifications and to reinstate some of the Comments that had been proposed for deletion. This section of the Fourth Exposure Draft has reinstated some language from the deleted Comments in response to stakeholder input.

Section 2 – SCOPE OF WORK RULE

After considering responses to the First and Second Exposure Drafts regarding proposed modifications to the Disclosure Obligations section of the SCOPE OF WORK RULE, in the Third Exposure Draft the ASB proposed to add language to the Disclosure Obligations section of the SCOPE OF WORK RULE to address the flexibility afforded the appraiser in the disclosure of scope of work. This section of the Fourth Exposure Draft contains only one change, which proposes the “information disclosed” instead of the “amount of information disclosed.”

Section 3 – COMPETENCY RULE

In earlier exposure drafts, the ASB proposed to move the following important Comment from Standards Rules 1-1, 3-1, 5-1, 7-1, and 9-1, and add a slightly edited version to the COMPETENCY RULE. In response to comments to the Second Exposure Draft, the ASB proposed to move the Comment, as follows, into the COMPETENCY RULE;

“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. This Rule requires an appraiser to use due diligence and due care.”

This particular Comment currently appears only in the development Standards, but it has been pointed out that it should also apply to reporting. Moving it into the COMPETENCY RULE reduces duplication and, at the same time, broadens the applicability of this important Comment since the COMPETENCY RULE applies to both development and reporting in all disciplines.

Additionally, as a part of the ASB’s efforts in prior exposure drafts to reduce the number and length of Comments in the Standards Rules, the ASB had proposed the following be deleted from the Comment to Standards Rule 1-1(a) as well as related comments in the other development Standards Rules:

“For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.”

The ASB received stakeholder feedback indicating that this concept, although somewhat aspirational, is an important reminder to appraisers that they must keep up with changes in the profession. As such, in this Fourth Exposure Draft, the ASB proposes to move the Comment, as follows, into the COMPETENCY RULE:

“It is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Appraisers must continuously improve their skills and knowledge to remain competent.”

Section 4 – DEFINITIONS

Based upon responses received from the First, Second, and Third Exposure Drafts the ASB proposes some modifications and additions to the DEFINITIONS in order to help readers better understand USPAP. The prior exposure drafts proposed to include USPAP terms that differ from or are not found in popular English dictionaries and also, in a few instances, to indicate which popular dictionary definition is meant to be used if there are multiple definitions. In response to stakeholder input, the following changes are being proposed in this Fourth Exposure Draft:

- Elimination of previously proposed definitions for AT THE TIME OF THE ASSIGNMENT, DATE OF REPORT, and ENGAGEMENT;
- Revisions to the following proposed definitions: APPRAISAL, ASSIGNMENT ELEMENTS, ASSIGNMENT RESULTS, CREDIBLE, MISLEADING, PHYSICAL CHARACTERISTICS, STATE, SUMMARIZE, VALUATION SERVICE, and VALUE; and
- The previously proposed term INSPECTION has been renamed PERSONAL INSPECTION to better align with how the term is used in USPAP.

Section 5 – Other Edits to Improve Clarity and Enforceability of USPAP

In the First and Second Exposure Drafts, the Board proposed several other edits for clarity and consistency. The edits are related to the following three terms or phrases:

1. Accept an assignment
2. At the time of the assignment
3. Intangible Items

As mentioned under Section 4 above, in response to comments received from the Third Exposure Draft, the proposed definition of “At the time of the assignment” has been eliminated. In response to stakeholder input, the proposed changes regarding the other two items continue to be proposed in this Fourth Exposure Draft.

Section 6 – Proposed Revisions to ADVISORY OPINION 1, *Sales History*

Based upon stakeholder feedback from the Third Exposure Draft, the Board is proposing further edits to provide additional detail related to an appraiser’s obligation to analyze the listing, contract, and sales history of the subject property. In addition, the Board is proposing corresponding edits that will be made if the changes to USPAP contained in this Fourth Exposure Draft are adopted.

Section 7 – Proposed Revisions to ADVISORY OPINION 2, *Inspection of Subject Property*

The Board is proposing edits to reflect changes in the marketplace related to an appraiser's inspection of a property. In addition, the Board is proposing edits that will be made if the definition of PERSONAL INSPECTION contained in this Fourth Exposure Draft is adopted. There are no other significant changes from what was proposed in the Third Exposure Draft.

Section 8 – Proposed Revisions to ADVISORY OPINION 3, *Update of a Prior Appraisal*

The Board is proposing edits that clarify an appraiser's obligations regarding confidentiality when performing an update of an appraisal using the "incorporate by reference" option. There are no substantive changes from what was proposed in the Third Exposure Draft.

Section 9 – Proposed Revisions to ADVISORY OPINION 28, *Scope of Work Decision, Performance, and Disclosure*

The Board is proposing clarifying edits to Illustration 2, and to include an additional illustration regarding a scope of work problem related to real property. In addition, the Board is proposing corresponding edits that will be made if the changes to USPAP contained in this Fourth Exposure Draft are adopted. There are no substantive changes from what was proposed in the Third Exposure Draft.

Section 10 – Proposed Revisions to ADVISORY OPINION 31, *Assignments Involving More than One Appraiser*

The Board is proposing edits that will be made if the definition of SIGNIFICANT APPRAISAL ASSISTANCE contained in this Fourth Exposure Draft is adopted. Additional edits are being proposed if the edits to Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3 in the Fourth Exposure Draft are adopted. There are no substantive changes from what was proposed in the Third Exposure Draft.

Section 11 – Proposed Revisions to ADVISORY OPINION 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*

The Board is proposing to add an Illustration 5, capturing information proposed for deletion from a Comment to Standards Rule 5-5(a), which the Board concluded was more advisory in nature and better placed in this Advisory Opinion. Additional edits are being proposed based on the potential changes to USPAP in this Fourth Exposure Draft. There are no substantive changes from what was proposed in the Third Exposure Draft.

Section 12 – Proposed Revisions to ADVISORY OPINION 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*

The Board is proposing 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. These changes are newly proposed in this Fourth Exposure Draft.

Section 13 –ADVISORY OPINION 38, *Content of an Appraisal Report and Restricted Appraisal Report*

The Board is proposing a new Advisory Opinion that will replace Advisory Opinions 11 and 12 if the proposed edits to USPAP in this Fourth Exposure Draft are adopted. Based upon stakeholder input there are a number of changes to this proposed new Advisory Opinion, which has been restructured to compare the reporting requirements under the revised Appraisal Report and Restricted Appraisal Report options.

Section 14 – Proposed Retirement of ADVISORY OPINION 4, *Standards Rule 1-5(b); ADVISORY OPINION 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*; and ADVISORY OPINION 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2**

The Board is proposing the retirement of AO-4 as the existing guidance is viewed as narrowly-focused, and is more appropriately housed where it also currently exists in the USPAP Frequently Asked Questions. There are no changes from what was proposed in the Third Exposure Draft.

As stated previously, AO-11 and AO-12 will be retired and replaced with AO-38 if the proposed revisions to USPAP contained in this Fourth Exposure Draft are adopted.

**Fourth Exposure Draft of Proposed Changes for the
2020-21 edition of the *Uniform Standards of Professional Appraisal Practice***

**Issued: February 27, 2019
Comment Deadline: April 1, 2019**

Each section of this exposure draft begins with a rationale for the proposed changes to USPAP. The rationale is identified as such and does not have line numbering. Where proposed changes to USPAP are noted, the exposure draft contains line numbers. This difference is intended to distinguish for the reader those parts that explain the changes to USPAP from the proposed changes themselves.

When commenting on various aspects of the exposure draft, it is very helpful to reference the line numbers, fully explain the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues that the ASB should consider.

Unless otherwise noted, where text is proposed to be deleted from USPAP, that text is shown as strikethrough. For example: ~~This is strikethrough text proposed for deletion.~~ Text that is proposed to be added to USPAP is underlined. For example: This is text proposed for insertion.

For ease in identifying the various issues being addressed, the exposure draft is presented in sections.

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Section 1: STANDARDS (Reporting Options and Comments in Standards Rules)**RATIONALE**

The ASB proposed changes to STANDARDS 1 and 2 in the First Exposure Draft, and in the Second and Third Exposure Drafts proposed parallel changes to STANDARDS 3 through 10, as appropriate. In this Fourth Exposure Draft additional input has led to the withdrawal of one major proposed change, which was to issue a single set of minimum reporting requirements for STANDARDS 2, 8 and 10.

If adopted, the requirements proposed in the Fourth Exposure Draft would retain the current two types of reporting options and titles, Appraisal Report and Restricted Appraisal Report. However, proposed changes to both the Appraisal Report and Restricted Appraisal Report provide the appraiser with additional flexibility as well as additional responsibility in choosing how to report assignment results.

It is important to note that the ASB is not proposing any reduction in the requirements for *developing* an appraisal. Furthermore, no changes are proposed to USPAP fundamental reporting requirements that an appraiser must "...communicate each analysis, opinion, and conclusion in a manner that is not misleading" and that each appraisal report must "...contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly."

1. Reporting Requirements

A key objection to the requirements in prior exposure drafts has come from appraisers who currently provide USPAP-compliant Restricted Appraisal Reports. Their clients are familiar with and comfortable with the inherent restrictions and the largely "results-only" report content. The proposed requirements in prior exposure drafts would have significantly impacted appraisers and users of this type of report. This objection is the reason why the requirements proposed in the Third Exposure Draft have been modified.

After receiving significant stakeholder input, the ASB proposes to retain two reporting options with modifications. If adopted, the new requirements will permit additional intended users besides the client for a Restricted Appraisal Report, as long as the other intended users are *named* in the report (i.e., not merely identified "by type.") A second proposed change for Restricted Appraisal Reports is a simplification of warning language that will no longer include a reference to the appraiser's workfile.

In addition to the two new proposed revisions to requirements for a Restricted Appraisal Report, the ASB continues to propose a modified version of revisions to the reporting requirements for an Appraisal Report in STANDARDS 2, 8 and 10. The modifications from the Third to the Fourth Exposure Draft take into account both the reinstatement of the Restricted Appraisal Report and also some edits that were suggested in recent comments to the ASB.

In sum, the ASB is proposing changes that are more narrowly focused than those proposed in earlier exposure drafts, which delineated one set of minimum reporting standards that would apply

to all appraisal reports. The intent remains to ensure that minimum reporting requirements continue to protect public trust in the appraisal profession, while not creating impediments for appraisers, as they continue to adapt to significant changes in the valuation profession. The ASB intends to further examine the concept of a single set of minimum reporting standards for future editions of USPAP because comments to the exposure drafts have indicated significant support for this idea.

The ASB also proposes some further changes based upon recent input suggesting that language from some of the Comments be retained as well as variations to proposed titles for the Standards Rules.

2. Comments

With the objective of streamlining USPAP for clarity and ease of understanding, the ASB continues to propose deleting some Comments that duplicate requirements that are clearly stated elsewhere, where possible moving Comments that contain the word “must” into the Standards Rules, and relocating extensive explanatory material into USPAP guidance such as an Advisory Opinion, FAQ, or USPAP education. In addition, the ASB has considered the enforceability of certain Comments, which currently contain information that, though helpful to appraisers and users of appraisal services, are aspirational in nature. The ASB is continuing to propose that these Comments be moved, as appropriate, into a RULE or guidance material.

In the First Exposure Draft, the ASB proposed actions related to Comments in the Standards Rules and demonstrated a model of this proposal for STANDARD 1. This model was then expanded in the Second Exposure Draft to propose parallel changes to STANDARDS 2 through 10, as appropriate. In response to input from stakeholders, the Third Exposure Draft and also this Fourth Exposure Draft have proposed some modifications to what had previously been exposed. Some examples are:

- An important Comment that is repeated in Standards Rules for all disciplines has been incorporated *in its entirety* into the COMPETENCY RULE. The sentence that begins “Perfection is impossible to attain...” applies equally to all disciplines both in development and reporting and has been moved into the COMPETENCY RULE so that it does not need to be repeated in each Standards Rule.
- Another important Comment that is repeated multiple times in Standards Rules has been incorporated into the COMPETENCY RULE. The two sentences at the end of the Comment in Standards Rule 1-1(a), 3-1(a), 5-1(a) and 7-1(a), that begin, “For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers...” were initially viewed as aspirational and were proposed for deletion. However, based upon stakeholder input, this concept was felt to be fundamental to the purpose of continuing education and a key element in remaining competent in an ever-changing world. Thus, in this Fourth Exposure Draft, the ASB proposes to move these sentences into the COMPETENCY RULE.

No changes have been proposed regarding the role of Comments in USPAP. As currently stated in the PREAMBLE, “*Comments are an integral part of USPAP and have the same weight as the component they address.*”

3. Clarity and Consistency

There are a limited number of changes from what was proposed in the Third Exposure Draft. Among the changes for clarity and consistency that are being proposed are the following:

- Adding descriptive titles to each of the Standards Rules. In this Fourth Exposure Draft, the Board proposes minor revisions to the descriptive titles proposed in prior exposure drafts.
- Changing the word “attributes” to “characteristics” in the Standards Rules to be consistent with the proposed DEFINITION of “physical characteristics” as applicable.
- Changing the phrase “consistent with” to “appropriate for” in the Standards Rules on report content; i.e., the “The content of an Appraisal Report must be appropriate for ~~consistent with~~ the intended use of the appraisal...”
- Revising lines 1036-1038 in STANDARD 5 of the 2018-19 edition of USPAP as follows: “In developing a mass appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.”
- Deleting the word “equity” in line 1816 in STANDARD 9 of the 2018-19 edition of USPAP, and changing “equity” to “interest” in line 1822, as there are forms of business interests other than equity that sometimes have the ability to cause liquidation.

1 **STANDARD 1: REAL PROPERTY APPRAISAL DEVELOPMENT**

2 **In developing a real property appraisal, an appraiser must identify the problem to be solved,**
 3 **determine the scope of work necessary to solve the problem, and correctly complete research**
 4 **and analyses necessary to produce a credible appraisal.**

5 Comment: ~~STANDARD 1 is directed toward the substantive aspects of developing a~~
 6 ~~credible appraisal of real property. The requirements set forth in STANDARD 1 follow the~~
 7 ~~appraisal development process in the order of topics addressed and can be used by~~
 8 ~~appraisers and the users of appraisal services as a convenient checklist.~~

9 **STANDARDS RULE 1-1, General Development Requirements**

10 **In developing a real property appraisal, an appraiser must:**

11 **(a) be aware of, understand, and correctly employ those recognized methods and**
 12 **techniques that are necessary to produce a credible appraisal;**

13 Comment: This Standards Rule recognizes that the principle of change continues to affect
 14 the manner in which appraisers perform appraisal services. Changes and developments in
 15 the real estate field have a substantial impact on the appraisal profession. Important
 16 changes in the cost and manner of constructing and marketing commercial, industrial, and
 17 residential real estate as well as changes in the legal framework in which real property
 18 rights and interests are created, conveyed, and mortgaged have resulted in corresponding
 19 changes in appraisal theory and practice. Social change has also had an effect on appraisal
 20 theory and practice. To keep abreast of these changes and developments, the appraisal
 21 profession is constantly reviewing and revising appraisal methods and techniques and
 22 devising new methods and techniques to meet new circumstances. ~~For this reason, it is not~~
 23 ~~sufficient for appraisers to simply maintain the skills and the knowledge they possess when~~
 24 ~~they become appraisers. Each appraiser must continuously improve his or her skills to~~
 25 ~~remain proficient in real property appraisal.~~

26 **(b) not commit a substantial error of omission or commission that significantly affects an**
 27 **appraisal; and**

28 Comment: An appraiser must use sufficient care to avoid errors that would significantly
 29 affect his or her opinions and conclusions. Diligence is required to identify and analyze the
 30 factors, conditions, data, and other information that would have a significant effect on the
 31 credibility of the assignment results.

32 **(c) not render appraisal services in a careless or negligent manner, such as by making a**
 33 **series of errors that, although individually might not significantly affect the results of**
 34 **an appraisal, in the aggregate affects the credibility of those results.**

35 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 36 ~~However, an appraiser must not render appraisal services in a careless or negligent manner.~~
 37 ~~This Standards Rule requires an appraiser to use due diligence and due care.~~

38 **STANDARDS RULE 1-2, Problem Identification**

39 **In developing a real property appraisal, an appraiser must:**

- 40 (a) identify the client and other intended users;
- 41 (b) identify the intended use of the appraiser’s opinions and conclusions;
- 42 Comment: An appraiser must not allow the intended use of an assignment or a client’s
- 43 objectives to cause the assignment results to be biased.
- 44 (c) identify the type and definition of value, and, ~~if the value opinion to be developed is~~
- 45 ~~market value~~, ascertain whether the value is to be the most probable price:
- 46 (i) in terms of cash; or
- 47 (ii) in terms of financial arrangements equivalent to cash; or
- 48 (iii) in other precisely defined terms; and
- 49 (iv) if the opinion of value is to be based on non-market financing or financing with
- 50 unusual conditions or incentives, identify the terms of such financing and any
- 51 ~~must be clearly identified and the appraiser’s opinion of their contributions to~~
- 52 ~~or negative influences~~ on value ~~must be developed by analysis of relevant~~
- 53 ~~market data~~;
- 54 Comment: When reasonable exposure time is a component of the definition for the
- 55 value opinion being developed, the appraiser must also develop an opinion of
- 56 reasonable exposure time linked to that value opinion.
- 57 (d) identify the effective date of the appraiser’s opinions and conclusions;
- 58 (e) identify, from sources the appraiser reasonably believes to be reliable, the
- 59 characteristics of the property that are relevant to the type and definition of value
- 60 and intended use of the appraisal, including:
- 61 (i) its location and physical, legal, and economic characteristics ~~attributes~~;
- 62 (ii) the real property interest to be valued;
- 63 (iii) any personal property, trade fixtures, or intangible assets ~~items~~ that are not
- 64 real property but are included in the appraisal;
- 65 (iv) any known easements, restrictions, encumbrances, leases, reservations,
- 66 covenants, contracts, declarations, special assessments, ordinances, or other
- 67 items of a similar nature; and
- 68 (v) whether the subject property is a fractional interest, physical segment, or
- 69 partial holding;
- 70 Comment on (i)–(v): ~~The information used by an appraiser to identify the property~~
- 71 ~~characteristics must be from sources the appraiser reasonably believes are reliable.~~
- 72 An appraiser may use any combination of a property inspection, ~~and~~ documents,
- 73 such as a ~~physical~~ legal description, address, map reference, copy of a survey or
- 74 map, property sketch, ~~or~~ photographs, or other information to identify the relevant
- 75 characteristics of the subject property.

76 When appraising proposed improvements, an appraiser must examine and have
 77 available for future examination, plans, specifications, or other documentation
 78 sufficient to identify the extent and character of the proposed improvements.

79 Identification of the real property interest appraised can be based on a review of
 80 copies or summaries of title descriptions or other documents that set forth any
 81 known encumbrances.

82 An appraiser is not required to value the whole when the subject of the appraisal is
 83 a fractional interest, a physical segment, or a partial holding.

84 **(f) identify any extraordinary assumptions necessary in the assignment; An**
 85 **extraordinary assumption may be used in an assignment only if:**

86 **(i) the extraordinary assumption is required to properly develop credible**
 87 **opinions and conclusions;**

88 **(ii) the appraiser has a reasonable basis for the extraordinary assumption; and**

89 **(iii) use of the extraordinary assumption results in a credible analysis;**

90 Comment: An extraordinary assumption may be used in an assignment only if:

- 91 ● ~~it is required to properly develop credible opinions and conclusions;~~
- 92 ● ~~the appraiser has a reasonable basis for the extraordinary assumption;~~
- 93 ● ~~use of the extraordinary assumption results in a credible analysis; and~~
- 94 ● ~~the appraiser complies with the disclosure requirements set forth in USPAP~~
 95 ~~for extraordinary assumptions.~~

96 **(g) identify any hypothetical conditions necessary in the assignment; and A hypothetical**
 97 **condition may be used in an assignment only if:**

98 **(i) use of the hypothetical condition is clearly required for legal purposes, for**
 99 **purposes of reasonable analysis, or for purposes of comparison; and**

100 **(ii) use of the hypothetical condition results in a credible analysis; and**

101 Comment: A hypothetical condition may be used in an assignment only if:

- 102 ● ~~use of the hypothetical condition is clearly required for legal purposes, for~~
 103 ~~purposes of reasonable analysis, or for purposes of comparison;~~
- 104 ● ~~use of the hypothetical condition results in a credible analysis; and~~
- 105 ● ~~the appraiser complies with the disclosure requirements set forth in USPAP~~
 106 ~~for hypothetical conditions.~~

107 **(h) determine the scope of work necessary to produce credible assignment results in**
 108 **accordance with the SCOPE OF WORK RULE.**

109 **STANDARDS RULE 1-3, Market Analysis, and Highest and Best Use**

110 **When necessary for credible assignment results in developing a market value opinion, an**
 111 **appraiser must:**

112 (a) identify and analyze the effect on use and value of: ~~existing land use regulations,~~
 113 ~~reasonably probable modifications of such land use regulations, economic supply and~~
 114 ~~demand, the physical adaptability of the real estate, and market area trends; and~~

- 115 (i) existing land use regulations;
- 116 (ii) reasonably probable modifications of such land use regulations;
- 117 (iii) economic supply and demand;
- 118 (iv) the physical adaptability of the real estate; and
- 119 (v) market area trends; and

120 Comment: An appraiser must avoid making an unsupported assumption or premise about
 121 market area trends, effective age, and remaining life.

122 (b) develop an opinion of the highest and best use of the real estate.

123 Comment: An appraiser must analyze the relevant legal, physical, and economic factors to
 124 the extent necessary to support the appraiser’s highest and best use conclusion(s).

125 **STANDARDS RULE 1-4, Approaches to Value**

126 **In developing a real property appraisal, an appraiser must collect, verify, and analyze all**
 127 **information necessary for credible assignment results.**

128 (a) **When a sales comparison approach is necessary for credible assignment results, an**
 129 **appraiser must analyze such comparable sales data as are available to indicate a value**
 130 **conclusion.**

131 (b) **When a cost approach is necessary for credible assignment results, an appraiser must:**

- 132 (i) **develop an opinion of site value by an appropriate appraisal method or**
 133 **technique;**
- 134 (ii) **analyze such comparable cost data as are available to estimate the cost new of**
 135 **the improvements (if any); and**
- 136 (iii) **analyze such comparable data as are available to estimate the difference**
 137 **between the cost new and the present worth of the improvements**
 138 **(depreciation).**

139 (c) **When an income approach is necessary for credible assignment results, an appraiser**
 140 **must:**

- 141 (i) **analyze such comparable rental data as are available and/or the potential**
 142 **earnings capacity of the property to estimate the gross income potential of the**
 143 **property;**
- 144 (ii) **analyze such comparable operating expense data as are available to estimate**
 145 **the operating expenses of the property;**
- 146 (iii) **analyze such comparable data as are available to estimate rates of**
 147 **capitalization and/or rates of discount; and**

148 (iv) base projections of future rent and/or income potential and expenses on
 149 reasonably clear and appropriate evidence; and

150 (v) weigh historical information and trends, current supply and demand factors
 151 affecting such trends, and anticipated events such as competition from
 152 developments under construction, when developing income and expense
 153 statements and cash flow projections.

154 ~~Comment: In developing income and expense statements and cash flow projections,~~
 155 ~~an appraiser must weigh historical information and trends, current supply and~~
 156 ~~demand factors affecting such trends, and anticipated events such as competition~~
 157 ~~from developments under construction.~~

158 (d) When developing an opinion of the value of a leased fee estate or a leasehold estate,
 159 an appraiser must analyze the effect on value, if any, of the terms and conditions of
 160 the lease(s).

161 (e) When analyzing the assemblage of the various estates or component parts of a
 162 property, an appraiser must analyze the effect on value, if any, of the assemblage. An
 163 appraiser must refrain from valuing the whole solely by adding together the
 164 individual values of the various estates or component parts.

165 ~~Comment: Although the value of the whole may be equal to the sum of the separate estates~~
 166 ~~or parts, it also may be greater than or less than the sum of such estates or parts. Therefore,~~
 167 ~~the value of the whole must be tested by reference to appropriate data and supported by an~~
 168 ~~appropriate analysis of such data.~~

169 ~~A similar procedure must be followed when the value of the whole has been established~~
 170 ~~and the appraiser seeks to value a part. The value of any such part must be tested by~~
 171 ~~reference to appropriate data and supported by an appropriate analysis of such data.~~

172 (f) When analyzing anticipated public or private improvements, located on or off the
 173 site, an appraiser must analyze the effect on value, if any, of such anticipated
 174 improvements to the extent they are reflected in market actions.

175 (g) When personal property, trade fixtures, or intangible ~~items~~ assets are included in the
 176 appraisal, the appraiser must analyze the effect on value of such non-real property
 177 assets ~~items~~.

178 ~~Comment: When the scope of work includes an appraisal of personal property, trade~~
 179 ~~fixtures, or intangible ~~items~~ assets, competency in personal property appraisal (see~~
 180 ~~STANDARD 7) or business appraisal (see STANDARD 9) is required.~~

181 **STANDARDS RULE 1-5, Sale Agreements, Options, Listings and Prior Sales**

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

184 (a) analyze all agreements of sale, options, and listings of the subject property current as
 185 of the effective date of the appraisal; and

186 (b) analyze all sales of the subject property that occurred within the three (3) years prior
187 to the effective date of the appraisal.

188 ~~Comment: See the Comments to Standards Rules 2-2(a)(viii) and 2-2(b)(viii) for~~
189 ~~corresponding reporting requirements relating to the availability and relevance of~~
190 ~~information.~~

191 **STANDARDS RULE 1-6, Reconciliation**

192 **In developing a real property appraisal, an appraiser must:**

193 (a) reconcile the quality and quantity of data available and analyzed within the
194 approaches used; and

195 (b) reconcile the applicability and relevance of the approaches, methods and techniques
196 used to arrive at the value conclusion(s).

197 **STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING**

198 **In reporting the results of a real property appraisal, an appraiser must communicate each**
 199 **analysis, opinion, and conclusion in a manner that is not misleading.**

200 Comment: STANDARD 2 addresses the content and level of information required in a
 201 report that communicates the results of a real property appraisal.

202 STANDARD 2 does not dictate the form, format, or style of real property appraisal reports.
 203 ~~The form, format, and style of a report are functions of the needs of intended users and~~
 204 ~~appraisers.~~ The substantive content of a report determines its compliance.

205 **STANDARDS RULE 2-1, General Reporting Requirements**

206 **Each written or oral real property appraisal report must:**

- 207 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**
- 208 (b) **contain sufficient information to enable the intended user(s) of the appraisal to**
 209 **understand the report properly; and**
- 210 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
 211 **hypothetical conditions, and limiting conditions used in the assignment.**

212 **STANDARDS RULE 2-2, Content of a Real Property Appraisal Report**

213 **Each written real property appraisal report must be prepared under one of the following**
 214 **options and prominently state which option is used: Appraisal Report or Restricted**
 215 **Appraisal Report.**

216 **An appraiser may use any other label in addition to, but not in place of, the labels set forth**
 217 **in this Standards Rule for the type of report provided. The use of additional labels such as**
 218 **analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from**
 219 **adherence to USPAP.**

220 **The report content and level of information requirements in this Standards Rule are**
 221 **minimums for each type of report. An appraiser must supplement a report form, when**
 222 **necessary, to ensure that any intended user of the appraisal is not misled and that the report**
 223 **complies with the applicable content requirements.**

224 Comment: ~~When the intended users include parties other than the client, an Appraisal~~
 225 ~~Report must be provided. When the intended users do not include parties other than the~~
 226 ~~client, a Restricted Appraisal Report may be provided.~~

227 ~~The essential difference between these two options is in the content and level of~~
 228 ~~information provided. The appropriate reporting option and the level of information~~
 229 ~~necessary in the report are dependent on the intended use and the intended users.~~

230 ~~An appraiser must use care when characterizing the type of report and level of information~~
 231 ~~communicated upon completion of an assignment. An appraiser may use any other label in~~
 232 ~~addition to, but not in place of, the label set forth in this Standard for the type of report~~
 233 ~~provided.~~

234 The report content and level of information requirements set forth in this Standard are
 235 minimums for each type of report. An appraiser must supplement a report form, when
 236 necessary, to ensure that any intended user of the appraisal is not misled and that the report
 237 complies with the applicable content requirements set forth in this Standards Rule.

238 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to
 239 satisfy disclosure requirements does not become an intended user of the appraisal unless
 240 the appraiser identifies such party as an intended user as part of the assignment.

241 (a) The content of an Appraisal Report must be appropriate for ~~consistent with~~ the
 242 intended use of the appraisal and, at a minimum:

243 (i) ~~state the identity of the client;~~ or if the client requested anonymity, state that the
 244 identity is withheld at the client's request but is retained in the appraiser's
 245 workfile; unless the client has specifically requested otherwise; state the identity
 246 of any intended users by name or type;

247 Comment: Because the client is an intended user, they must be identified in the report
 248 as such. However, if the client has requested anonymity the ~~An~~ appraiser must use care
 249 when identifying the client to avoid violations of the Confidentiality section of the
 250 ETHICS RULE. If a client requests that the client's identity be withheld from the
 251 report, the appraiser may comply with this request. In these instances, the appraiser
 252 must document the identity of the client in the workfile and must state in the report that
 253 the identity of the client has been withheld at the client's request.

254 Types of intended users of the report might include parties such as lenders, employees
 255 of government agencies, partners of a client, and a client's attorney and accountant.

256 (ii) state the identity of any other intended users by name or type;

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

260 (iii) ~~(ii)~~ state the intended use of the appraisal;

261 (iv) ~~(iii)~~ summarize contain information, documents, and/or exhibits sufficient to
 262 identify the real estate involved in the appraisal, including the physical, legal, and
 263 economic property characteristics relevant to the assignment;

264 Comment: The real estate involved in the appraisal can be specified, for example, by a
 265 legal description, address, map reference, copy of a survey or map, property sketch,
 266 and/or photographs or the like. The summarized information can include a property
 267 sketch and photographs in addition to written comments about the legal, physical, and
 268 economic attributes of the real estate relevant to the type and definition of value and
 269 intended use of the appraisal.

270 (v) ~~(iv)~~ state the real property interest appraised;

271 Comment: The statement of the real property rights being appraised must be
 272 substantiated, as needed, by copies or summaries of title descriptions or other
 273 documents that set forth any known encumbrances.

274 **(vi) (v) state the type and definition of value and cite the source of the definition;**

275 Comment: Stating the definition of value also requires any comments needed to clearly

276 indicate to the intended users how the definition is being applied.

277 When reporting an opinion of ~~market~~ value, state whether the opinion of ~~value~~ is:

278 • in terms of cash or of financing terms equivalent to cash; or

279 • based on non-market financing or financing with unusual conditions or

280 incentives.

281 When an opinion of ~~market~~ value is ~~not in terms of cash or~~ based on non-market

282 financing terms or financing with unusual conditions or incentives, equivalent to cash,

283 summarize the terms of such financing and explain their contributions to or negative

284 any influences on value.

285 When an opinion of reasonable exposure time has been developed in compliance with

286 Standards Rule 1-2(c), the opinion must be stated in the report.

287 **(vii) (vi) state the effective date of the appraisal and the date of the report;**

288 Comment: ~~The effective date of the appraisal establishes the context for the value~~

289 ~~opinion, while the date of the report indicates whether the perspective of the appraiser~~

290 ~~on the market and property as of the effective date of the appraisal was prospective,~~

291 ~~current, or retrospective.~~

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

293 Comment: ~~Because intended users' reliance on an appraisal may be affected by the~~

294 ~~scope of work, the report must enable them to be properly informed and not misled.~~

295 ~~Sufficient information.~~ Summarizing the scope of work includes disclosure of research

296 and analyses performed and might also include disclosure of research and analyses not

297 performed.

298 When any portion of the work involves ~~significant real property appraisal assistance,~~

299 ~~the appraiser must summarize the extent of that assistance. The name(s) of those~~

300 ~~providing the significant real property appraisal assistance must be stated in the~~

301 ~~certification, in accordance with Standards Rule 2-3.~~

302 **(ix) summarize the extent of any significant real property appraisal assistance;**

303 ~~**(viii) summarize the information analyzed, the appraisal methods and techniques**~~

304 ~~**employed, and the reasoning that supports the analyses, opinions, and**~~

305 ~~**conclusions; exclusion of the sales comparison approach, cost approach, or income**~~

306 ~~**approach must be explained;**~~

307 Comment: ~~An Appraisal Report must include sufficient information to indicate that the~~

308 ~~appraiser complied with the requirements of STANDARD 1. The amount of detail~~

309 ~~required will vary with the significance of the information to the appraisal.~~

310 ~~The appraiser must provide sufficient information to enable the client and intended~~

311 ~~users to understand the rationale for the opinions and conclusions, including~~

312 ~~reconciliation of the data and approaches, in accordance with Standards Rule 1-6.~~

313 When reporting an opinion of market value, a summary of the results of analyzing the
 314 subject sales, agreements of sale, options, and listings in accordance with Standards
 315 Rule 1-5 is required. If such information is unobtainable, a statement on the efforts
 316 undertaken by the appraiser to obtain the information is required. If such information
 317 is irrelevant, a statement acknowledging the existence of the information and citing its
 318 lack of relevance is required.

319 **(x) provide sufficient information to indicate that the appraiser complied with the**
 320 **requirements of STANDARD 1 by:**

- 321 **(i) summarizing the appraisal methods and techniques employed;**
 322 **(ii) stating the reasons for excluding the sales comparison, cost, or income**
 323 **approach(es) if any have not been developed;**
 324 **(iii) summarizing the results of analyzing the subject sales, agreements of sale,**
 325 **options, and listings in accordance with Standards Rule 1-5;**

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

- 330 **(iv) stating the value opinion(s) and conclusion(s); and**
 331 **(v) summarizing the information analyzed and the reasoning that supports the**
 332 **analyses, opinions, and conclusions, including reconciliation of the data**
 333 **and approaches;**

334 **(xi) (ix) state the use of the real estate existing as of the effective date of value and the**
 335 **use of the real estate reflected in the appraisal;**

336 **(xii) (x) when an opinion of highest and best use was developed by the appraiser, state**
 337 **that opinion and summarize the support and rationale for that opinion;**

- 338 **(xiii) (xi) clearly and conspicuously:**
 339
 - state all extraordinary assumptions and hypothetical conditions; and
 - state that their use might have affected the assignment results; and

341 **(xiv) (xii) include a signed certification in accordance with Standards Rule 2-3.**

342 **(b) The content of a Restricted Appraisal Report must be appropriate for consistent with the**
 343 **intended use of the appraisal and, at a minimum:**

- 344 **(i) state the identity of the client, unless the client has specifically requested**
 345 **otherwise; or if the client requested anonymity, state that the identity is**
 346 **withheld at the client's request but is retained in the appraiser's workfile; and**
 347 **state a prominent use restriction that limits use of the report to the client and**
 348 **warns that the rationale for how the appraiser arrived at the opinions and**
 349 **conclusions set forth in the report may not be understood properly without**
 350 **additional information in the appraiser's workfile;**

351 Comment: Because the client is an intended user, they must be identified in the
 352 report as such. However, if the client has requested anonymity the appraiser must
 353 use care when identifying the client to avoid violations of the Confidentiality
 354 section of the ETHICS RULE.

355 **(ii) state the identity of any other intended user(s) by name;**

356 Comment: A Restricted Appraisal Report may be provided when the client is the
 357 only intended user; or, when additional intended users are identified by name;

358 A party receiving a copy of a Restricted Appraisal Report in order to satisfy
 359 disclosure requirements does not become an intended user of the appraisal unless
 360 the appraiser identifies such party as an intended user as part of the assignment.

361 **(iii) clearly and conspicuously state a restriction that limits use of the report to the**
 362 **client and the named intended user(s);**

363 **(iv) clearly and conspicuously warn that the report may not contain supporting**
 364 **rationale for all of the opinions and conclusions set forth in the report;**

365 Comment: An appraiser must use care when identifying the client to avoid
 366 violations of the Confidentiality section of the ETHICS RULE. If a client requests
 367 that the client's identity be withheld from the report, the appraiser may comply with
 368 this request. In these instances, the appraiser must document the identity of the
 369 client in the workfile and must state in the report that the identity of the client has
 370 been withheld at the client's request. The Restricted Appraisal Report is for client
 371 use only. Before entering into an agreement, the appraiser should establish with the
 372 client the situations where this type of report is to be used and should ensure that
 373 the client understands the restricted utility of the Restricted Appraisal Report.

374 **(v) (ii) state the intended use of the appraisal;**

375 Comment: The intended use of the appraisal must be consistent with the limitation
 376 on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client
 377 use only).

378 **(vi) (iii) state information sufficient to identify the real estate involved in the**
 379 **appraisal;**

380 Comment: The real estate involved in the appraisal can be specified, for example,
 381 by a legal description, address, map reference, copy of a survey or map, property
 382 sketch, and/or photographs or the like.

383 **(vii) (iv) state the real property interest appraised;**

384 **(viii) (v) state the type of value and cite the source of its definition;**

385 Comment: When an opinion of reasonable exposure time has been developed in
 386 compliance with Standards Rule 1-2(c), the opinion must be stated in the report.

387 **(ix) (vi) state the effective date of the appraisal and the date of the report;**

388 Comment: The effective date of the appraisal establishes the context for the value
 389 opinion, while the date of the report indicates whether the perspective of the

390 appraiser on the market and property as of the effective date of the appraisal was
 391 prospective, current, or retrospective.

392 **(x)** ~~(vii) state the scope of work used to develop the appraisal;~~

393 Comment: Because the client’s reliance on an appraisal may be affected by the
 394 scope of work, the report must enable them to be properly informed and not misled.
 395 Sufficient information Stating the scope of work includes disclosure of research
 396 and analyses performed and might also include disclosure of research and analyses
 397 not performed.

398 When any portion of the work involves significant real property appraisal
 399 assistance, the appraiser must state the extent of that assistance. The name(s) of
 400 those providing the significant real property appraisal assistance must be stated in
 401 the certification, in accordance with Standards Rule 2-3.

402 **(xi)** state the extent of any significant real property appraisal assistance;

403 ~~(viii) state the appraisal methods and techniques employed, state the value
 404 opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of
 405 the sales comparison approach, cost approach, or income approach must be
 406 explained;~~

407 Comment: An appraiser must maintain a specific, coherent workfile in support of a
 408 Restricted Appraisal Report. The contents of the workfile must include sufficient
 409 information to indicate that the appraiser complied with the requirements of
 410 STANDARD 1 and for the appraiser to produce an Appraisal Report.

411 When reporting an opinion of market value, a summary of the results of analyzing
 412 the subject sales, agreements of sale, options, and listings in accordance with
 413 Standards Rule 1-5 is required. If such information is unobtainable, a statement on
 414 the efforts undertaken by the appraiser to obtain the information is required. If such
 415 information is irrelevant, a statement acknowledging the existence of the
 416 information and citing its lack of relevance is required.

417 **(xii)** provide sufficient information to indicate that the appraiser complied with the
 418 requirements of STANDARD 1 by:

419 **(i)** stating the appraisal methods and techniques employed;

420 **(ii)** stating the reasons for excluding the sales comparison, cost, or income
 421 approach(es) if any have not been developed;

422 **(iii)** summarizing the results of analyzing the subject sales, agreements of sale,
 423 options, and listings in accordance with Standards Rule 1-5; and

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

428 **(iv)** stating the value opinion(s) and conclusion(s);

429 Comment: An appraiser must maintain a workfile that includes sufficient
 430 information to indicate that the appraiser complied with the requirements of
 431 STANDARD 1 and for the appraiser to produce an Appraisal Report.

432 **(xiii) ~~(ix)~~ state the use of the real estate existing as of the effective date of value and**
 433 **the use of the real estate reflected in the appraisal;**

434 **(xiv) ~~(x)~~ when an opinion of highest and best use was developed by the appraiser,**
 435 **state that opinion;**

436 **(xv) ~~(xi)~~ clearly and conspicuously:**

- 437 • state all extraordinary assumptions and hypothetical conditions; and
- 438 • state that their use might have affected the assignment results; and

439 **(xvi) ~~(xii)~~ include a signed certification in accordance with Standards Rule 2-3.**

440 **STANDARDS RULE 2-3, Certification**

441 **A signed certification is an integral part of the appraisal report. Each written real property**
 442 **appraisal report must contain a signed certification that is similar in content to the following**
 443 **form:**

444 **(a) The wording of a certification does not have to match the following verbatim, but each**
 445 **of the elements must be addressed:**

446 **I certify that, to the best of my knowledge and belief:**

- 447 — the statements of fact contained in this report are true and correct.
- 448 — the reported analyses, opinions, and conclusions are limited only by the reported
- 449 assumptions and limiting conditions and are my personal, impartial, and
- 450 unbiased professional analyses, opinions, and conclusions.
- 451 — I have no (or the specified) present or prospective interest in the property that
- 452 is the subject of this report and no (or the specified) personal interest with
- 453 respect to the parties involved.
- 454 — I have performed no (or the specified) services, as an appraiser or in any other
- 455 capacity, regarding the property that is the subject of this report within the
- 456 three-year period immediately preceding the agreement to perform acceptance
- 457 of this assignment.
- 458 — I have no bias with respect to the property that is the subject of this report or to
- 459 the parties involved with this assignment.
- 460 — my engagement in this assignment was not contingent upon developing or
- 461 reporting predetermined results.
- 462 — my compensation for completing this assignment is not contingent upon the
- 463 development or reporting of a predetermined value or direction in value that
- 464 favors the cause of the client, the amount of the value opinion, the attainment of
- 465 a stipulated result, or the occurrence of a subsequent event directly related to
- 466 the intended use of this appraisal.

- 467 — my analyses, opinions, and conclusions were developed, and this report has been
 468 prepared, in conformity with the *Uniform Standards of Professional Appraisal*
 469 *Practice*.
- 470 — I have (or have not) made a personal inspection of the property that is the
 471 subject of this report. (If more than one person signs this certification, the
 472 certification must clearly specify which individuals did and which individuals
 473 did not make a personal inspection of the appraised property.)
- 474 — no one provided significant real property appraisal assistance to the person
 475 signing this certification. (If there are exceptions, the name of each individual
 476 providing significant real property appraisal assistance must be stated.)

477 ~~Comment: A signed certification is an integral part of the appraisal report. An~~
 478 ~~appraiser who signs any part of the appraisal report, including a letter of transmittal,~~
 479 ~~must also sign this certification.~~

480 ~~In an assignment that includes only assignment results developed by the real property~~
 481 ~~appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for~~
 482 ~~all elements of the certification, for the assignment results, and for the contents of the~~
 483 ~~appraisal report. In an assignment that includes personal property, business or~~
 484 ~~intangible asset assignment results not developed by the real property appraiser(s),~~
 485 ~~any real property appraiser(s) who signs a certification accepts full responsibility for~~
 486 ~~the real property elements of the certification, for the real property assignment results,~~
 487 ~~and for the real property contents of the appraisal report.~~

488 ~~When a signing appraiser(s) has relied on work done by appraisers and others who~~
 489 ~~do not sign the certification, the signing appraiser is responsible for the decision to~~
 490 ~~rely on their work. The signing appraiser(s) is required to have a reasonable basis for~~
 491 ~~believing that those individuals performing the work are competent. The signing~~
 492 ~~appraiser(s) also must have no reason to doubt that the work of those individuals is~~
 493 ~~credible.~~

494 ~~The names of individuals providing significant real property appraisal assistance who~~
 495 ~~do not sign a certification must be stated in the certification. It is not required that the~~
 496 ~~description of their assistance be contained in the certification, but disclosure of their~~
 497 ~~assistance is required in accordance with Standards Rule 2-2(a)(vii) or 2-2(b)(vii) as~~
 498 ~~applicable.~~

499 **(b) An appraiser who signs any part of the appraisal report, including a letter of**
 500 **transmittal, must also sign a certification.**

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

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

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

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

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

520 **(d) When an assignment requires the use of a certification that does not include all of the**
 521 **certification elements in this Standards Rule, the appraisal report must contain a**
 522 **supplemental certification, which includes the remaining required certification**
 523 **elements.**

524 **STANDARDS RULE 2-4, Oral Appraisal Report**

525 **To the extent that it is both possible and appropriate, an oral real property appraisal report**
 526 **must address the substantive matters set forth in Standards Rule 2-2(a).**

527 Comment: See the RECORD KEEPING RULE for corresponding requirements.

528 **STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT**

529 **In developing an appraisal review, an appraiser must identify the problem to be solved,**
 530 **determine the scope of work necessary to solve the problem, and correctly complete research**
 531 **and analyses necessary to produce a credible appraisal review.**

532 Comment: ~~STANDARD 3 is directed toward the substantive aspects of developing a~~
 533 ~~credible opinion of the quality of another appraiser’s work that was performed as part of~~
 534 ~~an appraisal or appraisal review assignment. The requirements set forth in STANDARD 3~~
 535 ~~generally follow the appraisal review development process in the order of topics addressed~~
 536 ~~and can be used by appraisers and the users of appraisal services as a convenient checklist.~~

537 In this Standard, the term “reviewer” is used to refer to an appraiser performing an appraisal
 538 review.

539 **STANDARDS RULE 3-1, General Development Requirements**

540 **In developing an appraisal review, the reviewer must:**

541 **(a) be aware of, understand, and correctly employ those methods and techniques that are**
 542 **necessary to produce a credible appraisal review;**

543 Comment: Changes and developments in economics, finance, law, technology, and society
 544 can have a substantial impact on the appraisal profession. To keep abreast of these changes
 545 and developments, the appraisal profession is constantly reviewing and revising appraisal
 546 methods and techniques and devising new methods and techniques to meet new
 547 circumstances. ~~Each appraiser must continuously improve his or her skills to remain~~
 548 ~~proficient in appraisal review.~~

549 ~~The reviewer must have the knowledge and experience needed to identify and perform the~~
 550 ~~scope of work necessary to produce credible assignment results. Aspects of competency~~
 551 ~~for an appraisal review, depending on the review assignment’s scope of work, may include,~~
 552 ~~without limitation, familiarity with the specific type of property or asset, market,~~
 553 ~~geographic area, analytic method, and applicable laws, regulations and guidelines.~~

554 **(b) not commit a substantial error of omission or commission that significantly affects an**
 555 **appraisal review; and**

556 Comment: A reviewer must use sufficient care to avoid errors that would significantly
 557 affect his or her opinions and conclusions. Diligence is required to identify and analyze the
 558 factors, conditions, data, and other information that would have a significant effect on the
 559 credibility of the assignment results.

560 **(c) not render appraisal review services in a careless or negligent manner, such as**
 561 **making a series of errors that, although individually might not significantly affect the**
 562 **results of an appraisal review, in the aggregate affects the credibility of those results.**

563 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 564 ~~However, an appraiser must not render appraisal review services in a careless or negligent~~
 565 ~~manner. This Standards Rule requires a reviewer to use due diligence and due care.~~

566 **STANDARDS RULE 3-2, Problem Identification**

567 **In developing an appraisal review, the reviewer must:**

568 **(a) identify the client and other intended users;**

569 **(b) identify the intended use of the reviewer’s opinions and conclusions;**

570 Comment: A reviewer must not allow the intended use of an assignment or a client’s
 571 objectives to cause the assignment results to be biased. A reviewer must not advocate for
 572 a client’s objectives. The intended use refers to the use of the reviewer’s opinions and
 573 conclusions by the client and other intended users; examples include, without limitation,
 574 quality control, audit, qualification, or confirmation.

575 **(c) identify the purpose of the appraisal review, including whether the assignment**
 576 **includes the development of the reviewer’s own opinion of value or review opinion**
 577 **related to the work under review;**

578 Comment: The purpose of an appraisal review assignment relates to the reviewer’s
 579 objective; examples include, without limitation, to determine if the results of the work
 580 under review are credible for the intended user’s intended use, or to evaluate compliance
 581 with relevant USPAP requirements, client requirements, or applicable regulations.

582 In the review of an appraisal assignment, the reviewer may provide an opinion of value for
 583 the property that is the subject of the work under review.

584 In the review of an appraisal review assignment, the reviewer may provide an opinion of
 585 quality of the work that is the subject of the appraisal review assignment.

586 **(d) identify the work under review and the characteristics of that work which are**
 587 **relevant to the intended use and purpose of the appraisal review, including:**

588 **(i) any ownership interest in the property that is the subject of the work under**
 589 **review;**

590 **(ii) the date of the work under review and the effective date of the opinions or**
 591 **conclusions in the work under review;**

592 **(iii) the appraiser(s) who completed the work under review, unless the identity is**
 593 **withheld by the client; and**

594 **(iv) the physical, legal, and economic characteristics of the property, properties,**
 595 **property type(s), or market area in the work under review;**

596 Comment: The subject of an appraisal review assignment may be all or part of a
 597 report, a workfile, or a combination of these, and may be related to an appraisal or
 598 appraisal review assignment.

599 **(e) identify any extraordinary assumptions necessary in the review assignment; An**
 600 **extraordinary assumption may be used in an assignment only if:**

601 **(i) the extraordinary assumption is required to properly develop credible**
 602 **opinions and conclusions;**

603 **(ii) the reviewer has a reasonable basis for the extraordinary assumption; and**

- 604 **(iii) use of the extraordinary assumption results in a credible analysis;**
 605 Comment: An extraordinary assumption may be used in a review assignment only
 606 if:
- 607 ● ~~it is required to properly develop credible opinions and conclusions;~~
 - 608 ● ~~the reviewer has a reasonable basis for the extraordinary assumption;~~
 - 609 ● ~~use of the extraordinary assumption results in a credible analysis; and~~
 - 610 ● ~~the reviewer complies with the disclosure requirements set forth in USPAP~~
 611 ~~for extraordinary assumptions.~~
- 612 **(f) identify any hypothetical conditions necessary in the review assignment, ~~;~~ and A**
 613 **hypothetical condition may be used in an assignment only if:**
- 614 **(i) use of the hypothetical condition is clearly required for legal purposes, for**
 615 **purposes of reasonable analysis, or for purposes of comparison; and**
 - 616 **(ii) use of the hypothetical condition results in a credible analysis; and**
- 617 Comment: A hypothetical condition may be used in a review assignment only if:
- 618 ● ~~use of the hypothetical condition is clearly required for legal purposes, for~~
 619 ~~purposes of reasonable analysis, or for purposes of comparison;~~
 - 620 ● ~~use of the hypothetical condition results in a credible analysis; and~~
 - 621 ● ~~the reviewer complies with the disclosure requirements set forth in USPAP~~
 622 ~~for hypothetical conditions.~~
- 623 **(g) determine the scope of work necessary to produce credible assignment results in**
 624 **accordance with the SCOPE OF WORK RULE.**
- 625 Comment: Reviewers have broad flexibility and significant responsibility in determining
 626 the appropriate scope of work in an appraisal review assignment. Information that should
 627 have been considered by the original appraiser can be used by the reviewer in developing
 628 an opinion as to the quality of the work under review. Information that was not available
 629 to the original appraiser in the normal course of business may also be used by the reviewer;
 630 however, the reviewer must not use such information in the reviewer’s development of an
 631 opinion as to the quality of the work under review.

632 **STANDARDS RULE 3-3, Appraisal Review Methods**

633 **In developing an appraisal review, a reviewer must apply the appraisal review methods and**
 634 **techniques that are necessary for credible assignment results.**

- 635 **(a) When necessary for credible assignment results in the review of analyses, opinions,**
 636 **and conclusions, the reviewer must:**
- 637 **(i) develop an opinion as to whether the analyses are appropriate within the**
 638 **context of the requirements applicable to that work;**
- 639 **(ii) develop an opinion as to whether the opinions and conclusions are credible**
 640 **within the context of the requirements applicable to that work; and**

- 641 **(iii) develop the reasons for any disagreement.**
- 642 Comment: Consistent with the reviewer’s scope of work, the reviewer is required
- 643 to develop an opinion as to the completeness, accuracy, adequacy, relevance, and
- 644 reasonableness of the analysis in the work under review, given law, regulations, or
- 645 intended user requirements applicable to the work under review.
- 646 **(b) When necessary for credible assignment results in the review of a report, the reviewer**
- 647 **must:**
- 648 **(i) develop an opinion as to whether the report is appropriate and not misleading**
- 649 **within the context of the requirements applicable to that work; and**
- 650 **(ii) develop the reasons for any disagreement.**
- 651 Comment: Consistent with the reviewer’s scope of work, the reviewer is required
- 652 to develop an opinion as to the completeness, accuracy, adequacy, relevance, and
- 653 reasonableness of the report, given law, regulations, or intended user requirements
- 654 applicable to that work.
- 655 **(c) When the assignment includes the reviewer developing his or her own opinion of value**
- 656 **or review opinion, the following apply:**
- 657 **(i) The requirements of STANDARDS 1, 5, 7, or 9 apply to the reviewer’s opinion**
- 658 **of value for the property that is the subject of the appraisal review assignment.**
- 659 **(ii) The requirements of STANDARD 3 apply to the reviewer’s opinion of quality**
- 660 **for the work that is the subject of the appraisal review assignment.**
- 661 Comment: These requirements apply to:
- 662 • The reviewer’s own opinion of value when the subject of the review is the
- 663 product of an appraisal assignment; or
- 664 • The reviewer’s own opinion regarding the work reviewed by another when
- 665 the subject of the review is the product of an appraisal review assignment.
- 666 These requirements apply whether the reviewer’s own opinion:
- 667 • concurs with the opinions and conclusions in the work under review; or
- 668 • differs from the opinions and conclusions in the work under review.
- 669 When the assignment includes the reviewer developing his or her own opinion of
- 670 value or review opinion, the following apply:
- 671 • The reviewer’s scope of work in developing his or her own opinion of value
- 672 or review opinion may be different from that of the work under review.
- 673 • The effective date of the reviewer’s opinion of value may be the same or
- 674 different from the effective date of the work under review.
- 675 • The reviewer is not required to replicate the steps completed by the original
- 676 appraiser. Those items in the work under review that the reviewer concludes
- 677 are credible can be extended to the reviewer’s development process on the

678 basis of an extraordinary assumption. Those items not deemed to be credible
679 must be replaced with information or analysis developed in conformance
680 with STANDARD 1, 3, 5, 7, or 9, as applicable, to produce credible
681 assignment results.

682 **STANDARD 4: APPRAISAL REVIEW, REPORTING**

683 **In reporting the results of an appraisal review, an appraiser must communicate each**
 684 **analysis, opinion, and conclusion in a manner that is not misleading.**

685 Comment: STANDARD 4 addresses the content and level of information required in a
 686 report that communicates the results of an appraisal review. STANDARD 4 does not
 687 dictate the form, format, or style of appraisal review reports. ~~The form, format, and style~~
 688 ~~of a report are functions of the needs of intended users and appraisers.~~ The substantive
 689 content of an appraisal review report determines its compliance.

690 **STANDARDS RULE 4-1, General Reporting Requirements**

691 **Each written or oral ~~Appraisal Review Report~~ appraisal review report must be separate**
 692 **from the work under review and must:**

- 693 (a) **clearly and accurately set forth the appraisal review in a manner that will not be**
 694 **misleading;**
- 695 (b) **contain sufficient information to enable the intended user(s) of the appraisal review**
 696 **to understand the report properly; and**
- 697 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions, and**
 698 **hypothetical conditions, and limiting conditions used in the assignment.**

699 Comment: ~~An Appraisal Review Report communicates the results of an appraisal review,~~
 700 ~~which can have as its subject another appraiser's work in an appraisal or appraisal review~~
 701 ~~assignment.~~

702 ~~The report content and level of information in the Appraisal Review Report is specific to~~
 703 ~~the needs of the client, other intended users, the intended use, and requirements applicable~~
 704 ~~to the assignment. The reporting requirements set forth in this Standard are the minimum~~
 705 ~~for an Appraisal Review Report. An appraiser must supplement a report form, when~~
 706 ~~necessary, to ensure that any intended user of the appraisal review is not misled and that~~
 707 ~~the report complies with the applicable content requirements set forth in this Standards~~
 708 ~~Rule.~~

709 **STANDARDS RULE 4-2, Content of an Appraisal Review Report**

710 **The content of an ~~Appraisal Review Report~~ appraisal review report must be appropriate for**
 711 **consistent with the intended use of the appraisal review and, at a minimum:**

- 712 (a) **state the identity of the client, or if the client requested anonymity, state that the**
 713 **identity is withheld at the client's request but is retained in the appraiser's workfile;**
 714 **~~unless the client has specifically requested otherwise;~~ state the identity of any**
 715 **intended users by name or type;**

716 Comment: Because the client is an intended user, they must be identified in the review
 717 report as such. However, if the client has requested anonymity the reviewer ~~An appraiser~~
 718 ~~must use care when identifying the client to avoid violations of the Confidentiality section~~
 719 ~~of the ETHICS RULE. If a client requests that their identity be withheld from the report,~~
 720 ~~the appraiser may comply with this request. In these instances, the appraiser must document~~

- 721 ~~the identity of the client in the workfile and must state in the report that the identity of the~~
 722 ~~client has been withheld at the client's request.~~
- 723 **(b) state the intended use of the appraisal review;**
- 724 **(c) state the purpose of the appraisal review;**
- 725 **(d) state information sufficient to identify:**
- 726 **(i) the work under review, including any ownership interest in the property that**
 727 **is the subject of the work under review;**
- 728 **(ii) the date of the work under review;**
- 729 **(iii) the effective date of the opinions or conclusions in the work under review; and**
- 730 **(iv) the appraiser(s) who completed the work under review, unless the identity is**
 731 **withheld by the client, or if the client has withheld their identity, state that the**
 732 **identity of the appraiser(s) has been withheld by the client;**
- 733 ~~Comment: If the identity of the appraiser(s) in the work under review is withheld~~
 734 ~~by the client, that fact must be stated in the appraisal review report.~~
- 735 **(e) state the date of the appraisal review report;**
- 736 **(f) clearly and conspicuously:**
- 737
 - **state all extraordinary assumptions and hypothetical conditions; and**
- 738
 - **state that their use might have affected the assignment results.**
- 739 **(g) state the scope of work used to develop the appraisal review;**
- 740 ~~Comment: Because intended users' reliance on an appraisal review may be affected by the~~
 741 ~~scope of work, the appraisal review report must enable them to be properly informed and~~
 742 ~~not misled. Sufficient information~~ Stating the scope of work includes disclosure of research
 743 and analyses performed and might also include disclosure of research and analyses not
 744 performed.
- 745 ~~When any portion of the work involves significant appraisal or appraisal review assistance,~~
 746 ~~the reviewer must state the extent of that assistance. The name(s) of those providing the~~
 747 ~~significant assistance must be stated in the certification, in accordance with Standards Rule~~
 748 ~~4-3.~~
- 749 **(h) when any portion of the work involves significant appraisal or appraisal review**
 750 **assistance, state the extent of that assistance;**
- 751 **(i) ~~(h)~~ state the reviewer's opinions and conclusions about the work under review,**
 752 **including the reasons for any disagreement;**
- 753 ~~Comment: The report must provide sufficient information to enable the client and intended~~
 754 ~~users to understand the rationale for the reviewer's opinions and conclusions.~~
- 755 **(i) ~~(h)~~ when the scope of work includes the reviewer's development of an opinion of value**
 756 **or review opinion related to the work under review, the reviewer must:**

- 757 (i) state which information, analyses, opinions, and conclusions in the work under
 758 review that the reviewer accepted as credible and used in developing the
 759 reviewer’s opinions and conclusions;
- 760 (ii) if applicable, state the effective date of the reviewer’s opinion of value;
- 761 (iii) at a minimum, summarize any additional information relied on and the
 762 reasoning for the reviewer’s opinion of value or review opinion related to the
 763 work under review; and
- 764 ~~(iv) clearly and conspicuously:~~
- 765 ~~• state all extraordinary assumptions and hypothetical conditions connected~~
 - 766 ~~with the reviewer’s opinion of value or review opinion related to the work~~
 - 767 ~~under review; and~~
 - 768 ~~• state that their use might have affected the assignment results.~~
- 769 Comment: The reviewer may include his or her own opinion of value or review
 770 opinion related to the work under review within the appraisal review report itself
 771 without preparing a separate report. However, data and analyses provided by the
 772 reviewer to support a different opinion or conclusion must match, at a minimum,
 773 except for the certification requirements, the ~~reporting~~ requirements for the
 774 applicable reporting Standard. ~~an:~~
- 775 • Appraisal Report for a real property appraisal (Standards Rule 2-2(a));
 - 776 • Appraisal Report for a personal property appraisal (Standards Rule 8-
 - 777 2(a));
 - 778 • Appraisal Review Report for an appraisal review (Standards Rule 4-2);
 - 779 • Mass Appraisal Report for mass appraisal (Standards Rule 6-2); and
 - 780 • Appraisal Report for business appraisal (Standards Rule 10-2(a)).
- 781 **(k) (j) include a signed certification in accordance with Standards Rule 4-3.**

782 **STANDARDS RULE 4-3, Certification**

783 **A signed certification is an integral part of the appraisal review report.** ~~Each written~~
 784 ~~Appraisal Review Report must contain a signed certification that is similar in content to the~~
 785 ~~following form:~~

786 **(a) The wording of a certification does not have to match the following verbatim, but each**
 787 **of the elements must be addressed:**

788 I certify that, to the best of my knowledge and belief:

- 789 — the statements of fact contained in this report are true and correct.
- 790 — the reported analyses, opinions, and conclusions are limited only by the reported
- 791 assumptions and limiting conditions and are my personal, impartial, and
- 792 unbiased professional analyses, opinions, and conclusions.
- 793 — I have no (or the specified) present or prospective interest in the property that
- 794 is the subject of the work under review and no (or the specified) personal interest
- 795 with respect to the parties involved.

- 796 — I have performed no (or the specified) services, as an appraiser or in any other
 797 capacity, regarding the property that is the subject of the work under review
 798 within the three-year period immediately preceding the agreement to perform
 799 acceptance of this assignment.
- 800 — I have no bias with respect to the property that is the subject of the work under
 801 review or to the parties involved with this assignment.
- 802 — my engagement in this assignment was not contingent upon developing or
 803 reporting predetermined results.
- 804 — my compensation is not contingent on an action or event resulting from the
 805 analyses, opinions, or conclusions in this review or from its use.
- 806 — my compensation for completing this assignment is not contingent upon the
 807 development or reporting of predetermined assignment results or assignment
 808 results that favors the cause of the client, the attainment of a stipulated result,
 809 or the occurrence of a subsequent event directly related to the intended use of
 810 this appraisal review.
- 811 — my analyses, opinions, and conclusions were developed, and this review report
 812 was prepared in conformity with the *Uniform Standards of Professional*
 813 *Appraisal Practice.*
- 814 — I have (or have not) made a personal inspection of the subject of the work under
 815 review. (If more than one person signs this certification, the certification must
 816 clearly specify which individuals did and which individuals did not make a
 817 personal inspection of the subject of the work under review.) (For reviews of a
 818 business or intangible asset appraisal assignment, the inspection portion of the
 819 certification is not applicable.)
- 820 — no one provided significant appraisal or appraisal review assistance to the
 821 person signing this certification. (If there are exceptions, the name of each
 822 individual(s) providing appraisal or appraisal review assistance must be stated.)
- 823 ~~Comment: A signed certification is an integral part of the Appraisal Review Report.~~
 824 ~~A reviewer who signs any part of the appraisal review report, including a letter of~~
 825 ~~transmittal, must also sign the certification.~~
- 826 ~~Any reviewer who signs a certification accepts responsibility for all elements of the~~
 827 ~~certification, for the assignment results, and for the contents of the Appraisal Review~~
 828 ~~Report.~~
- 829 ~~Appraisal review is distinctly different from the cosigning activity addressed in~~
 830 ~~Standards Rules 2-3, 6-3, 8-3, and 10-3. To avoid confusion between these activities,~~
 831 ~~a reviewer performing an appraisal review must not sign the work under review~~
 832 ~~unless he or she intends to accept responsibility as a cosigner of that work.~~
- 833 ~~When a signing appraiser has relied on work done by appraisers and others who do~~
 834 ~~not sign the certification, the signing appraiser is responsible for the decision to rely~~
 835 ~~on their work. The signing appraiser is required to have a reasonable basis for~~
 836 ~~believing that those individuals performing the work are competent. The signing~~

837 appraiser also must have no reason to doubt that the work of those individuals is
838 credible.

839 The names of individuals providing significant appraisal or appraisal review
840 assistance who do not sign a certification must be stated in the certification. It is not
841 required that the description of their assistance be contained in the certification, but
842 disclosure of their assistance is required in accordance with Standards Rule 4-2(g).

843 **(b) A reviewer who signs any part of the appraisal review report, including a letter of**
844 **transmittal, must also sign a certification.**

845 Comment: Any reviewer who signs a certification accepts responsibility for all elements
846 of the certification, for the assignment results, and for the contents of the appraisal review
847 report.

848 Appraisal review is distinctly different from the cosigning activity addressed in Standards
849 Rules 2-3, 6-3, 8-3, and 10-3. To avoid confusion between these activities, a reviewer
850 performing an appraisal review must not sign the work under review unless he or she
851 intends to accept responsibility as a cosigner of that work.

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

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

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

859 Comment: Although a certification must contain the names of individuals providing
860 significant appraisal or appraisal review assistance, it is not required that a summary
861 of the extent of their assistance be located in a certification. This disclosure may be
862 in any part(s) of the report.

863 **(d) If the assignment requires the use of a certification that does not include all of the**
864 **certification elements in this Standards Rule, the appraisal review report must**
865 **contain a supplemental certification, which includes the remaining required**
866 **certification elements.**

867 **STANDARDS RULE 4-4, Oral Appraisal Review Report**

868 **To the extent that it is both possible and appropriate, an oral ~~Appraisal Review Report~~**
869 **appraisal review report must address the substantive matters set forth in Standards Rule 4-**
870 **2.**

871 Comment: See the RECORD KEEPING RULE for corresponding requirements.

872 **STANDARD 5: MASS APPRAISAL, DEVELOPMENT**

873 **In developing a mass appraisal, an appraiser must identify the problem to be solved,**
 874 **determine the scope of work necessary to solve the problem, and correctly complete research**
 875 **and analyses be aware of, understand, and correctly employ those recognized methods and**
 876 **techniques necessary to produce and communicate a credible mass appraisals.**

877 Comment: STANDARD 5 applies to all mass appraisals of real or personal property
 878 regardless of the purpose or use of such appraisals. ~~STANDARD 5 is directed toward the~~
 879 ~~substantive aspects of developing credible analyses, opinions, and conclusions in the mass~~
 880 ~~appraisal of properties.~~ The reporting and jurisdictional exceptions applicable to public
 881 mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared
 882 for other purposes.

883 A mass appraisal includes:

- 884 1) identifying properties to be appraised;
- 885 2) defining market area of consistent behavior that applies to properties;
- 886 3) identifying characteristics (supply and demand) that affect the creation of value in that
 887 market area;
- 888 4) developing a model structure that reflects the relationship among the characteristics
 889 affecting value in the market area;
- 890 5) calibrating the model structure to determine the contribution of the individual
 891 characteristics affecting value;
- 892 6) applying the conclusions reflected in the model to the characteristics of the
 893 property(ies) being appraised; and
- 894 7) reviewing the mass appraisal results.

895 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of
 896 STANDARD 5 because ad valorem tax administration is subject to various state, county,
 897 and municipal laws.

898 **STANDARDS RULE 5-1, General Development Requirements**

899 **In developing a mass appraisal, an appraiser must:**

- 900 **(a) be aware of, understand, and correctly employ those recognized methods and**
 901 **techniques necessary to produce a credible mass appraisal;**

902 Comment: Mass appraisal provides for a systematic approach and uniform application of
 903 appraisal methods and techniques to obtain estimates of value that allow for statistical
 904 review and analysis of results.

905 This requirement recognizes that the principle of change continues to affect the manner in
 906 which appraisers perform mass appraisals. Changes and developments in the real property
 907 and personal property fields have a substantial impact on the appraisal profession.

908 To keep abreast of these changes and developments, the appraisal profession is constantly
 909 reviewing and revising appraisal methods and techniques and devising new methods and

910 techniques to meet new circumstances. ~~For this reason it is not sufficient for appraisers to~~
 911 ~~simply maintain the skills and the knowledge they possess when they become appraisers.~~
 912 ~~Each appraiser must continuously improve his or her skills to remain proficient in mass~~
 913 ~~appraisal.~~

914 **(b) not commit a substantial error of omission or commission that significantly affects a**
 915 **mass appraisal; and**

916 Comment: An appraiser must use sufficient care to avoid errors that would significantly
 917 affect his or her opinions and conclusions. Diligence is required to identify and analyze the
 918 factors, conditions, data, and other information that would have a significant effect on the
 919 credibility of the assignment results.

920 **(c) not render a mass appraisal in a careless or negligent manner.**

921 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 922 ~~However, an appraiser must not render appraisal services in a careless or negligent manner.~~
 923 ~~This Standards Rule requires an appraiser to use due diligence and due care.~~

924 **STANDARDS RULE 5-2, Problem Identification**

925 **In developing a mass appraisal, an appraiser must:**

926 **(a) identify the client and other intended users;**

927 Comment: ~~It is the appraiser's responsibility to identify the client and other intended users.~~
 928 In ad valorem mass appraisal, the assessor, or party responsible for certification of the
 929 assessment or tax roll is required to apply the relevant law or statute and identify the client,
 930 and other intended users (if any).

931 **(b) identify the intended use of the appraisal;**

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

934 **(c) identify the type and definition of value, and, ~~if the value opinion to be developed is~~**
 935 **~~market value,~~ ascertain whether the value is to be the most probable price:**

936 **(i) in terms of cash; or**

937 **(ii) in terms of financial arrangements equivalent to cash; or**

938 **(iii) in such other terms as may be precisely defined; and**

939 **(iv) if the opinion of value is to be based on non-market financing or financing with**
 940 **unusual conditions or incentives, identify the terms of such financing and any**
 941 **~~must be clearly identified and the appraiser's opinion of their contributions to~~**
 942 **~~or negative influences on value; must be developed by analysis of relevant~~**
 943 **~~market data;~~**

944 **(d) identify the effective date of the appraisal;**

945 **(e) identify, from sources the appraiser reasonably believes to be reliable, the**
 946 **characteristics of the properties that are relevant to the type and definition of value**
 947 **and intended use, including:**

- 948 (i) **the group with which a property is identified according to similar market**
949 **influence;**
- 950 (ii) **the appropriate market area and time frame relative to the property being**
951 **valued; and**
- 952 (iii) **their location and physical, legal, and economic characteristics;**
- 953 Comment: The properties must be identified in general terms, and each individual
954 property in the universe must be identified, with the information on its identity
955 stored or referenced in its property record.
- 956 When appraising proposed improvements, an appraiser must examine and have
957 available for future examination, plans, specifications, or other documentation
958 sufficient to identify the extent and character of the proposed improvements.
- 959 Ordinarily, proposed improvements are not appraised for ad valorem tax purposes.
960 Appraisers, however, are sometimes asked to provide opinions of value of proposed
961 improvements so that developers can estimate future property tax burdens.
962 Sometimes units in condominiums and planned unit developments are sold with an
963 interest in un-built community property, the pro rata value of which, if any, must
964 be considered in the analysis of sales data.
- 965 **(f) identify the characteristics of the market that are relevant to the purpose and intended**
966 **use of the mass appraisal including:**
- 967 (i) **location of the market area;**
- 968 (ii) **physical, legal, and economic characteristics; attributes;**
- 969 (iii) **time frame of market activity; and**
- 970 (iv) **property interests reflected in the market;**
- 971 **(g) in appraising real property or personal property:**
- 972 (i) **identify the appropriate market area and time frame relative to the property**
973 **being valued;**
- 974 (ii) **when the subject is real property, identify and consider any personal property,**
975 **trade fixtures, or intangibles intangible assets that are not real property but**
976 **are included in the appraisal;**
- 977 (iii) **when the subject is personal property, identify and consider any real property**
978 **or intangibles intangible assets that are not personal property but are included**
979 **in the appraisal;**
- 980 (iv) **identify known easements, restrictions, encumbrances, leases, reservations,**
981 **covenants, contracts, declarations, special assessments, ordinances, or other**
982 **items of similar nature; and**
- 983 (v) **identify and analyze whether an appraised fractional interest, physical**
984 **segment or partial holding contributes pro rata to the value of the whole;**

985 Comment: The above requirements do not obligate the appraiser to value the whole
 986 when the subject of the appraisal is a fractional interest, physical segment, or a
 987 partial holding. However, if the value of the whole is not identified, the appraisal
 988 must clearly reflect that the value of the property being appraised cannot be used to
 989 develop the value opinion of the whole by mathematical extension.

990 **(h) analyze the relevant economic conditions at the time of the valuation, including**
 991 **market acceptability of the property and supply, demand, scarcity, or rarity;**

992 ~~**(i) identify any extraordinary assumptions and any hypothetical conditions necessary in**~~
 993 ~~**the assignment; and**~~

994 ~~Comment: An extraordinary assumption may be used in an assignment only if:~~

- 995 ~~● it is required to properly develop credible opinions and conclusions;~~
- 996 ~~● the appraiser has a reasonable basis for the extraordinary assumption;~~
- 997 ~~● use of the extraordinary assumption results in a credible analysis; and~~
- 998 ~~● the appraiser complies with the disclosure requirements set forth in USPAP for~~
 999 ~~extraordinary assumptions.~~

1000 ~~A hypothetical condition may be used in an assignment only if:~~

- 1001 ~~● use of the hypothetical condition is clearly required for legal purposes, for purposes of~~
 1002 ~~reasonable analysis, or for purposes of comparison;~~
- 1003 ~~● use of the hypothetical condition results in a credible analysis; and~~
- 1004 ~~● the appraiser complies with the disclosure requirements set forth in USPAP for~~
 1005 ~~hypothetical conditions.~~

1006 **(i) identify any extraordinary assumptions necessary in the assignment. An**
 1007 **extraordinary assumption may be used in an assignment only if:**

1008 **(i) the extraordinary assumption is required to properly develop credible**
 1009 **opinions and conclusions;**

1010 **(ii) the appraiser has a reasonable basis for the extraordinary assumption; and**

1011 **(iii) use of the extraordinary assumption results in a credible analysis;**

1012 **(j) identify any hypothetical conditions necessary in the assignment. A hypothetical**
 1013 **condition may be used in an assignment only if:**

1014 **(i) use of the hypothetical condition is clearly required for legal purposes, for**
 1015 **purposes of reasonable analysis, or for purposes of comparison; and**

1016 **(ii) use of the hypothetical condition results in a credible analysis; and**

1017 **(k) determine the scope of work necessary to produce credible assignment results in**
 1018 **accordance with the SCOPE OF WORK RULE.**

1019 **STANDARDS RULE 5-3, Property’s Use and Appropriate Market**

1020 **When necessary for credible assignment results, an appraiser must:**

1021 **(a) in appraising real property, identify and analyze the effect on use and value of the**
 1022 **following factors: ~~existing land use regulations, reasonably probable modifications of~~**

1023 ~~such regulations, economic supply and demand, the physical adaptability of the real~~
 1024 ~~estate, neighborhood trends, and highest and best use of the real estate; and~~

1025 **(i) existing land use regulations;**

1026 **(ii) reasonably probable modifications of such regulations;**

1027 **(iii) economic supply and demand;**

1028 **(iv) the physical adaptability of the real estate;**

1029 **(v) neighborhood trends; and**

1030 **(vi) highest and best use of the real estate; and**

1031 Comment: This requirement sets forth a list of factors that affect use and value. In
 1032 considering neighborhood trends, an appraiser must avoid stereotyped or biased
 1033 assumptions relating to race, age, color, gender, or national origin or an assumption
 1034 that race, ethnic, or religious homogeneity is necessary to maximize value in a
 1035 neighborhood. Further, an appraiser must avoid making an unsupported assumption
 1036 or premise about neighborhood decline, effective age, and remaining life. In
 1037 considering highest and best use, an appraiser must develop the concept to the
 1038 extent required for a proper solution to the appraisal problem.

1039 **(b) in appraising personal property, identify and analyze the effects on use and value of**
 1040 **industry trends, value-in-use, and trade level of personal property. Where applicable,**
 1041 **analyze the current use and alternative uses to encompass what is profitable, legal,**
 1042 **and physically possible, as relevant to the type and definition of value and intended**
 1043 **use of the appraisal. Personal property has several measurable marketplaces;**
 1044 **therefore, the appraiser must define and analyze the appropriate market consistent**
 1045 **with the type and definition of value.**

1046 Comment: ~~The appraiser must recognize that there are distinct levels of trade and each may~~
 1047 ~~generate its own data. For example, a property may have a different value at a wholesale~~
 1048 ~~level of trade, a retail level of trade, or under various auction conditions. Therefore, the~~
 1049 ~~appraiser must analyze the subject property within the correct market context.~~

1050 **STANDARDS RULE 5-4, Appraisal Methods**

1051 **In developing a mass appraisal, an appraiser must:**

1052 **(a) identify the appropriate procedures and market information required to perform the**
 1053 **appraisal, including all physical, functional, and external market factors as they may**
 1054 **affect the appraisal;**

1055 Comment: Such efforts customarily include the development of standardized data
 1056 collection forms, procedures, and training materials that are used uniformly on the universe
 1057 of properties under consideration.

1058 **(b) employ recognized techniques for specifying property valuation models; and**

1059 Comment: The formal development of a model in a statement or equation is called model
 1060 specification. Mass appraisers must develop mathematical models that, with reasonable

1061 accuracy, represent the relationship between property value and supply and demand
 1062 factors, as represented by quantitative and qualitative property characteristics. The models
 1063 may be specified using the cost, sales comparison, or income approaches to value. The
 1064 specification format may be tabular, mathematical, linear, nonlinear, or any other structure
 1065 suitable for representing the observable property characteristics. Appropriate approaches
 1066 must be used in appraising a class of properties. The concept of recognized techniques
 1067 applies to both real and personal property valuation models.

1068 **(c) employ recognized techniques for calibrating mass appraisal models.**

1069 Comment: Calibration refers to the process of analyzing sets of property and market data
 1070 to determine the specific parameters of a model. The table entries in a cost manual are
 1071 examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model.
 1072 Models must be calibrated using recognized techniques, including, but not limited to,
 1073 multiple linear regression, nonlinear regression, and adaptive estimation.

1074 **STANDARDS RULE 5-5, Approaches to Value**

1075 **In developing a mass appraisal, when necessary for credible assignment results, an appraiser**
 1076 **must:**

1077 **(a) collect, verify, and analyze such data as are necessary and appropriate to develop:**

- 1078 **(i) the cost new of the improvements;**
- 1079 **(ii) depreciation;**
- 1080 **(iii) value of the land by sales of comparable properties;**
- 1081 **(iv) value of the property by sales of comparable properties;**
- 1082 **(v) value by capitalization of income or potential earnings (i.e., rentals, expenses,**
 1083 **interest rates, capitalization rates, and vacancy data);**

1084 Comment: This Standards Rule requires appraisers engaged in mass appraisal to
 1085 take reasonable steps to ensure that the quantity and quality of the factual data that
 1086 are collected are sufficient to produce credible mass appraisals. ~~For example, in real~~
 1087 ~~property, where applicable and feasible, systems for routinely collecting and~~
 1088 ~~maintaining ownership, geographic, sales, income and expense, cost, and property~~
 1089 ~~characteristics data must be established. Geographic data must be contained in as~~
 1090 ~~complete a set of cadastral maps as possible, compiled according to current~~
 1091 ~~standards of detail and accuracy. Sales data must be collected, confirmed, screened,~~
 1092 ~~adjusted, and filed according to current standards of practice. The sales file must~~
 1093 ~~contain, for each sale, property characteristics data that are contemporaneous with~~
 1094 ~~the date of sale. Property characteristics data must be appropriate and relevant to~~
 1095 ~~the mass appraisal models being used. The property characteristics data file must~~
 1096 ~~contain data contemporaneous with the date of appraisal including historical data~~
 1097 ~~on sales, where appropriate and available. The data collection program must~~
 1098 ~~incorporate a quality control program, including checks and audits of the data to~~
 1099 ~~ensure current and consistent records.~~

1100 **(b) base estimates of capitalization rates and projections of future rental rates and/or**
 1101 **potential earnings capacity, expenses, interest rates, and vacancy rates on reasonable**
 1102 **and appropriate evidence;**

1103 Comment: This requirement calls for an appraiser, in developing income and expense
 1104 statements and cash flow projections, to weigh historical information and trends, current
 1105 market factors affecting such trends, and reasonably anticipated events, such as
 1106 competition from developments either planned or under construction.

1107 **(c) identify and, as applicable, analyze terms and conditions of any available leases; and**

1108 **(d) identify the need for and extent of any physical inspection.**

1109 **STANDARDS RULE 5-6, Calibrated Mass Appraisal Model Application**

1110 **When necessary for credible assignment results in applying a calibrated mass appraisal**
 1111 **model an appraiser must:**

1112 **(a) value improved parcels by recognized methods or techniques based on the cost**
 1113 **approach, the sales comparison approach, and income approach;**

1114 **(b) value sites by recognized methods or techniques; such techniques include but are not**
 1115 **limited to the sales comparison approach, allocation method, abstraction method,**
 1116 **capitalization of ground rent, and land residual technique;**

1117 **(c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect**
 1118 **on value, if any, of the terms and conditions of the lease;**

1119 Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise
 1120 the property as if in fee simple, as though unencumbered by existing leases. In such cases,
 1121 market rent would be used in the appraisal, ignoring the effect of the individual, actual
 1122 contract rents.

1123 **(d) analyze the effect on value, if any, of the assemblage of the various parcels, divided**
 1124 **interests, or component parts of a property; the value of the whole must not be**
 1125 **developed by adding together the individual values of the various parcels, divided**
 1126 **interests, or component parts; and**

1127 Comment: Although the value of the whole may be equal to the sum of the separate estates
 1128 or parts, it also may be greater than or less than the sum of such estates or parts.

1129 ~~Comment: When the value of the whole has been established and the appraiser seeks to~~
 1130 ~~value a part, the value of any such part must be tested by reference to appropriate market~~
 1131 ~~data and supported by an appropriate analysis of such data.~~

1132 **(e) when analyzing anticipated public or private improvements, located on or off the site,**
 1133 **analyze the effect on value, if any, of such anticipated improvements to the extent they**
 1134 **are reflected in market actions.**

1135 **STANDARDS RULE 5-7, Reconciliation**

1136 **In developing reconciling a mass appraisal an appraiser must:**

1137 **(a) reconcile the quality and quantity of data available and analyzed within the**
 1138 **approaches used and the applicability and relevance of the approaches, methods and**
 1139 **techniques used; and**

1140 **(b) employ recognized mass appraisal testing procedures and techniques to ensure that**
 1141 **standards of accuracy are maintained.**

1142 Comment: It is implicit in mass appraisal that, even when properly specified and calibrated
 1143 mass appraisal models are used, some individual value conclusions will not meet standards
 1144 of reasonableness, consistency, and accuracy. However, appraisers engaged in mass
 1145 appraisal have a professional responsibility to ensure that, on an overall basis, models
 1146 produce value conclusions that meet attainable standards of accuracy. This responsibility
 1147 requires appraisers to evaluate the performance of models, using techniques that may
 1148 include but are not limited to, goodness-of-fit statistics, and model performance statistics
 1149 such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of
 1150 residuals.

1151 **STANDARD 6: MASS APPRAISAL, REPORTING**

1152 **In reporting the results of a mass appraisal, an appraiser must communicate each analysis,**
 1153 **opinion, and conclusion in a manner that is not misleading.**

1154 Comment: STANDARD 6 addresses the content and level of information required in a
 1155 report that communicates the results of a mass appraisal.

1156 STANDARD 6 does not dictate the form, format, or style of mass appraisal reports. ~~The~~
 1157 ~~form, format, and style of a report are functions of the needs of intended users and~~
 1158 ~~appraisers.~~ The substantive content of a report determines its compliance.

1159 **STANDARDS RULE 6-1, General Reporting Requirements**

1160 **Each written report of a mass appraisal must:**

- 1161 (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;
- 1162 (b) contain sufficient information to enable the intended user(s) of the appraisal to
- 1163 understand the report properly; and

1164 Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form
 1165 of (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals
 1166 and documentation, (4) market studies, (5) model building documentation, (6) regulations,
 1167 (7) statutes, and (8) other acceptable forms.

- 1168 (c) clearly and accurately disclose all assumptions, extraordinary assumptions,
- 1169 hypothetical conditions, and limiting conditions used in the assignment.

1170 Comment: ~~The report must clearly and conspicuously:~~

- 1171 ~~• state all extraordinary assumptions and hypothetical conditions; and~~
- 1172 ~~• state that their use might have affected the assignment results.~~

1173 **STANDARDS RULE 6-2, Content of a Mass Appraisal Report**

1174 **The content of a mass appraisal report must be appropriate for the intended use of the**
 1175 **appraisal and, at a minimum:**

1176 **~~Each written report of a mass appraisal must:~~**

- 1177 (a) **state the identity of the client, or if the client has requested anonymity, state that the**
 1178 **identity is withheld at the client’s request but is retained in the appraiser’s workfile;**
 1179 **unless the client has specifically requested otherwise; state the identity of any**
 1180 **intended users by name or type;**

1181 Comment: Because the client is an intended user, they must be identified in the report as
 1182 such. However, if the client has requested anonymity ~~the~~ An appraiser must use care when
 1183 identifying the client to avoid violations of the Confidentiality section of the ETHICS
 1184 RULE. ~~If a client requests that the client’s identity be withheld from the report, the~~
 1185 ~~appraiser may comply with this request. In these instances, the appraiser must document~~
 1186 ~~the identity of the client in the workfile and must state in the report that the identity of the~~
 1187 ~~client has been withheld at the client’s request.~~

1188 **(b) state the intended use of the appraisal;**

1189 **(c) disclose any assumptions or limiting conditions that result in deviation from**
 1190 **recognized methods and techniques or that affect analyses, opinions, and conclusions;**

1191 **(d) state the effective date of the appraisal and the date of the report;**

1192 Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by
 1193 law. If no effective date is prescribed by law, the effective date of the appraisal, if not
 1194 stated, is presumed to be contemporaneous with the data and appraisal conclusions.

1195 ~~The effective date of the appraisal establishes the context for the value opinion, while the~~
 1196 ~~date of the report indicates whether the perspective of the appraiser on the market and~~
 1197 ~~property as of the effective date of the appraisal was prospective, current, or retrospective.~~

1198 **(e) state the type and definition of value and cite the source of the definition;**

1199 Comment: Stating the type and definition of value also requires any comments needed to
 1200 clearly indicate to intended users how the definition is being applied.

1201 When reporting an opinion of ~~market~~-value, state whether the opinion of value is:

- 1202 • In terms of cash or of financing terms equivalent to cash; or
- 1203 • Based on non-market financing with unusual conditions or incentives.

1204 When an opinion of ~~market~~-value is ~~not in terms of cash or based on non-market~~ financing
 1205 terms or financing with unusual conditions or incentives, equivalent to cash, summarize
 1206 the terms of such financing and ~~explain their contributions to or negative any~~ influences on
 1207 value.

1208 **(f) state the properties appraised including the property rights; and, when the property**
 1209 **rights to be appraised are specified in a statute or court ruling, reference the law;**

1210 Comment: The report documents the sources for location, describing and listing the
 1211 property. When applicable, include references to legal descriptions, addresses, parcel
 1212 identifiers, photos, and building sketches. In mass appraisal this information is often
 1213 included in property records. ~~When the property rights to be appraised are specified in a~~
 1214 ~~statute or court ruling, the law must be referenced.~~

1215 **(g) summarize the scope of work used to develop the appraisal; and explain the exclusion**
 1216 **of the sales comparison approach, cost approach, or income approach; must be**
 1217 **explained;**

1218 Comment: ~~Because intended users' reliance on an appraisal may be affected by the scope~~
 1219 ~~of work, the report must enable them to be properly informed and not misled. Sufficient~~
 1220 ~~information includes~~ Summarizing the scope of work includes disclosure of research and
 1221 analyses performed and might also include disclosure of research and analyses not
 1222 performed.

1223 ~~When any portion of the work involves significant mass appraisal assistance, the appraiser~~
 1224 ~~must describe the extent of that assistance. The signing appraiser must also state the~~
 1225 ~~name(s) of those providing the significant mass appraisal assistance in the certification, in~~
 1226 ~~accordance with Standards Rule 6-3.~~

- 1227 **(h) when any portion of the work involves significant mass appraisal assistance,**
 1228 **summarize the extent of that assistance;**
- 1229 **(i) ~~(h)~~ summarize and support the model specification(s) considered, data requirements,**
 1230 **and the model(s) chosen; provide sufficient information to enable the client and**
 1231 **intended users to have confidence that the process and procedures used conform to**
 1232 **accepted methods and result in credible value conclusions; and include a summary of**
 1233 **the rationale for each model, the calibration techniques to be used, and the**
 1234 **performance measures to be used;**
- 1235 *Comment: The appraiser must provide sufficient information to enable the client and*
 1236 *intended users to have confidence that the process and procedures used conform to*
 1237 *accepted methods and result in credible value conclusions. In the case of mass appraisal*
 1238 *for ad valorem taxation, stability and accuracy are important to the credibility of value*
 1239 *opinions. The report must include a summary of the rationale for each model, the*
 1240 *calibration techniques to be used, and the performance measures to be used.*
- 1241 **(j) ~~(i)~~ summarize the procedure for collecting, validating, and reporting data; and**
 1242 **summarize the sources of data and the data collection and validation processes;**
- 1243 *Comment: The report must summarize the sources of data and the data collection and*
 1244 *validation processes. Reference to detailed data collection manuals or electronic records*
 1245 *must be made, as appropriate, including where they may be found for inspection.*
- 1246 **(k) ~~(j)~~ summarize calibration methods considered and chosen, including the**
 1247 **mathematical form of the final model(s); summarize how value conclusions were**
 1248 **reviewed; and, if necessary, state the availability and location of individual value**
 1249 **conclusions;**
- 1250 **(l) ~~(k)~~ when an opinion of highest and best use, or the appropriate market or market level**
 1251 **was developed, summarize how that opinion was determined; and reference case law,**
 1252 **statute, or public policy that describes highest and best use requirements;**
- 1253 *Comment: The mass appraisal report must reference case law, statute, or public policy that*
 1254 *describes highest and best use requirements. When actual use is the requirement, the report*
 1255 *must discuss summarize how use-value opinions were developed. The appraiser's*
 1256 *reasoning in support of the highest and best use opinion must be provided in the depth and*
 1257 *detail required by its significance to the appraisal.*
- 1258 **(m) ~~(l)~~ identify the appraisal performance tests used and the performance measures**
 1259 **attained;**
- 1260 **(n) ~~(m)~~ summarize the reconciliation performed, in accordance with Standards Rule 5-7;**
 1261 **and**
- 1262 **(o) ~~(n)~~ include a signed certification in accordance with Standards Rule 6-3.**

1263 **STANDARDS RULE 6-3, Certification**

1264 **A signed certification is an integral part of the appraisal report.** ~~Each written mass appraisal~~
 1265 ~~report must contain a signed certification that is similar in content to the following form:~~

1266 **(a) The wording of a certification does not have to match the following verbatim, but each**
 1267 **of the elements must be addressed:**

1268 I certify that, to the best of my knowledge and belief:

- 1269 — the statements of fact contained in this report are true and correct.
- 1270 — the reported analyses, opinions, and conclusions are limited only by the reported
- 1271 assumptions and limiting conditions and are my personal, impartial, and
- 1272 unbiased professional analyses, opinions, and conclusions.
- 1273 — I have no (or the specified) present or prospective interest in the property that
- 1274 is the subject of this report, and ~~I~~ have no (or the specified) personal interest
- 1275 with respect to the parties involved.
- 1276 — I have performed no (or the specified) services, as an appraiser or in any other
- 1277 capacity, regarding the property that is the subject of this report within the
- 1278 three-year period immediately preceding the agreement to perform ~~acceptance~~
- 1279 ~~of~~ this assignment.
- 1280 — I have no bias with respect to ~~any~~ the property that is the subject of this report
- 1281 or to the parties involved with this assignment.
- 1282 — my engagement in this assignment was not contingent upon developing or
- 1283 reporting predetermined results.
- 1284 — my compensation for completing this assignment is not contingent upon the
- 1285 reporting of a predetermined value or direction in value that favors the cause of
- 1286 the client, the amount of the value opinion, the attainment of a stipulated result,
- 1287 or the occurrence of a subsequent event directly related to the intended use of
- 1288 this appraisal.
- 1289 — my analyses, opinions, and conclusions were developed, and this report has been
- 1290 prepared, in conformity with the *Uniform Standards of Professional Appraisal*
- 1291 *Practice*.
- 1292 — I have (or have not) made a personal inspection of the properties that are the
- 1293 subject of this report. (If more than one person signs ~~the report~~, this
- 1294 certification, the certification must clearly specify which individuals did and
- 1295 which individuals did not make a personal inspection of the appraised property.)
- 1296 — ~~no one~~ provided significant mass appraisal assistance to the person signing this
- 1297 certification. (If there are exceptions, the name of each individual providing
- 1298 significant mass appraisal assistance must be stated.)

1299 Comment: The above certification is not intended to disturb an elected or appointed
 1300 assessor’s work plans or oaths of office. ~~A signed certification is an integral part of~~
 1301 ~~the appraisal report. An appraiser who signs any part of the mass appraisal report,~~
 1302 ~~including a letter of transmittal, must also sign this certification.~~

1303 ~~In an assignment that includes only assignment results developed by the real property~~
 1304 ~~appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for~~
 1305 ~~all elements of the certification, for the assignment results, and for the contents of the~~
 1306 ~~appraisal report. In an assignment that includes personal property assignment results~~
 1307 ~~not developed by the real property appraiser(s), any real property appraiser(s) who~~
 1308 ~~signs a certification accepts full responsibility for the real property elements of the~~
 1309 ~~certification, for the real property assignment results, and for the real property~~
 1310 ~~contents of the appraisal report.~~

1311 ~~In an assignment that includes only assignment results developed by the personal~~
 1312 ~~property appraiser(s), any appraiser(s) who signs a certification accepts full~~
 1313 ~~responsibility for all elements of the certification, for the assignment results, and for~~
 1314 ~~the contents of the appraisal report. In an assignment that includes real property~~
 1315 ~~assignment results not developed by the personal property appraiser(s), any personal~~
 1316 ~~property appraiser(s) who signs a certification accepts full responsibility for the~~
 1317 ~~personal property elements of the certification, for the personal property assignment~~
 1318 ~~results, and for the personal property contents of the appraisal report.~~

1319 ~~When a signing appraiser(s) has relied on work done by appraisers and others who~~
 1320 ~~do not sign the certification, the signing appraiser is responsible for the decision to~~
 1321 ~~rely on their work. The signing appraiser(s) is required to have a reasonable basis for~~
 1322 ~~believing that those individuals performing the work are competent. The signing~~
 1323 ~~appraiser(s) also must have no reason to doubt that the work of those individuals is~~
 1324 ~~credible.~~

1325 ~~The names of individuals providing significant mass appraisal assistance who do not~~
 1326 ~~sign a certification must be stated in the certification. It is not required that the~~
 1327 ~~description of their assistance be contained in the certification, but disclosure of their~~
 1328 ~~assistance is required in accordance with Standards Rule 6-2(g).~~

1329 **(b) An appraiser who signs any part of the appraisal report, including a letter of**
 1330 **transmittal, must also sign a certification.**

1331 Comment: In an assignment that includes only assignment results developed by the real
 1332 property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility
 1333 for all elements of the certification, for the assignment results, and for the contents of the
 1334 appraisal report. In an assignment that includes personal property assignment results not
 1335 developed by the real property appraiser(s), any real property appraiser(s) who signs a
 1336 certification accepts full responsibility for the real property elements of the certification,
 1337 for the real property assignment results, and for the real property contents of the appraisal
 1338 report.

1339 In an assignment that includes only assignment results developed by the personal property
 1340 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
 1341 elements of the certification, for the assignment results, and for the contents of the appraisal
 1342 report. In an assignment that includes real property assignment results not developed by
 1343 the personal property appraiser(s), any personal property appraiser(s) who signs a
 1344 certification accepts full responsibility for the personal property elements of the
 1345 certification, for the personal property assignment results, and for the personal property
 1346 contents of the appraisal report.

1347 **(c) When a signing appraiser has relied on work done by appraisers and others who do**
 1348 **not sign the certification, the signing appraiser is responsible for the decision to rely**
 1349 **on their work.**

1350 **(i) The signing appraiser is required to have a reasonable basis for believing that**
 1351 **those individuals performing the work are competent; and**

1352 **(ii) The signing appraiser must have no reason to doubt that the work of those**
 1353 **individuals is credible.**

1354 Comment: Although a certification must contain the names of individuals providing
 1355 significant mass appraisal assistance, it is not required that a summary of the extent
 1356 of their assistance be located in a certification. This disclosure may be in any part(s)
 1357 of the report.

1358 **STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT**

1359 **In developing a personal property appraisal, an appraiser must identify the problem to be**
 1360 **solved, determine the scope of work necessary to solve the problem, and correctly complete**
 1361 **research and analyses necessary to produce a credible appraisal.**

1362 Comment: ~~STANDARD 7 is directed toward the substantive aspects of developing a~~
 1363 ~~credible appraisal of personal property. The requirements set forth in STANDARD 7~~
 1364 ~~follow the appraisal development process in the order of topics addressed and can be used~~
 1365 ~~by appraisers and the users of appraisal services as a convenient checklist.~~

1366 **STANDARDS RULE 7-1, General Development Requirements**

1367 **In developing a personal property appraisal, an appraiser must:**

1368 **(a) be aware of, understand, and correctly employ those recognized methods and**
 1369 **techniques that are necessary to produce a credible appraisal;**

1370 Comment: This Standards Rule recognizes that the principle of change continues to affect
 1371 the manner in which appraisers perform appraisal services. Changes and developments in
 1372 personal property practice have a substantial impact on the appraisal profession. Important
 1373 changes in the cost and manner of acquiring, producing, and marketing personal property
 1374 and changes in the legal framework in which appraisers perform their assignments result
 1375 in the need for corresponding changes in personal property appraisal theory and practice.
 1376 Social change has also had an effect on appraisal theory and practice. The appraisal
 1377 profession responds to changing circumstances with revised and new appraisal methods
 1378 and techniques. ~~Therefore, it is not sufficient for appraisers to maintain the skills and the~~
 1379 ~~knowledge they possess when they become appraisers. Each appraiser must improve and~~
 1380 ~~update his or her skills and knowledge to remain proficient in the appraisal of personal~~
 1381 ~~property.~~

1382 **(b) not commit a substantial error of omission or commission that significantly affects an**
 1383 **appraisal; and**

1384 Comment: An appraiser must use sufficient care to avoid errors that would significantly
 1385 affect his or her opinions and conclusions. Diligence is required to identify and analyze the
 1386 factors, conditions, data, and other information that would have a significant effect on the
 1387 credibility of the assignment results.

1388 **(c) not render appraisal services in a careless or negligent manner, such as by making a**
 1389 **series of errors that, although individually might not significantly affect the results of**
 1390 **an appraisal, in the aggregate affect the credibility of those results.**

1391 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 1392 ~~However, an appraiser must not render appraisal services in a careless or negligent manner.~~
 1393 ~~This Standards Rule requires an appraiser to use due diligence and care.~~

1394 **STANDARDS RULE 7-2, Problem Identification**

1395 **In developing a personal property appraisal, an appraiser must:**

1396 **(a) identify the client and other intended users;**

- 1397 **(b) identify the intended use of the appraiser’s opinions and conclusions;**
- 1398 Comment: An appraiser must not allow the intended use of an assignment or a client’s
- 1399 objectives to cause the assignment results to be biased.
- 1400 **(c) identify the type and definition of value; and ascertain whether the value is to be:**
- 1401 **(i) in terms of cash; or**
- 1402 **(ii) in terms of financial arrangements equivalent to cash; or**
- 1403 **(iii) in other precisely defined terms; and**
- 1404 **(iv) if the opinion of value is to be based on non-market financing or financing with**
- 1405 **unusual conditions or incentives, identify the terms of such financing and any**
- 1406 **~~must be clearly identified and the appraiser’s opinion of their contributions to~~**
- 1407 **~~or negative influences on value; must be developed by analysis of relevant~~**
- 1408 **~~market data;~~**
- 1409 Comment: When reasonable exposure time is a component of the definition for the
- 1410 value opinion being developed, the appraiser must also develop an opinion of
- 1411 reasonable exposure time linked to that value opinion.
- 1412 **(d) identify the effective date of the appraiser’s opinions and conclusions;**
- 1413 **(e) identify, from sources the appraiser reasonably believes to be reliable, the**
- 1414 **characteristics of the property that are relevant to the type and definition of value**
- 1415 **and intended use of the appraisal, including:**
- 1416 **(i) sufficient characteristics to establish the identity of the item including the**
- 1417 **method of identification;**
- 1418 **(ii) sufficient characteristics to establish the relative quality of the item (and its**
- 1419 **component parts, where applicable) within its type;**
- 1420 **(iii) all other physical and economic characteristics ~~attributes~~ with a material**
- 1421 **effect on value;**
- 1422 Comment: Some examples of physical and economic characteristics include
- 1423 condition, style, size, quality, manufacturer, author, materials, origin, age,
- 1424 provenance, alterations, restorations, and obsolescence. The type of property, the
- 1425 type and definition of value, and intended use of the appraisal determine which
- 1426 characteristics have a material effect on value.
- 1427 **(iv) the ownership interest to be valued;**
- 1428 **(v) any known restrictions, encumbrances, leases, covenants, contracts,**
- 1429 **declarations, special assessments, ordinances, or other items of a similar**
- 1430 **nature if relevant to the assignment; and**
- 1431 **(vi) any real property or intangible assets ~~items~~ that are not personal property but**
- 1432 **which are included in the appraisal;**
- 1433 Comment on (i)–(vi): ~~The information used by an appraiser to identify the property~~
- 1434 ~~characteristics must be from sources the appraiser reasonably believes are reliable.~~

1435 An appraiser may use any combination of a property inspection, ~~and documents,~~ or
 1436 other information resources to identify the relevant characteristics of the subject
 1437 property.

1438 When appraising proposed modifications, an appraiser must examine and have
 1439 available for future examination, documentation sufficient to identify the extent and
 1440 character of the proposed modifications.

1441 An appraiser may not be required to value the whole when the subject of the
 1442 appraisal is a fractional interest, a physical segment, or a partial holding.

1443 **(f) identify any extraordinary assumptions necessary in the assignment; An**
 1444 **extraordinary assumption may be used in an assignment only if:**

1445 **(i) the extraordinary assumption is required to properly develop credible**
 1446 **opinions and conclusions;**

1447 **(ii) the appraiser has a reasonable basis for the extraordinary assumption; and**

1448 **(iii) use of the extraordinary assumption results in a credible analysis;**

1449 Comment: An extraordinary assumption may be used in an assignment only if:

- 1450 ● ~~it is required to properly develop credible opinions and conclusions;~~
- 1451 ● ~~the appraiser has a reasonable basis for the extraordinary assumption;~~
- 1452 ● ~~use of the extraordinary assumption results in a credible analysis; and~~
- 1453 ● ~~the appraiser complies with the disclosure requirements set forth in USPAP for~~
 1454 ~~extraordinary assumptions.~~

1455 **(g) identify any hypothetical conditions necessary in the assignment; A hypothetical**
 1456 **condition may be used in an assignment only if:**

1457 **(i) use of the hypothetical condition is clearly required for legal purposes, for**
 1458 **purposes of reasonable analysis, or for purposes of comparison; and**

1459 **(ii) use of the hypothetical condition results in a credible analysis; and**

1460 Comment: A hypothetical condition may be used in an assignment only if:

- 1461 ● ~~use of the hypothetical condition is clearly required for legal purposes, for~~
 1462 ~~purposes of reasonable analysis, or for purposes of comparison;~~
- 1463 ● ~~use of the hypothetical condition results in a credible analysis; and~~
- 1464 ● ~~the appraiser complies with the disclosure requirements set forth in USPAP for~~
 1465 ~~hypothetical conditions.~~

1466 **(h) determine the scope of work necessary to produce credible assignment results in**
 1467 **accordance with the SCOPE OF WORK RULE.**

1468 **STANDARD RULE 7-3, Property’s Use, Market, and Relevant Economic Conditions**

1469 **In developing a personal property appraisal, when necessary for credible assignment results,**
 1470 **an appraiser must:**

1471 **(a) analyze the property’s current use and alternative uses as relevant to the type and**
 1472 **definition of value and intended use of the appraisal;**

1473 Comment: In the context of personal property, value can be a function of the choice of the
 1474 appropriate market or, in some cases, market level for the type of item, the type and
 1475 definition of value, and the intended use of the appraisal.

1476 The appraiser must consider the various uses of the property when viable alternative uses
 1477 exist and when those alternative uses may result in a different value.

1478 **(b) define and analyze the appropriate market consistent with the type and definition of**
 1479 **value; and**

1480 Comment: The appraiser must recognize that there are distinct levels of trade (measurable
 1481 marketplaces), and each may generate its own data. For example, a property may have a
 1482 different value at a wholesale level of trade, retail level of trade, or under various auction
 1483 conditions. Therefore, the appraiser must analyze the subject property within the correct
 1484 market context.

1485 **(c) analyze the relevant economic conditions that exist on the effective date of the**
 1486 **valuation, including market acceptability of the property and supply, demand,**
 1487 **scarcity or rarity.**

1488 **STANDARDS RULE 7-4, Approaches to Value**

1489 **In developing a personal property appraisal, an appraiser must collect, verify, and analyze**
 1490 **all information necessary for credible assignment results.**

1491 **(a) When a sales comparison approach is necessary for credible assignment results, an**
 1492 **appraiser must analyze such comparable sales data as are available to indicate a value**
 1493 **conclusion.**

1494 **(b) When a cost approach is necessary for credible assignment results, an appraiser must:**

1495 **(i) analyze such comparable cost data as are available to estimate the cost new of**
 1496 **the property; and**

1497 **(ii) analyze such comparable data as are available to estimate the difference**
 1498 **between cost new and the present worth of the property (depreciation).**

1499 **(c) When an income approach is necessary for credible assignment results, an appraiser**
 1500 **must:**

1501 **(i) analyze such comparable data as are available to estimate the market income**
 1502 **of the property;**

1503 **(ii) analyze such comparable operating expense data as are available to estimate**
 1504 **the operating expenses of the property;**

1505 **(iii) analyze such comparable data as are available to estimate rates of**
 1506 **capitalization and/or rates of discount; and**

1507 **(iv) base projections of future income and expenses on reasonably clear and**
 1508 **appropriate evidence.**

1509 Comment: An appraiser must, in developing income and expense statements and
 1510 cash flow projections, weigh historical information and trends, current supply and
 1511 demand factors affecting such trends, and competition.

1512 **(d) When developing an opinion of the value of a lease, leased, or encumbered property,**
 1513 **an appraiser must analyze the effect on value, if any, of the terms and conditions of**
 1514 **the lease(s) or encumbrances.**

1515 **(e) When appraising multiple objects, the appraiser must consider the significance of the**
 1516 **value of the individual assets to the assignment results. Those objects which are more**
 1517 **significant to the assignment results should be the focus of the analysis and analyzed**
 1518 **in appropriate detail.**

1519 Comment: A group of objects may have a mix of high and low value items. Those objects
 1520 that are more significant to the assignment results should be subject to a greater and
 1521 appropriate depth of analysis.

1522 **(f) When analyzing the assemblage of the various component parts of a property, an**
 1523 **appraiser must analyze the effect on value, if any, of the assemblage. An appraiser**
 1524 **must refrain from valuing the whole solely by adding together the individual values**
 1525 **of the various component parts.**

1526 Comment: Although the value of the whole may be equal to the sum of the separate parts,
 1527 it also may be greater than or less than the sum of such parts. ~~Therefore, the value of the~~
 1528 ~~whole must be tested by reference to appropriate data and supported by an appropriate~~
 1529 ~~analysis of such data.~~

1530 ~~A similar procedure must be followed when the value of the whole has been established~~
 1531 ~~and the appraiser seeks to value a part. The value of any such part must be tested by~~
 1532 ~~reference to appropriate data and supported by an appropriate analysis of such data.~~

1533 **(g) When analyzing anticipated modifications to the subject property, an appraiser must**
 1534 **analyze the effect on value, if any, of such modifications to the extent they are reflected**
 1535 **in market actions.**

1536 **(h) When real property or intangible assets items are included in the appraisal, the**
 1537 **appraiser must analyze the effect on value of such non-personal property assets items.**

1538 Comment: When the scope of work includes an appraisal of real property or intangible
 1539 assets items, competency in real property appraisal (see STANDARD 1) or business
 1540 appraisal (see STANDARD 9) is required. In addition, competency in other types of
 1541 personal property outside of the appraiser’s specialty area may be necessary (see
 1542 ~~STANDARD 7~~ and the COMPETENCY RULE).

1543 **STANDARDS RULE 7-5, Sale Agreements, Options, Listings and Prior Sales**

1544 **When necessary for credible assignment results, an appraiser must, if such information is**
 1545 **available to the appraiser in the normal course of business:**

1546 **(a) analyze all agreements of sale, validated offers or third-party offers to sell, options,**
 1547 **and listings of the subject property current as of the effective date of the appraisal if**
 1548 **warranted by the intended use of the appraisal; and**

1549 **(b) analyze all prior sales of the subject property that occurred within a reasonable and**
 1550 **applicable time period if relevant given the intended use of the appraisal and property**
 1551 **type.**

1552 ~~Comment: The data needed for the required analyses in Standards Rule 7-5(a) and 7-5(b)~~
 1553 ~~may not be available or relevant in all assignments. See the Comments to Standards Rules~~
 1554 ~~8-2(a)(viii) and 8-2(b)(viii) for corresponding reporting requirements.~~

1555 **STANDARDS RULE 7-6, Reconciliation**

1556 **In developing a personal property appraisal, an appraiser must:**

1557 **(a) reconcile the quality and quantity of data available and analyzed within the approach**
 1558 **or approaches used; and**

1559 **(b) reconcile the applicability and relevance of the approach or approaches, methods and**
 1560 **techniques used to arrive at the value conclusion(s).**

1561 **STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING**

1562 **In reporting the results of a personal property appraisal, an appraiser must communicate**
 1563 **each analysis, opinion, and conclusion in a manner that is not misleading.**

1564 Comment: STANDARD 8 addresses the content and level of information required in a
 1565 report that communicates the results of a personal property appraisal.

1566 STANDARD 8 does not dictate the form, format, or style of personal property appraisal
 1567 reports, ~~which are functions of the needs of intended users and appraisers.~~ The substantive
 1568 content of a report determines its compliance.

1569 **STANDARDS RULE 8-1, General Reporting Requirements**

1570 **Each written or oral personal property appraisal report must:**

- 1571 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**
- 1572 (b) **contain sufficient information to enable the intended user(s) of the appraisal to**
 1573 **understand the report properly; and**
- 1574 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
 1575 **hypothetical conditions, and limiting conditions used in the assignment.**

1576 **STANDARDS RULE 8-2, Content of a Personal Property Appraisal Report**

1577 **Each written personal property appraisal report must be prepared under one of the**
 1578 **following options and prominently state which option is used: Appraisal Report or Restricted**
 1579 **Appraisal Report.**

1580 **An appraiser may use any other label in addition to, but not in place of, the labels set forth**
 1581 **in this Standards Rule for the type of report provided. The use of additional labels such as**
 1582 **analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from**
 1583 **adherence to USPAP.**

1584 **The report content and level of information requirements in this Standards Rule are**
 1585 **minimums for each type of report.**

1586 Comment: ~~When the intended users include parties other than the client, an Appraisal~~
 1587 ~~Report must be provided. When the intended users do not include parties other than the~~
 1588 ~~client, a Restricted Appraisal Report may be provided.~~

1589 ~~The essential difference between these two options is in the content and level of~~
 1590 ~~information provided. The appropriate reporting option and the level of information~~
 1591 ~~necessary in the report are dependent on the intended use and intended users.~~

1592 ~~An appraiser must use care when characterizing the type of report and level of information~~
 1593 ~~communicated upon completion of an assignment. An appraiser may use any other label in~~
 1594 ~~addition to, but not in place of, the label set forth in this Standard for the type of report~~
 1595 ~~provided.~~

1596 ~~The report content and level of information requirements set forth in this Standard are~~
 1597 ~~minimums for each type of report. An appraiser must supplement a report form, when~~

1598 necessary, to ensure that any intended user of the appraisal is not misled and that the report
 1599 complies with the applicable content requirements set forth in this Standards Rule.

1600 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order to
 1601 satisfy disclosure requirements does not become an intended user of the appraisal unless
 1602 the appraiser identifies such party as an intended user as part of the assignment.

1603 **(a) The content of an Appraisal Report must be appropriate for consistent with the intended**
 1604 **use of the appraisal and, at a minimum:**

- 1605 **(i) state the identity of the client, or if the client requested anonymity, state that the**
 1606 **client’s identity is withheld at the client’s request but is retained in the appraiser’s**
 1607 **workfile; unless the client has specifically requested otherwise; state the identity of**
 1608 **any intended users by name or type;**

1609 Comment: Because the client is an intended user, they must be identified in the report as
 1610 such. However, if the client has requested anonymity the An appraiser must use care when
 1611 identifying the client to avoid violations of the Confidentiality section of the ETHICS
 1612 RULE. If a client requests that the client’s identity be withheld from the report, the
 1613 appraiser may comply with this request. In these instances, the appraiser must document
 1614 the identity of the client in the workfile and must state in the report that the identity of the
 1615 client has been withheld at the client’s request.

1616 Types of intended users of the report might include parties such as lenders, employees of
 1617 government agencies, partners of a client, and a client’s attorney and accountant.

- 1618 **(ii) state the identity of any other intended users by name or type;**

1619 Comment: A party receiving a copy of an Appraisal Report in order to satisfy disclosure
 1620 requirements does not become an intended user of the appraisal unless the appraiser
 1621 identifies such party as an intended user as part of the assignment.

- 1622 **(iii) (ii) state the intended use of the appraisal;**

- 1623 **(iv) (iii) summarize information sufficient to identify the property involved in the**
 1624 **appraisal, including the physical and economic property characteristics relevant to**
 1625 **the assignment;**

- 1626 **(v) (iv) state the property interest appraised;**

- 1627 **(vi) (v) state the type and definition of value and cite the source of the definition;**

1628 Comment: Stating the definition of value also requires any comments needed to clearly
 1629 indicate to the intended users how the definition is being applied.

1630 When reporting an opinion of value, state whether the opinion of value is:

- 1631 • in terms of cash or of financing terms equivalent to cash;² or
- 1632 • based on non-market financing or financing with unusual conditions or incentives.

1633 When an opinion of value is ~~not in terms of cash or~~ based on non-market financing terms
 1634 or financing with unusual conditions or incentives, equivalent to cash, summarize the terms
 1635 of such financing and ~~explain their contributions to or negative~~ any influences on value.

1636 When an opinion of reasonable exposure time has been developed in compliance with
 1637 Standards Rule 7-2(c), the opinion must be stated in the report.

1638 **(vii) (vi) state the effective date of the appraisal and the date of the report;**

1639 Comment: ~~The effective date of the appraisal establishes the context for the value opinion,~~
 1640 ~~while the date of the report indicates whether the perspective of the appraiser on the market~~
 1641 ~~and property as of the effective date of the appraisal was prospective, current, or~~
 1642 ~~retrospective.~~

1643 **(viii) (vii) summarize the scope of work used to develop the appraisal;**

1644 Comment: ~~Because intended users' reliance on an appraisal may be affected by the scope~~
 1645 ~~of work, the report must enable them to be properly informed and not misled. Sufficient~~
 1646 ~~information~~ Summarizing the scope of work includes disclosure of research and analyses
 1647 performed and might also include disclosure of research and analyses not performed.

1648 ~~When any portion of the work involves significant personal property appraisal assistance,~~
 1649 ~~the appraiser must summarize the extent of that assistance. The name(s) of those providing~~
 1650 ~~the significant personal property appraisal assistance must be stated in the certification, in~~
 1651 ~~accordance with Standards Rule 8-3.~~

1652 **(ix) summarize the extent of any significant personal property assistance and, in an**
 1653 **assignment involving appraisers with expertise in different specialties (e.g., antiques,**
 1654 **fine art, or machinery and equipment), disclose the role of each appraiser signing the**
 1655 **certification;**

1656 **(x) (viii) provide sufficient information to indicate that the appraiser complied with the**
 1657 **requirements of STANDARD 7 by:**

1658 **(i) summarizing the appraisal methods or techniques employed;**

1659 **(ii) stating the reasons for excluding the sales comparison, cost, or income**
 1660 **approach(es) if any have not been developed;**

1661 **(iii) summarizing the results of analyzing the subject property's sales, agreements**
 1662 **of sale, options, and listings when, in accordance with Standards Rule 7-5, it**
 1663 **was necessary for credible assignment results and if such information was**
 1664 **available to the appraiser in the normal course of business;**

1665 Comment: ~~If such information is unobtainable, a statement on the efforts~~
 1666 ~~undertaken by the appraiser to obtain the information is required. If such~~
 1667 ~~information is irrelevant, a statement acknowledging the existence of the~~
 1668 ~~information and citing its lack of relevance is required.~~

1669 **(iv) stating the value opinion(s) and conclusion(s); and**

1670 **(v) summarizing the information analyzed and the reasoning that supports the**
 1671 **analyses, opinions, and conclusions, including reconciliation of the data and**
 1672 **approaches;**

1673 Comment: ~~An Appraisal Report must include sufficient information to indicate that the~~
 1674 ~~appraiser complied with the requirements of STANDARD 7. The amount of detail required~~

1675 will vary with the significance of the information to the appraisal and with the significance
 1676 of a particular object or group of objects to the overall assignment results.

1677 ~~When the appraiser has developed an analysis of agreements of sale, validated offers or~~
 1678 ~~third party offers to sell, options, listings or prior sales of the subject property in~~
 1679 ~~accordance with Standards Rule 7-5, the appraiser must report a summary of the results of~~
 1680 ~~the analysis. If such information was unobtainable, a statement on the efforts undertaken~~
 1681 ~~by the appraiser to obtain the information is required. If such information is irrelevant, a~~
 1682 ~~statement acknowledging the existence of the information and citing its lack of relevance~~
 1683 ~~is required.~~

1684 ~~The appraiser must provide sufficient information to enable the client and intended users~~
 1685 ~~to understand the rationale for the opinion and conclusions, including reconciliation of the~~
 1686 ~~data and approaches, in accordance with Standards Rule 7-6.~~

1687 **(xi) ~~(ix)~~ state, as appropriate to the class of personal property involved, the use of the**
 1688 **property existing as of the effective date of value and the use of the property reflected**
 1689 **in the appraisal;**

1690 Comment: In the context of personal property, value can be a function of the current and
 1691 alternative use of the subject property, the choice of the appropriate market or market level
 1692 for the type of item, the type and definition of value, and intended use of the report.

1693 **(xii) ~~(x)~~ when, in compliance with Standards Rule 7-3, an opinion of the appropriate**
 1694 **market or market level was developed by the appraiser, state that opinion and**
 1695 **summarize the support and rationale for that opinion;**

1696 **(xiii) ~~(xi)~~ clearly and conspicuously:**

- 1697 • state all extraordinary assumptions and hypothetical conditions; and
- 1698 • state that their use might have affected the assignment results; and

1699 **(xiv) ~~(xii)~~ include a signed certification in accordance with Standards Rule 8-3.**

1700 **(b) The content of a Restricted Appraisal Report must be appropriate for consistent with the**
 1701 **intended use of the appraisal and, at a minimum:**

1702 **(i) state the identity of the client, unless the client has specifically requested**
 1703 **otherwise; or if the client requested anonymity, state that the identity is**
 1704 **withheld at the client's request but is retained in the appraiser's workfile; and**
 1705 **state a prominent use restriction that limits use of the report to the client and**
 1706 **warns that the rationale for how the appraiser arrived at the opinions and**
 1707 **conclusions set forth in the report may not be understood properly without**
 1708 **additional information in the appraiser's workfile;**

1709 Comment: Because the client is an intended user, they must be identified in the
 1710 report as such. However, if the client has requested anonymity the appraiser must
 1711 use care when identifying the client to avoid violations of the Confidentiality
 1712 section of the ETHICS RULE.

- 1713 **(ii)** **state the identity of any other intended user(s) by name;**
- 1714 Comment: A Restricted Appraisal Report may be provided when the client is the
 1715 only intended user; or, when additional intended users are identified by name.
- 1716 A party receiving a copy of a Restricted Appraisal Report in order to satisfy
 1717 disclosure requirements does not become an intended user of the appraisal unless
 1718 the appraiser identifies such party as an intended user as part of the assignment.
- 1719 **(iii)** **clearly and conspicuously state a restriction that limits use of the report to the**
 1720 **client and the named intended user(s);**
- 1721 **(iv)** **clearly and conspicuously warn that the report may not contain supporting**
 1722 **rationale for all of the opinions and conclusions set forth in the report;**
- 1723 Comment: An appraiser must use care when identifying the client to avoid
 1724 violations of the Confidentiality section of the ETHICS RULE. If a client requests
 1725 that the client’s identity be withheld from the report, the appraiser may comply with
 1726 this request. In these instances, the appraiser must document the identity of the
 1727 client in the workfile and must state in the report that the identity of the client has
 1728 been withheld at the client’s request.
- 1729 The Restricted Appraisal Report is for client use only. Before entering into an
 1730 agreement, the appraiser should establish with the client the situations where this
 1731 type of report is to be used and should ensure that the client understands the
 1732 restricted utility of the Restricted Appraisal Report.
- 1733 **(ii)(v)** **state the intended use of the appraisal;**
- 1734 Comment: The intended use of the appraisal must be consistent with the limitation
 1735 on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client
 1736 use only).
- 1737 **(iii)(vi)** **state information sufficient to identify the property involved in the appraisal;**
- 1738 **(iv)(vii)** **state the property interest appraised;**
- 1739 **(v)(viii)** **state the type of value and cite the source of its definition;**
- 1740 Comment: When an opinion of reasonable exposure time has been developed in
 1741 compliance with Standards Rule 7-2(c), the opinion must be stated in the report.
- 1742 **(vi)(ix)** **state the effective date of the appraisal and the date of the report;**
- 1743 Comment: The effective date of the appraisal establishes the context for the value
 1744 opinion, while the date of the report indicates whether the perspective of the
 1745 appraiser on the market and property as of the effective date of the appraisal was
 1746 prospective, current, or retrospective.
- 1747 **(vii)(x)** **state the scope of work used to develop the appraisal;**
- 1748 Comment: Because the client’s reliance on an appraisal may be affected by the
 1749 scope of work, the report must enable them to be properly informed and not misled.

1750 ~~Sufficient information~~ Stating the scope of work includes disclosure of research
1751 and analyses performed and might also include disclosure of research and analyses
1752 not performed.

1753 ~~When any portion of the work involves significant personal property appraisal~~
1754 ~~assistance, the appraiser must state the extent of that assistance. The name(s) of~~
1755 ~~those providing the significant personal property appraisal assistance must be stated~~
1756 ~~in the certification, in accordance with Standards Rule 8-3.~~

1757 **(xi) state the extent of any significant personal property appraisal assistance;**

1758 ~~(viii) state the appraisal methods and techniques employed, state the value~~
1759 ~~opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of~~
1760 ~~the sales comparison approach, cost approach, or income approach must be~~
1761 ~~explained;~~

1762 ~~Comment: An appraiser must maintain a specific, coherent workfile in support of a~~
1763 ~~Restricted Appraisal Report. The contents of the workfile must include sufficient~~
1764 ~~information to indicate that the appraiser complied with the requirements of~~
1765 ~~STANDARD 7 and for the appraiser to produce an Appraisal Report. Information~~
1766 ~~analyzed in compliance with Standards Rule 7-5 is significant information that must~~
1767 ~~be disclosed in a Restricted Appraisal Report. If such information was~~
1768 ~~unobtainable, a statement on the efforts undertaken by the appraiser to obtain the~~
1769 ~~information is required. If such information is irrelevant, a statement~~
1770 ~~acknowledging the existence of the information and citing its lack of relevance is~~
1771 ~~required.~~

1772 **(xii) provide sufficient information to indicate that the appraiser complied with the**
1773 **requirements of STANDARD 7 by:**

1774 **(i) stating the appraisal methods and techniques employed;**

1775 **(ii) stating the reasons for excluding the sales comparison, cost, or income**
1776 **approach(es) if any have not been developed;**

1777 **(iii) summarizing the results of analyzing the subject sales, agreements of**
1778 **sale, options, and listings in accordance with Standards Rule 7-5; and**

1779 ~~Comment: If such information is unobtainable, a statement on the efforts~~
1780 ~~undertaken by the appraiser to obtain the information is required. If such~~
1781 ~~information is irrelevant, a statement acknowledging the existence of the~~
1782 ~~information and citing its lack of relevance is required.~~

1783 **(iv) stating the value opinion(s) and conclusion(s);**

1784 ~~Comment: An appraiser must maintain a workfile that includes sufficient~~
1785 ~~information to indicate that the appraiser complied with the requirements of~~
1786 ~~STANDARD 7 and for the appraiser to produce an Appraisal Report.~~

1787

1788 ~~(ix)~~**(xiii)** state, as appropriate to the class of personal property involved, the use of the
1789 property existing as of the effective date of value and the use of the property
1790 reflected in the appraisal;

1791 ~~Comment: In the context of personal property, value can be a function of the current~~
1792 ~~and alternative use of the subject property, the choice of the appropriate market or~~
1793 ~~market level for the type of item, the type and definition of value, and intended use~~
1794 ~~of the report.~~

1795 ~~(x)~~**(xiv)** when an opinion of the appropriate market or market level was developed
1796 by the appraiser, state that opinion;

1797 ~~(xi)~~**(xv)** clearly and conspicuously:

1798 • state all extraordinary assumptions and hypothetical conditions; and
1799 • state that their use might have affected the assignment results; and

1800 ~~(xii)~~**(xvi)** include a signed certification in accordance with Standards Rule 8-3.

1801 **STANDARDS RULE 8-3, Certification**

1802 **A signed certification is an integral part of the appraisal report. Each written personal**
 1803 **property appraisal report must contain a signed certification that is similar in content to the**
 1804 **following form:**

1805 **(a) The wording of a certification does not have to match the following verbatim, but each**
 1806 **of the elements must be addressed:**

1807 **I certify that, to the best of my knowledge and belief:**

- 1808 — the statements of fact contained in this report are true and correct.
- 1809 — the reported analyses, opinions, and conclusions are limited only by the reported
- 1810 assumptions and limiting conditions and are my personal, impartial, and
- 1811 unbiased professional analyses, opinions, and conclusions.
- 1812 — I have no (or the specified) present or prospective interest in the property that
- 1813 is the subject of this report and no (or the specified) personal interest with
- 1814 respect to the parties involved.
- 1815 — I have performed no (or the specified) services, as an appraiser or in any other
- 1816 capacity, regarding the property that is the subject of this report within the
- 1817 three-year period immediately preceding the agreement to perform ~~acceptance~~
- 1818 ~~of this assignment.~~
- 1819 — I have no bias with respect to the property that is the subject of this report or to
- 1820 the parties involved with this assignment.
- 1821 — my engagement in this assignment was not contingent upon developing or
- 1822 reporting predetermined results.
- 1823 — my compensation for completing this assignment is not contingent upon the
- 1824 development or reporting of a predetermined value or direction in value that
- 1825 favors the cause of the client, the amount of the value opinion, the attainment of
- 1826 a stipulated result, or the occurrence of a subsequent event directly related to
- 1827 the intended use of this appraisal.
- 1828 — my analyses, opinions, and conclusions were developed, and this report has been
- 1829 prepared, in conformity with the *Uniform Standards of Professional Appraisal*
- 1830 *Practice*.
- 1831 — I have (or have not) made a personal inspection of the property that is the
- 1832 subject of this report. (If more than one person signs this certification, the
- 1833 certification must clearly specify which individuals did and which individuals
- 1834 did not make a personal inspection of the appraised property.)
- 1835 — no one provided significant personal property appraisal assistance to the person
- 1836 signing this certification. (If there are exceptions, the name of each individual
- 1837 providing significant personal property appraisal assistance must be stated.)

1838 ~~Comment: A signed certification is an integral part of the appraisal report. An~~
 1839 ~~appraiser who signs any part of the appraisal report, including a letter of transmittal,~~
 1840 ~~must also sign this certification.~~

1841 In an assignment that includes only assignment results developed by the personal
 1842 property appraiser(s) from the same personal property specialty, any appraiser(s) who
 1843 signs a certification accepts full responsibility for all elements of the certification, for
 1844 the assignment results, and for the contents of the appraisal report. In an assignment
 1845 involving appraisers with expertise in different specialties (e.g., antiques, fine art, or
 1846 machinery and equipment), an appraiser who signs the certification may accept
 1847 responsibility only for the elements of the certification, assignment results, and report
 1848 contents specific to the appraiser’s specialty. The role of each appraiser signing the
 1849 certification must be disclosed in the report.

1850 In an assignment that includes real property, business or intangible asset assignment
 1851 results not developed by the personal property appraiser(s), any personal property
 1852 appraiser(s) who signs a certification accepts full responsibility for the personal
 1853 property elements of the certification, for the personal property assignment results,
 1854 and for the personal property contents of the appraisal report.

1855 When a signing appraiser(s) has relied on work done by appraisers and others who
 1856 do not sign the certification, the signing appraiser is responsible for the decision to
 1857 rely on their work. The signing appraiser(s) is required to have a reasonable basis for
 1858 believing that those individuals performing the work are competent. The signing
 1859 appraiser(s) also must have no reason to doubt that the work of those individuals is
 1860 credible.

1861 The names of individuals providing significant personal property appraisal assistance
 1862 who do not sign a certification must be stated in the certification. It is not required
 1863 that the description of their assistance be contained in the certification, but disclosure
 1864 of their assistance is required in accordance with Standards Rule 8-2(a)(vii) or 8-
 1865 2(b)(vii) as applicable.

1866 **(b) An appraiser who signs any part of the appraisal report, including a letter of**
 1867 **transmittal, must also sign a certification.**

1868 Comment: In an assignment that includes only assignment results developed by the
 1869 personal property appraiser(s) from the same personal property specialty, any appraiser(s)
 1870 who signs a certification accepts full responsibility for all elements of the certification, for
 1871 the assignment results, and for the contents of the appraisal report. In an assignment
 1872 involving appraisers with expertise in different specialties (e.g., antiques, fine art, or
 1873 machinery and equipment), an appraiser who signs the certification may accept
 1874 responsibility only for the elements of the certification, assignment results, and report
 1875 contents specific to the appraiser’s specialty. The role of each appraiser signing the
 1876 certification must be disclosed in the report.

1877 In an assignment that includes real property, business or intangible asset assignment results
 1878 not developed by the personal property appraiser(s), any personal property appraiser(s)
 1879 who signs a certification accepts full responsibility for the personal property elements of
 1880 the certification, for the personal property assignment results, and for the personal property
 1881 contents of the appraisal report.

1882 **(c) When a signing appraiser has relied on work done by appraisers and others who do**
 1883 **not sign the certification, the signing appraiser is responsible for the decision to rely**
 1884 **on their work.**

1885 **(i) The signing appraiser is required to have a reasonable basis for believing that**
 1886 **those individuals performing the work are competent; and**

1887 **(ii) The signing appraiser must have no reason to doubt that the work of those**
 1888 **individuals is credible.**

1889 Comment: Although a certification must contain the names of individuals providing
 1890 significant personal property appraisal assistance, it is not required that a summary
 1891 of the extent of their assistance be located in a certification. This disclosure may be
 1892 in any part(s) of the report.

1893 **STANDARDS RULE 8-4, Oral Appraisal Report**

1894 **To the extent that it is both possible and appropriate, an oral personal property appraisal**
 1895 **report must address the substantive matters set forth in Standards Rule 8-2(a).**

1896 Comment: See the RECORD KEEPING RULE for corresponding requirements.

1897 **STANDARD 9: BUSINESS APPRAISAL, DEVELOPMENT**

1898 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
 1899 **appraiser must identify the problem to be solved, determine the scope of work necessary to**
 1900 **solve the problem, and correctly complete the research and analyses necessary to produce a**
 1901 **credible appraisal.**

1902 Comment: ~~STANDARD 9 is directed toward the substantive aspects of developing a~~
 1903 ~~credible appraisal of an interest in a business enterprise or intangible asset.~~

1904 **STANDARDS RULE 9-1, General Development Requirements**

1905 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
 1906 **appraiser must:**

1907 **(a) be aware of, understand, and correctly employ those recognized approaches, methods**
 1908 **and procedures that are necessary to produce a credible appraisal;**

1909 Comment: Changes and developments in the economy and in investment theory have a
 1910 substantial impact on the business and intangible asset appraisal profession. Important
 1911 changes in the financial arena, securities regulation, financial reporting requirements, and
 1912 law may result in corresponding changes in appraisal theory and practice.

1913 **(b) not commit a substantial error of omission or commission that significantly affects an**
 1914 **appraisal; and**

1915 Comment: An appraiser must use sufficient care to avoid errors that would significantly
 1916 affect his or her opinions and conclusions. Diligence is required to identify and analyze the
 1917 factors, conditions, data, and other information that would have a significant effect on the
 1918 credibility of the assignment results.

1919 **(c) not render appraisal services in a careless or negligent manner, such as by making a**
 1920 **series of errors that, although individually might not significantly affect the results of**
 1921 **an appraisal, in the aggregate affect the credibility of those results.**

1922 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 1923 ~~However, an appraiser must not render appraisal services in a careless or negligent manner.~~
 1924 ~~This Standards Rule requires an appraiser to use due diligence and due care.~~

1925 **STANDARDS RULE 9-2, Problem Identification**

1926 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
 1927 **appraiser must:**

1928 **(a) identify the client and other intended users;**

1929 **(b) identify the intended use of the appraiser’s opinions and conclusions;**

1930 Comment: An appraiser must not allow the intended use of an assignment or a client’s
 1931 objectives to cause the assignment results to be biased.

1932 **(c) identify the standard (type) and definition of value and the premise of value;**

1933 **(d) identify the effective date of the appraisal;**

- 1934 (e) **identify, from sources the appraiser reasonably believes to be reliable, the**
 1935 **characteristics of the subject property that are relevant to the standard (type) and**
 1936 **definition of value and intended use of the appraisal, including:**
- 1937 (i) **the subject business enterprise or intangible asset, if applicable;**
- 1938 (ii) **the interest in the business enterprise, equity, asset, or liability to be valued;**
 1939 **and the attributes of the interest being appraised, including the rights and**
 1940 **benefits of ownership;**
- 1941 Comment: The interest to be valued may represent all ownership rights or a subset
 1942 of those rights, such as a specific right to use the asset.
- 1943 (iii) **all buy-sell and option agreements, investment letter stock restrictions,**
 1944 **restrictive corporate charter or partnership agreement clauses, and similar**
 1945 **features or factors that may have an influence on value;**
- 1946 (iv) **the extent to which the interest contains elements of ownership control; and**
- 1947 Comment: The elements of control in a given situation may be affected by law,
 1948 distribution of ownership interests, contractual relationships, and many other
 1949 factors.
- 1950 (v) **the extent to which the interest is marketable and/or liquid;**
- 1951 Comment on (i)-(v): An appraiser must identify the attributes of the interest being
 1952 appraised, including the rights and benefits of ownership.
- 1953 The information used by an appraiser to identify the property characteristics must
 1954 be from sources the appraiser reasonably believes are reliable.
- 1955 (f) **identify any extraordinary assumptions necessary in the assignment; An**
 1956 **extraordinary assumption may be used in an assignment only if:**
- 1957 (i) **the extraordinary assumption is required to properly develop credible**
 1958 **opinions and conclusions;**
- 1959 (ii) **the appraiser has a reasonable basis for the extraordinary assumption; and**
- 1960 (iii) **use of the extraordinary assumption results in a credible analysis;**
- 1961 Comment: An extraordinary assumption may be used in an assignment only if:
- 1962 ● ~~it is required to properly develop credible opinions and conclusions;~~
- 1963 ● ~~the appraiser has a reasonable basis for the extraordinary assumption;~~
- 1964 ● ~~use of the extraordinary assumption results in a credible analysis; and~~
- 1965 ● ~~the appraiser complies with the disclosure requirements set forth in USPAP~~
 1966 ~~for extraordinary assumptions.~~
- 1967 (g) **identify any hypothetical conditions necessary in the assignment; A hypothetical**
 1968 **condition may be used in an assignment only if:**
- 1969 (i) **use of the hypothetical condition is clearly required for legal purposes, for**
 1970 **purposes of reasonable analysis, or for purposes of comparison; and**

1971	<u>(ii) use of the hypothetical condition results in a credible analysis; and</u>
1972	<u>Comment:</u> A hypothetical condition may be used in an assignment only if:
1973	● use of the hypothetical condition is clearly required for legal purposes, for
1974	purposes of reasonable analysis, or for purposes of comparison;
1975	● use of the hypothetical condition results in a credible analysis; and
1976	● the appraiser complies with the disclosure requirements set forth in USPAP
1977	for hypothetical conditions.
1978	(h) determine the scope of work necessary to produce credible assignment results in
1979	accordance with the SCOPE OF WORK RULE.
1980	<u>STANDARDS RULE 9-3, Premise of Value</u>
1981	In developing an appraisal of an equity interest in a business enterprise with the ability to
1982	cause liquidation, an appraiser must investigate the possibility that the business enterprise
1983	may have a higher value by liquidation of all or part of the enterprise than by continued
1984	operation as is. If liquidation of all or part of the enterprise is the indicated premise of value,
1985	an appraisal of any real property or personal property to be liquidated may be appropriate.
1986	<u>Comment:</u> This Standards Rule requires the appraiser to recognize that continued operation
1987	of a business is not always the best premise of value because liquidation of all or part of
1988	the enterprise may result in a higher value. However, this typically applies only when the
1989	business equity interest being appraised is in a position to cause liquidation. If liquidation
1990	of all or part of the enterprise is the appropriate premise of value, the scope of work may
1991	include an appraisal of real property or tangible personal property. If so, competency in
1992	real property appraisal (STANDARD 1) or tangible personal property appraisal
1993	(STANDARD 7) is required.
1994	<u>STANDARDS RULE 9-4, Approaches to Value</u>
1995	In developing an appraisal of an interest in a business enterprise or intangible asset, an
1996	appraiser must collect and analyze all information necessary for credible assignment results.
1997	(a) An appraiser must develop value opinion(s) and conclusion(s) by use of one or more
1998	approaches that are necessary for credible assignment results.
1999	(b) An appraiser must, when necessary for credible assignment results, analyze the effect
2000	on value, if any, of:
2001	(i) the nature and history of the business enterprise or intangible asset;
2002	(ii) financial and economic conditions affecting the business enterprise or
2003	intangible asset, its industry, and the general economy;
2004	(iii) past results, current operations, and future prospects of the business
2005	enterprise;
2006	(iv) past sales of capital stock or other ownership interests in the business
2007	enterprise or intangible asset being appraised;

2008 2009	(v) sales of capital stock or other ownership interests in similar business enterprises;
2010 2011	(vi) prices, terms, and conditions affecting past sales of similar ownership interests in the asset being appraised or a similar asset; and
2012	(vii) economic benefit of tangible and intangible assets.
2013 2014 2015	<u>Comment on (i)-(vii):</u> This Standards Rule directs the appraiser to study the prospective and retrospective aspects of the business enterprise and to study it in terms of the economic and industry environment within which it operates.
2016 2017 2018 2019	(c) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of buy-sell and option agreements, investment letter stock restrictions, restrictive corporate charter or partnership agreement clauses, and similar features or factors that may influence value.
2020 2021 2022 2023 2024	(d) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of the extent to which the interest appraised contains elements of ownership control and is marketable and/or liquid. <u>An appraiser must analyze factors such as holding period, interim benefits, and the difficulty of marketing the subject interest.</u>
2025 2026	<u>Comment:</u> An appraiser must analyze factors such as holding period, interim benefits, and the difficulty and cost of marketing the subject interest.
2027 2028 2029 2030 2031	Equity interests in a business enterprise are not necessarily worth the pro rata share of the business enterprise interest value as a whole. Also, the value of the business enterprise is not necessarily a direct mathematical extension of the value of the fractional interests. The degree of control, marketability and/or liquidity or lack thereof depends on a broad variety of facts and circumstances that must be analyzed when applicable.
2032	<u>STANDARDS RULE 9-5, Reconciliation</u>
2033 2034	In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must:
2035 2036	(a) reconcile the quality and quantity of data available and analyzed within the approaches, methods, and procedures used; and
2037 2038	(b) reconcile the applicability and relevance of the approaches, methods, and procedures used to arrive at the value conclusion(s).
2039 2040	<u>Comment:</u> The value conclusion is the result of the appraiser's judgment and not necessarily the result of a mathematical process.

2041 **STANDARD 10: BUSINESS APPRAISAL, REPORTING**

2042 **In reporting the results of an appraisal of an interest in a business enterprise or intangible**
 2043 **asset, an appraiser must communicate each analysis, opinion, and conclusion in a manner**
 2044 **that is not misleading.**

2045 Comment: STANDARD 10 addresses the content and level of information required in a
 2046 report that communicates the results of an appraisal of an interest in a business enterprise
 2047 or intangible asset developed under STANDARD 9.

2048 STANDARD 10 does not dictate the form, format, or style of business or intangible asset
 2049 appraisal reports, ~~which are functions of the needs of intended users and appraisers.~~ The
 2050 substantive content of a report determines its compliance.

2051 **STANDARDS RULE 10-1, General Reporting Requirements**

2052 **Each written or oral appraisal report for an interest in a business enterprise or intangible**
 2053 **asset must:**

- 2054 (a) **clearly and accurately set forth the appraisal in a manner that will not be misleading;**
- 2055 (b) **contain sufficient information to enable the intended user(s) of the appraisal to**
 2056 **understand the report properly; and**
- 2057 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
 2058 **hypothetical conditions, and limiting conditions used in the assignment.**

2059 **STANDARDS RULE 10-2, Content of a Business Appraisal Report**

2060 **Each written appraisal report for an interest in a business enterprise or intangible asset must**
 2061 **be prepared in accordance with one of the following options and prominently state which**
 2062 **option is used: Appraisal Report or Restricted Appraisal Report.**

2063 **An appraiser may use any other label in addition to, but not in place of, the labels set forth**
 2064 **in this Standards Rule for the type of report provided. The use of additional labels such as**
 2065 **analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from**
 2066 **adherence to USPAP.**

2067 **The report content and level of information requirements in this Standards Rule are**
 2068 **minimums for both types of report.**

2069 Comment: ~~When the intended users include parties other than the client, an Appraisal~~
 2070 ~~Report must be provided. When the intended users do not include parties other than the~~
 2071 ~~client, a Restricted Appraisal Report may be provided.~~

2072 ~~The essential difference between these options is in the content and level of information~~
 2073 ~~provided. The appropriate reporting option and the level of information necessary in the~~
 2074 ~~report are dependent on the intended use and intended users.~~

2075 ~~An appraiser must use care when characterizing the type of report and level of information~~
 2076 ~~communicated upon completion of an assignment. An appraiser may use any other label in~~
 2077 ~~addition to, but not in place of, the label set forth in this Standard for the type of report~~
 2078 ~~provided.~~

2079 ~~The report content and level of information requirements set forth in this Standard are~~
 2080 ~~minimums for both types of report.~~

2081 ~~A party receiving a copy of an Appraisal Report or Restricted Appraisal Report does not~~
 2082 ~~become an intended user of the appraisal unless the appraiser identifies such party as an~~
 2083 ~~intended user as part of the assignment.~~

2084 **(a) The content of an Appraisal Report must be appropriate for ~~consistent with~~ the intended**
 2085 **use of the appraisal and, at a minimum:**

2086 **(i) state the identity of the client, or if the client requested anonymity, state that the**
 2087 **identity is withheld at the client’s request but is retained in the appraiser’s workfile;**
 2088 **~~unless the client has specifically requested otherwise; state the identity of any~~**
 2089 **~~intended users by name or type;~~**

2090 Comment: Because the client is an intended user, they must be identified in the report as
 2091 such. However, if the client has requested anonymity the An appraiser must use care when
 2092 identifying the client to avoid violations of the Confidentiality section of the ETHICS
 2093 RULE. If a client requests that the client’s identity be withheld from the report, the
 2094 appraiser may comply with this request. In these instances, the appraiser must document
 2095 the identity of the client in the workfile and must state in the report that the identity of the
 2096 client has been withheld at the client’s request.

2097 ~~Types of intended users of the report might include parties such as lenders, employees of~~
 2098 ~~government agencies, partners of a client, and a client’s attorney and accountant.~~

2099 **(ii) state the identity of any other intended users by name or type;**

2100 Comment: A party receiving a copy of an Appraisal Report does not become an intended
 2101 user of the appraisal unless the appraiser identifies such party as an intended user as part
 2102 of the assignment.

2103 **~~(ii)(iii)~~ state the intended use of the appraisal;**

2104 **~~(iii)(iv)~~ summarize contain information sufficient to identify the business or intangible**
 2105 **asset and the interest appraised, including property characteristics relevant to the**
 2106 **type and definition of value and intended use of the appraisal;**

2107 Comment: The identification information must include property characteristics relevant to
 2108 the type and definition of value and intended use of the appraisal.

2109 **~~(iv)(v)~~ state the extent to which the interest appraised contains elements of ownership**
 2110 **control, including the basis for that determination;**

2111 **~~(v)(vi)~~ state the extent to which the interest appraised lacks elements of marketability**
 2112 **and/or liquidity, including the basis for that determination;**

2113 **~~(vi)(vii)~~ state the standard (type) and definition of value and the premise of value and cite**
 2114 **the source of the definition;**

2115 Comment: Stating the definition of value also requires any comments needed to clearly
 2116 indicate to the intended users how the definition is being applied.

2117 **~~(vii)(viii)~~ state the effective date of the appraisal and the date of the report;**

2118 ~~Comment: The effective date of the appraisal establishes the context for the value opinion,~~
 2119 ~~while the date of the report indicates whether the perspective of the appraiser on the market~~
 2120 ~~or property as of the effective date of the appraisal was prospective, current, or~~
 2121 ~~retrospective.~~

2122 ~~(viii)~~**(ix) summarize the scope of work used to develop the appraisal;**

2123 ~~Comment: Because intended users' reliance on an appraisal may be affected by the scope~~
 2124 ~~of work, the report must enable them to be properly informed and not misled. Sufficient~~
 2125 ~~information~~ Summarizing the scope of work includes disclosure of research and analyses
 2126 performed and might also include disclosure of research and analyses not performed.

2127 ~~When any portion of the work involves significant business and/or intangible asset~~
 2128 ~~appraisal assistance, the appraiser must summarize the extent of that assistance. The~~
 2129 ~~name(s) of those providing the significant business and/or intangible asset appraisal~~
 2130 ~~assistance must be stated in the certification, in accordance with Standards Rule 10-3.~~

2131 ~~(ix) summarize the information analyzed, the appraisal procedures followed, and the~~
 2132 ~~reasoning that supports the analyses, opinions, and conclusions; exclusion of the~~
 2133 ~~market approach, asset-based (cost) approach, or income approach must be~~
 2134 ~~explained;~~

2135 ~~Comment: An Appraisal Report must include sufficient information to indicate that the~~
 2136 ~~appraiser complied with the requirements of STANDARD 9. The amount of detail required~~
 2137 ~~will vary with the significance of the information to the appraisal.~~

2138 ~~The appraiser must provide sufficient information to enable the client and intended users~~
 2139 ~~to understand the rationale for the opinions and conclusions, including reconciliation in~~
 2140 ~~accordance with Standards Rule 9-5.~~

2141 **(x) when any portion of the work involves significant business and/or intangible asset**
 2142 **appraisal assistance, summarize the extent of that assistance;**

2143 **(xi) provide sufficient information to indicate that the appraiser complied with the**
 2144 **requirements of STANDARD 9 by:**

- 2145 **(i) summarizing the appraisal procedures followed;**
- 2146 **(ii) stating the reason(s) for excluding the market approach, asset-based (cost)**
 2147 **approach, or income approach(es) if any have not been developed;**
- 2148 **(iii) stating the value opinions and conclusions; and**
- 2149 **(iv) summarizing the information analyzed and the reasoning that supports the**
 2150 **analyses, opinions, and conclusions, including reconciliation of the data and**
 2151 **approaches;**

2152 ~~(x)~~**(xii) clearly and conspicuously:**

- 2153 • state all extraordinary assumptions and hypothetical conditions; and
- 2154 • state that their use might have affected the assignment results; and

2155 ~~(xi)~~**(xiii) include a signed certification in accordance with Standards Rule 10-3.**

2156 (b) The content of a Restricted Appraisal Report must be appropriate for consistent with the
 2157 intended use of the appraisal and, at a minimum:

2158 (i) ~~state the identity of the client, unless the client has specifically requested~~
 2159 ~~otherwise or if the client requested anonymity, state that the identity is~~
 2160 ~~withheld at the client’s request but is retained in the appraiser’s workfile; and~~
 2161 ~~state a prominent use restriction that limits use of the report to the client and~~
 2162 ~~warns that the rationale for how the appraiser arrived at the opinions and~~
 2163 ~~conclusions set forth in the report may not be understood properly without~~
 2164 ~~additional information in the appraiser’s workfile;~~

2165 Comment: Because the client is an intended user, they must be identified in the
 2166 report as such. However, if the client has requested anonymity the An appraiser
 2167 must use care when identifying the client to avoid violations of the Confidentiality
 2168 section of the ETHICS RULE. If a client requests that the client’s identity be
 2169 withheld from the report, the appraiser may comply with this request. In these
 2170 instances, the appraiser must document the identity of the client in the workfile and
 2171 must state in the report that the identity of the client has been withheld at the client’s
 2172 request.

2173 ~~The Restricted Appraisal Report is for client use only. Before entering into an~~
 2174 ~~agreement, the appraiser should establish with the client the situations where this~~
 2175 ~~type of report is to be used and should ensure that the client understands the~~
 2176 ~~restricted utility of the Restricted Appraisal Report.~~

2177 (ii) state the identity of any other intended user(s) by name;

2178 Comment: A Restricted Appraisal Report may be provided when the client is the
 2179 only intended user; or, when additional intended users are identified by name.

2180 A party receiving a copy of a Restricted Appraisal Report does not become an
 2181 intended user of the appraisal unless the appraiser identifies such party as an
 2182 intended user as part of the assignment.

2183 (iii) clearly and conspicuously state a restriction that limits use of the report to the
 2184 client and the named intended user(s);

2185 (iv) clearly and conspicuously warn that the report may not contain supporting
 2186 rationale for all of the opinions and conclusions set forth in the report;

2187 (ii)(v) state the intended use of the appraisal;

2188 Comment: The intended use of the appraisal must be consistent with the limitation
 2189 on use of the Restricted Appraisal Report option in this Standards Rule (i.e. client
 2190 use only).

2191 (iii)(vi) state information sufficient to identify the business or intangible asset and the
 2192 interest appraised;

2193 Comment: The identification information must include property characteristics
 2194 relevant to the type and definition of value and intended use of the appraisal.

- 2195 ~~(iv)~~**(vii)** state the extent to which the interest appraised contains elements of
 2196 ownership control, including the basis for that determination;
- 2197 ~~(v)~~**(viii)** state the extent to which the interest appraised lacks elements of
 2198 marketability and/or liquidity, including the basis for that determination;
- 2199 ~~(vi)~~**(ix)** state the standard (type) of value and the premise of value, and cite the source
 2200 of its definition;
- 2201 ~~(vii)~~**(x)** state the effective date of the appraisal and the date of the report;
- 2202 ~~Comment: The effective date of the appraisal establishes the context for the value~~
 2203 ~~opinion, while the date of the report indicates whether the perspective of the~~
 2204 ~~appraiser on the market or property as of the effective date of the appraisal was~~
 2205 ~~prospective, current, or retrospective.~~
- 2206 ~~(viii)~~**(xi)** state the scope of work used to develop the appraisal;
- 2207 ~~Comment: Because the client’s reliance on an appraisal may be affected by the~~
 2208 ~~scope of work, the report must enable them to be properly informed and not misled.~~
 2209 ~~Sufficient information—Stating the scope of work includes disclosure of research~~
 2210 ~~and analyses performed and might also include disclosure of research and analyses~~
 2211 ~~not performed.~~
- 2212 ~~When any portion of the work involves significant business and/or intangible asset~~
 2213 ~~appraisal assistance, the appraiser must state the extent of that assistance. The~~
 2214 ~~name(s) of those providing the significant business and/or intangible asset appraisal~~
 2215 ~~assistance must be stated in the certification, in accordance with Standards Rule 10-~~
 2216 ~~3.~~
- 2217 ~~(ix) state the appraisal procedures followed, state the value opinion(s) and~~
 2218 ~~conclusion(s) reached, and reference the workfile; exclusion of the market~~
 2219 ~~approach, asset-based (cost) approach, or income approach must be~~
 2220 ~~explained;~~
- 2221 ~~Comment: An appraiser must maintain a specific, coherent workfile in support of a~~
 2222 ~~Restricted Appraisal Report. The contents of the workfile must include sufficient~~
 2223 ~~information to indicate that the appraiser complied with the requirements of~~
 2224 ~~STANDARD 9 and for the appraiser to produce an Appraisal Report.~~
- 2225 **(xii) state the extent of any significant business and/or intangible asset appraisal**
 2226 **assistance;**
- 2227 **(xiii) provide sufficient information to indicate that the appraiser complied with the**
 2228 **requirements of STANDARD 9 by:**
- 2229 **(i) stating the appraisal procedures followed;**
- 2230 **(ii) stating the reason(s) for excluding the market approach, asset-based**
 2231 **(cost) approach, or income approach(es) if any have not been**
 2232 **developed;**
- 2233 **(iii) stating the value opinions and conclusions;**

2234 Comment: An appraiser must maintain workfile that includes sufficient
2235 information to indicate that the appraiser complied with the requirements of
2236 STANDARD 9 and for the appraiser to produce an Appraisal Report.

2237 ~~(x)~~**(xiv)** clearly and conspicuously:

- 2238 • state all extraordinary assumptions and hypothetical conditions; and
- 2239 • state that their use might have affected the assignment results; and

2240 ~~(xi)~~**(xv)** include a signed certification in accordance with Standards Rule 10-3.

2241 **STANDARDS RULE 10-3, Certification**

2242 ~~**A signed certification is an integral part of the appraisal report. Each written appraisal**~~
 2243 ~~**report for an interest in a business enterprise or intangible asset must contain a signed**~~
 2244 ~~**certification that is similar in content to the following form:**~~

2245 ~~**(a) The wording of a certification does not have to match the following verbatim, but each**~~
 2246 ~~**of the elements must be addressed:**~~

2247 **I certify that, to the best of my knowledge and belief:**

- 2248 — **the statements of fact contained in this report are true and correct.**
- 2249 — **the reported analyses, opinions, and conclusions are limited only by the reported**
 2250 **assumptions and limiting conditions and are my personal, impartial, and**
 2251 **unbiased professional analyses, opinions, and conclusions.**
- 2252 — **I have no (or the specified) present or prospective interest in the property that**
 2253 **is the subject of this report, and I have no (or the specified) personal interest**
 2254 **with respect to the parties involved.**
- 2255 — **I have performed no (or the specified) services, as an appraiser or in any other**
 2256 **capacity, regarding the property that is the subject of this report within the**
 2257 **three-year period immediately preceding the agreement to perform acceptance**
 2258 **of this assignment.**
- 2259 — **I have no bias with respect to the property that is the subject of this report or to**
 2260 **the parties involved with this assignment.**
- 2261 — **my engagement in this assignment was not contingent upon developing or**
 2262 **reporting predetermined results.**
- 2263 — **my compensation for completing this assignment is not contingent upon the**
 2264 **development or reporting of a predetermined value or direction in value that**
 2265 **favors the cause of the client, the amount of the value opinion, the attainment of**
 2266 **a stipulated result, or the occurrence of a subsequent event directly related to**
 2267 **the intended use of this appraisal.**
- 2268 — **my analyses, opinions, and conclusions were developed, and this report has been**
 2269 **prepared, in conformity with the *Uniform Standards of Professional Appraisal***
 2270 ***Practice*.**
- 2271 — **no one provided significant business and/or intangible asset appraisal assistance**
 2272 **to the person signing this certification. (If there are exceptions, the name of each**
 2273 **individual providing significant business and/or intangible asset appraisal**
 2274 **assistance must be stated.)**

2275 ~~**Comment: A signed certification is an integral part of the appraisal report. An**~~
 2276 ~~**appraiser who signs any part of the appraisal report, including a letter of transmittal,**~~
 2277 ~~**must also sign this certification.**~~

2278 ~~In an assignment that includes only assignment results developed by the business~~
 2279 ~~and/or intangible asset appraiser(s), any appraiser(s) who signs a certification accepts~~
 2280 ~~full responsibility for all elements of the certification, for the assignment results, and~~
 2281 ~~for the contents of the appraisal report. In an assignment that includes real property~~
 2282 ~~or personal property assignment results not developed by the business and/or~~
 2283 ~~intangible asset appraiser(s), any business and/or intangible asset appraiser(s) who~~
 2284 ~~signs a certification accepts full responsibility for the business and/or intangible asset~~
 2285 ~~elements of the certification, for the business and/or intangible asset assignment~~
 2286 ~~results, and for the business and/or intangible asset contents of the appraisal report.~~

2287 ~~When a signing appraiser(s) has relied on work done by appraisers and others who~~
 2288 ~~do not sign the certification, the signing appraiser is responsible for the decision to~~
 2289 ~~rely on their work. The signing appraiser(s) is required to have a reasonable basis for~~
 2290 ~~believing that those individuals performing the work are competent. The signing~~
 2291 ~~appraiser(s) also must have no reason to doubt that the work of those individuals is~~
 2292 ~~credible.~~

2293 ~~The names of individuals providing significant business and/or intangible asset~~
 2294 ~~appraisal assistance who do not sign a certification must be stated in the certification.~~
 2295 ~~It is not required that the description of their assistance be contained in the~~
 2296 ~~certification, but disclosure of their assistance is required in accordance with~~
 2297 ~~Standards Rule 10-2(a)(vii) or 10-2(b)(vii), as applicable.~~

2298 **(b) An appraiser who signs any part of the appraisal report, including a letter of**
 2299 **transmittal, must also sign a certification.**

2300 Comment: In an assignment that includes only assignment results developed by the
 2301 business and/or intangible asset appraiser(s), any appraiser(s) who signs a certification
 2302 accepts full responsibility for all elements of the certification, for the assignment results,
 2303 and for the contents of the appraisal report. In an assignment that includes real property or
 2304 personal property assignment results not developed by the business and/or intangible asset
 2305 appraiser(s), any business and/or intangible asset appraiser(s) who signs a certification
 2306 accepts full responsibility for the business and/or intangible asset elements of the
 2307 certification, for the business and/or intangible asset assignment results, and for the
 2308 business and/or intangible asset contents of the appraisal report.

2309 **(c) When a signing appraiser has relied on work done by appraisers and others who do**
 2310 **not sign the certification, the signing appraiser is responsible for the decision to rely**
 2311 **on their work.**

2312 **(i) The signing appraiser is required to have a reasonable basis for believing that**
 2313 **those individuals performing the work are competent; and**

2314 **(ii) The signing appraiser must have no reason to doubt that the work of those**
 2315 **individuals is credible.**

2316 Comment: Although a certification must contain the names of individuals providing
 2317 significant business and/or intangible asset appraisal assistance, it is not required
 2318 that a summary of the extent of their assistance be located in a certification. This
 2319 disclosure may be in any part(s) of the report.

2320 **STANDARDS RULE 10-4, Oral Appraisal Report**

2321 **To the extent that it is both possible and appropriate, an oral appraisal report for an interest**
2322 **in a business enterprise or intangible asset must address the substantive matters set forth in**
2323 **Standards Rule 10-2(a).**

2324 Comment: See the RECORD KEEPING RULE for corresponding requirements.

Section 2: SCOPE OF WORK RULE

RATIONALE

In the First Exposure Draft, the ASB proposed changes to the SCOPE OF WORK RULE which would remove references to disclosure obligations under this RULE.

The ASB reviewed the feedback received and examined disclosure requirements contained within several other RULES in USPAP, as well as references to the scope of work disclosure requirements within STANDARDS 2, 4, 6, 8, and 10.

The Second Exposure Draft incorporated suggestions from comments received and rather than eliminating these specific disclosure obligations, the ASB proposed adding language to the Disclosure Obligations section of the SCOPE OF WORK RULE to clarify the flexibility afforded an appraiser as to the nature, form and format of disclosure.

Based upon feedback received from the Second and Third Exposure Drafts, in this Fourth Exposure Draft the ASB proposes a further clarification noting that the “information disclosed” (rather than the previously proposed “amount of information disclosed”) must be appropriate for the intended use of the assignment results.

2325 **SCOPE OF WORK RULE**

2326 **For each appraisal and appraisal review assignment, an appraiser must:**

- 2327 **1. identify the problem to be solved;**
- 2328 **2. determine and perform the scope of work necessary to develop credible assignment**
- 2329 **results; and**
- 2330 **3. disclose the scope of work in the report.**

2331 **An appraiser must properly identify the problem to be solved in order to determine the**

2332 **appropriate scope of work. The appraiser must be prepared to demonstrate that the scope**

2333 **of work is sufficient to produce credible assignment results.**

2334 Comment: Scope of work includes, but is not limited to:

- 2335 • the extent to which the property is identified;
- 2336 • the extent to which tangible property is inspected;
- 2337 • the type and extent of data researched; and
- 2338 • the type and extent of analyses applied to arrive at opinions or conclusions.

2339 Appraisers have broad flexibility and significant responsibility in determining the

2340 appropriate scope of work for an appraisal or appraisal review assignment.

2341 Credible assignment results require support by relevant evidence and logic. The credibility

2342 of assignment results is always measured in the context of the intended use.

2343 **PROBLEM IDENTIFICATION**

2344 **An appraiser must gather and analyze information about those assignment elements that are**

2345 **necessary to properly identify the appraisal or appraisal review problem to be solved.**

2346 Comment: The assignment elements necessary for problem identification are addressed in
 2347 the applicable Standards Rules (i.e., SR 1-2, SR 3-2, SR 5-2, SR 7-2, and SR 9-2). In an
 2348 appraisal assignment, for example, identification of the problem to be solved requires the
 2349 appraiser to identify the following assignment elements:

- 2350 • client and any other intended users;
- 2351 • intended use of the appraiser’s opinions and conclusions;
- 2352 • type and definition of value;
- 2353 • effective date of the appraiser’s opinions and conclusions;
- 2354 • subject of the assignment and its relevant characteristics; and
- 2355 • assignment conditions.

2356 This information provides the appraiser with the basis for determining the type and extent
 2357 of research and analyses to include in the development of an appraisal. Similar information
 2358 is necessary for problem identification in appraisal review assignments.

2359 Communication with the client is required to establish most of the information necessary
 2360 for problem identification. However, the identification of relevant characteristics is a
 2361 judgment made by the appraiser that requires competency in this type of assignment.

2362 Assignment conditions include assumptions, extraordinary assumptions, hypothetical
 2363 conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect
 2364 the scope of work. Laws include constitutions, legislative and court-made law,
 2365 administrative rules, and ordinances. Regulations include rules or orders, having legal
 2366 force, issued by an administrative agency.

2367 **SCOPE OF WORK ACCEPTABILITY**

2368 **The scope of work must include the research and analyses that are necessary to develop**
 2369 **credible assignment results.**

2370 Comment: The scope of work is acceptable when it meets or exceeds:

- 2371 • the expectations of parties who are regularly intended users for similar assignments;
- 2372 and
- 2373 • what an appraiser’s peers’ actions would be in performing the same or a similar
- 2374 assignment.

2375 Determining the scope of work is an ongoing process in an assignment. Information or
 2376 conditions discovered during the course of an assignment might cause the appraiser to
 2377 reconsider the scope of work.

2378 An appraiser must be prepared to support the decision to exclude any investigation,
 2379 information, method, or technique that would appear relevant to the client, another intended
 2380 user, or the appraiser’s peers.

2381 **An appraiser must not allow assignment conditions to limit the scope of work to such a degree**
 2382 **that the assignment results are not credible in the context of the intended use.**

2383 Comment: If relevant information is not available because of assignment conditions that
 2384 limit research opportunities (such as conditions that place limitations on inspection or

2385 information gathering), an appraiser must withdraw from the assignment unless the
 2386 appraiser can:

- 2387 • modify the assignment conditions to expand the scope of work to include gathering
 2388 the information; or
- 2389 • use an extraordinary assumption about such information, if credible assignment
 2390 results can still be developed.

2391 **An appraiser must not allow the intended use of an assignment or a client’s objectives to**
 2392 **cause the assignment results to be biased.**

2393 **DISCLOSURE OBLIGATIONS**

2394 **The report must contain sufficient information to allow the client and other intended users**
 2395 **to understand the scope of work performed. The information disclosed must be appropriate**
 2396 **for the intended use of the assignment results.**

2397 Comment: Proper disclosure is required because clients and other intended users rely on
 2398 the assignment results. Sufficient information includes disclosure of research and analyses
 2399 performed and might also include disclosure of research and analyses not performed.

2400 The appraiser has broad flexibility and significant responsibility in the level of detail and
 2401 manner of disclosing the scope of work in the appraisal report or appraisal review report.
 2402 The appraiser may, but is not required to, consolidate the disclosure in a specific section or
 2403 sections of the report, or use a particular label, heading or subheading. An appraiser may
 2404 choose to disclose the scope of work as necessary throughout the report.

Section 3: COMPETENCY RULE

RATIONALE:

There are two changes proposed in this Fourth Exposure Draft to the COMPETENCY RULE.

The first proposed modification has received positive feedback in prior exposure drafts. Therefore, the ASB continues to propose moving the following important concept from the Standards Rules to the COMPETENCY RULE:

“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. This Standards Rule requires an appraiser to use due diligence and due care.”

This Comment originally appeared only the development Standards Rules, but it has been pointed out that the concept is also applicable to reporting. Therefore, in this Fourth Exposure Draft, the ASB continues to propose amending the COMPETENCY RULE to include the wording of the original Comment from Standards Rules 1-1, 3-1, 5-1, 7-1, and 9-1 with only one editing change, from “this Standards Rule” to “this Rule.”

If the above revision is adopted, a corresponding change will be made to a Comment in the Conduct section of the ETHICS RULE that references the new location of this wording in USPAP.

The second proposed modification is to move a portion of a Comment from Standards Rules 1-1(a), 3-1(a), 5-1(a) and 7-1(a) into the COMPETENCY RULE:

As an example, the Comment in SR 1-1(a) reads: “For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in real property appraisal.” There are similar Comments in Standards Rules 5-1(a) and 7-1(a) regarding the mass appraisal and personal property appraisal disciplines, respectively.

While the Comment in SR 3-1(a) reads as follows: “Each appraiser must continuously improve his or her skills to remain proficient in appraisal review.”

This portion of the Comment had been proposed for deletion from the respective Standards Rules in prior exposure drafts as the Comment was considered aspirational or advisory. Feedback has been received that this Comment is fundamental to the purpose of continuing education in the appraisal profession and should be retained, but that it should be moved into the COMPETENCY RULE.

2405 **COMPETENCY RULE**

2406 **An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary**
 2407 **competency to perform the assignment; or (3) decline or withdraw from the assignment. In**
 2408 **all cases, the appraiser must perform competently when completing the assignment.**

2409 **Perfection is impossible to attain, and competence does not require perfection. However, an**
 2410 **appraiser must not render appraisal services in a careless or negligent manner. This Rule**
 2411 **requires an appraiser to use due diligence and due care.**

2412 **It is not sufficient for appraisers to simply maintain the skills and the knowledge they possess**
 2413 **when they become appraisers. Appraisers must continuously improve their skills and**
 2414 **knowledge to remain competent.**

2415 **BEING COMPETENT**

2416 **An appraiser must determine, prior to agreeing to perform an assignment, that he or she can**
 2417 **perform the assignment competently. Competency requires:**

- 2418 **1. the ability to properly identify the problem to be addressed;**
 2419 **2. the knowledge and experience to complete the assignment competently; and**
 2420 **3. recognition of, and compliance with, laws and regulations that apply to the appraiser**
 2421 **or to the assignment.**

2422 Comment: Competency may apply to factors such as, but not limited to, an appraiser’s
 2423 familiarity with a specific type of property or asset, a market, a geographic area, an intended
 2424 use, specific laws and regulations, or an analytical method. If such a factor is necessary for
 2425 an appraiser to develop credible assignment results, the appraiser is responsible for having
 2426 the competency to address that factor or for following the steps outlined below to satisfy
 2427 this COMPETENCY RULE.

2428 For assignments with retrospective opinions and conclusions, the appraiser must meet the
 2429 requirements of this COMPETENCY RULE at the time the assignment is performed, rather
 2430 than the effective date.

2431 **ACQUIRING COMPETENCY**

2432 **If an appraiser determines he or she is not competent prior to ~~accepting~~ agreeing to perform**
 2433 **an assignment, the appraiser must:**

- 2434 **1. disclose the lack of knowledge and/or experience to the client before ~~accepting~~**
 2435 **agreeing to perform the assignment;**
 2436 **2. take all steps necessary or appropriate to complete the assignment competently; and**
 2437 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
 2438 **to complete the assignment competently.**

2439 Comment: Competency can be acquired in various ways, including, but not limited to,
 2440 personal study by the appraiser, association with an appraiser reasonably believed to have
 2441 the necessary knowledge and/or experience, or retention of others who possess the
 2442 necessary knowledge and/or experience.

2443 In an assignment where geographic competency is necessary, an appraiser who is not
 2444 familiar with the relevant market characteristics must acquire an understanding necessary
 2445 to produce credible assignment results for the specific property type and market involved.

2446 **When facts or conditions are discovered during the course of an assignment that cause an**
2447 **appraiser to determine, at that time, that he or she lacks the required knowledge and**
2448 **experience to complete the assignment competently, the appraiser must:**

2449 **1. notify the client;**

2450 **2. take all steps necessary or appropriate to complete the assignment competently; and**

2451 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
2452 **to complete the assignment competently.**

2453 **LACK OF COMPETENCY**

2454 **If the assignment cannot be completed competently, the appraiser must decline or**
2455 **withdraw from the assignment.**

Section 4: DEFINITIONS

RATIONALE:

Based upon responses received from the First, Second, and Third Exposure Drafts, the ASB continues to propose modifications and additions to the DEFINITIONS in order to help readers better understand USPAP. This Fourth Exposure Draft proposes to include USPAP terms that differ from or are not found in popular English dictionaries and, in a few instances, to indicate which popular dictionary definition is meant to be used if there are multiple definitions for a particular term.

This Fourth Exposure Draft includes all the terms defined in the first three exposure drafts except for AT THE TIME OF THE ASSIGNMENT, DATE OF REPORT, and ENGAGEMENT. Based upon feedback received, these are no longer being proposed as defined terms.

Also, based upon feedback received, several of the definitions in the First, Second, and Third Exposure Drafts have been modified in this Fourth Exposure Draft. The revised definitions are:

- APPRAISAL
- ASSIGNMENT ELEMENTS
- ASSIGNMENT RESULTS
- CREDIBLE
- MISLEADING
- PHYSICAL CHARACTERISTICS
- STATE
- SUMMARIZE
- VALUATION SERVICE
- VALUE

In prior exposure drafts, some comments were proposed to be incorporated into the definitions. Based upon feedback received, some of the comments were reinstated to their original formatting.

Finally, the definition of INSPECTION was renamed PERSONAL INSPECTION. Feedback received pointed out that USPAP and other communications primarily refer to the term “personal inspection.”

2456 **DEFINITIONS**

2457 Defined terms are intended to clarify the meaning of words or phrases in USPAP that differ from
 2458 or are not found in popular English dictionaries and, in a few instances, to indicate which popular
 2459 dictionary definition is meant to be used if there are multiple definitions.

2460 For the purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP), the
 2461 following definitions apply:

2462 **APPRAISAL:** (noun) the act or process of developing an opinion of value; an opinion of value.
 2463 (adjective) of or pertaining to appraising and related functions such as appraisal practice or
 2464 appraisal services.

2465
 2466 Comment: An appraisal ~~must be~~ is numerically expressed as a specific amount, as a range
 2467 of numbers, or as a relationship (e.g., not more than, not less than) to a previous value
 2468 opinion or numerical benchmark (e.g., assessed value, collateral value).

2469 **APPRAISAL PRACTICE:** valuation services performed by an individual acting as an appraiser,
 2470 including but not limited to appraisal and appraisal review.

2471 Comment: Appraisal practice is provided only by appraisers, while valuation services are
 2472 provided by a variety of professionals and others. The terms appraisal and appraisal review
 2473 are intentionally generic and are not mutually exclusive. For example, an opinion of value
 2474 may be required as part of an appraisal review assignment. ~~The use of other nomenclature~~
 2475 ~~for an appraisal or appraisal review assignment (e.g., analysis, counseling, evaluation,~~
 2476 ~~study, submission, or valuation) does not exempt an appraiser from adherence to the~~
 2477 ~~Uniform Standards of Professional Appraisal Practice.~~

2478 **APPRAISAL REVIEW:** (noun) the act or process of developing an opinion about the quality of
 2479 another appraiser’s work (i.e., a report, part of a report, a workfile, or some combination of these),
 2480 that was performed as part of an appraisal or appraisal review assignment; (adjective) of or
 2481 pertaining to an opinion about the quality of another appraiser’s work that was performed as part
 2482 of an appraisal or appraisal review assignment.

2483 Comment: ~~The subject of an appraisal review assignment may be all or part of a report,~~
 2484 ~~workfile, or a combination of these.~~

2485 **APPRAISER:** one who is expected to perform valuation services competently and in a manner
 2486 that is independent, impartial, and objective.

2487 Comment: ~~Such expectation occurs when individuals, either by choice or by requirement~~
 2488 ~~placed upon them or upon the service they provide by law, regulation, or agreement with~~
 2489 ~~the client or intended users, represent that they comply.~~

2490 **APPRAISER’S PEERS:** other appraisers who have expertise and competency in a similar type
 2491 of assignment.

2492 **ASSIGNMENT:** a valuation service that is provided by an appraiser as a consequence of an
 2493 agreement with a client.

2494 **ASSIGNMENT CONDITIONS:** Assumptions, extraordinary assumptions, hypothetical
 2495 conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the
 2496 scope of work.

2497 Comment: ~~Laws include constitutions, legislative and court made law, administrative~~
 2498 ~~rules, and ordinances. Regulations include rules or orders, having legal force, issued by an~~
 2499 ~~administrative agency.~~

2500 **ASSIGNMENT ELEMENTS:** Specific information needed to identify the appraisal or appraisal
 2501 review problem: client and any other intended users; intended use of the appraiser’s opinions and
 2502 conclusions; type and definition of value; effective date of the appraiser’s opinions and
 2503 conclusions; subject of the assignment and its relevant characteristics; and assignment conditions.

2504 **ASSIGNMENT RESULTS:** An appraiser’s opinions or conclusions, not limited to value, that
 2505 were developed when performing an appraisal assignment, an appraisal review assignment, or a
 2506 valuation service other than an appraisal or appraisal review.

2507 Comment: Physical characteristics are not assignment results.

2508 ~~An appraiser’s opinions or conclusions developed specific to an assignment.~~

2509 ~~Comment: Assignment results include an appraiser’s:~~

2510 ~~• opinions or conclusions developed in an appraisal assignment, not limited to value;~~

2511 ~~• opinions or conclusions, developed in an appraisal review assignment, not limited to an~~
 2512 ~~opinion about the quality of another appraiser’s work; or~~

2513 ~~• opinions or conclusions developed when performing a valuation service other than an~~
 2514 ~~appraisal or appraisal review assignment.~~

2515 ~~Physical characteristics are not assignment results.~~

2516 **BIAS:** a preference or inclination that precludes an appraiser’s impartiality, independence, or
 2517 objectivity in an assignment.

2518 **BUSINESS ENTERPRISE:** an entity pursuing an economic activity.

2519 **BUSINESS EQUITY:** the interests, benefits, and rights inherent in the ownership of a business
 2520 enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock,
 2521 partnership interests, cooperatives, sole proprietorships, options, and warrants).

2522 **CLIENT:** the party or parties (i.e., individual, group, or entity) who engage, ~~by employment or~~
 2523 ~~contract,~~ an appraiser by employment or contract in a specific assignment, whether directly or
 2524 through an agent.

2525 ~~Comment: The client may be an individual, group, or entity, and may engage and~~
 2526 ~~communicate with the appraiser directly or through an agent.~~

2527 **CONFIDENTIAL INFORMATION:** information that is either:

2528 • identified by the client as confidential when providing it to an appraiser and that is not
 2529 available from any other source; or

2530 • classified as confidential or private by applicable law or regulation

2531 **COST:** the actual or estimated amount of money required to create, reproduce, produce, replace
 2532 or obtain a property.

2533 ~~Comment: Cost is either a fact or an estimate of fact.~~

- 2534 **CREDIBLE:** worthy of belief.
- 2535 Comment: Credible assignment results require support, by relevant evidence and logic, to
2536 the degree necessary for the intended use.
- 2537 **EFFECTIVE DATE:** the date to which an appraiser’s analyses, opinions, and conclusions apply;
2538 also referred to as date of value.
- 2539 **EXPOSURE TIME:** ~~estimated an opinion, based on supporting market data, of the~~ length of time
2540 that the property interest being appraised would have been offered on the market prior to the
2541 hypothetical consummation of a sale at market value on the effective date of the appraisal.
- 2542 ~~Comment: Exposure time is a retrospective opinion based on an analysis of past events~~
2543 ~~assuming a competitive and open market.~~
- 2544 **EXTRAORDINARY ASSUMPTION:** an assignment-specific assumption as of the effective
2545 date regarding uncertain information used in an analysis which, if found to be false, could alter the
2546 appraiser’s opinions or conclusions.
- 2547 Comment: Uncertain information might include physical, legal, or economic
2548 characteristics of the subject property; or conditions external to the property, such as
2549 market conditions or trends; or the integrity of data used in an analysis.
- 2550 **FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavor.
- 2551 **HYPOTHETICAL CONDITION:** a condition, directly related to a specific assignment, which
2552 is contrary to what is known by the appraiser to exist on the effective date of the assignment results,
2553 but is used for the purpose of analysis.
- 2554 Comment: Hypothetical conditions are contrary to known facts about physical, legal, or
2555 economic characteristics of the subject property; or about conditions external to the
2556 property, such as market conditions or trends; or about the integrity of data used in an
2557 analysis.
- 2558 **INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** nonphysical assets, including but not
2559 limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts
2560 as distinguished from physical assets such as facilities and equipment.
- 2561 **INTENDED USE:** the use(s) of an appraiser’s reported appraisal or appraisal review assignment
2562 results, as identified by the appraiser based on communication with the client at the time of the
2563 assignment.
- 2564 **INTENDED USER:** the client and any other party as identified, by name or type, as users of the
2565 appraisal or appraisal review report by the appraiser, based on communication with the client at
2566 the time of the assignment.
- 2567 **JURISDICTIONAL EXCEPTION:** an assignment condition established by applicable law or
2568 regulation, which precludes an appraiser from complying with a part of USPAP.

2569 **MARKET VALUE:** a type of value, stated as an opinion, that presumes the transfer of a property
 2570 (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions
 2571 set forth in the value definition of the term that is identified by the appraiser as applicable in an
 2572 appraisal.

2573 Comment: Forming an opinion of market value is the purpose of many real property
 2574 appraisal assignments, particularly when the client's intended use includes more than one
 2575 intended user. The conditions included in market value definitions establish market
 2576 perspectives for development of the opinion. These conditions may vary from definition to
 2577 definition but generally fall into three categories:

- 2578 1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
 2579 2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
 2580 3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior
 2581 to sale).

2582 Appraisers are cautioned to identify the exact definition of market value, and its authority,
 2583 applicable in each appraisal completed for the purpose of market value.

2584 **MASS APPRAISAL:** The process of valuing a universe of properties as of a given date using
 2585 standard methodology, employing common data, and allowing for statistical testing.

2586 **MASS APPRAISAL MODEL:** A mathematical expression of how supply and demand factors
 2587 interact in a market.

2588 **MISLEADING:** Intentionally or unintentionally misrepresenting, misstating, or concealing
 2589 relevant facts or conclusions.

2590 **PERSONAL INSPECTION:** a physical observation performed to assist in identifying relevant
 2591 property characteristics in a valuation service.

2592 Comment: An appraiser's inspection is typically limited to those things readily observable
 2593 without the use of special testing or equipment. Appraisals of some types of property, such
 2594 as gems and jewelry, may require the use of specialized equipment. An inspection by an
 2595 appraiser is not the equivalent of an inspection by an inspection professional (e.g., a
 2596 structural engineer, home inspector, or art conservator).

2597 **PERSONAL PROPERTY:** identifiable tangible objects that are considered by the general public
 2598 as being "personal" – for example, furnishings, artwork, antiques, gems and jewelry, collectibles,
 2599 machinery and equipment; all tangible property that is not classified as real estate. Any tangible or
 2600 intangible article that is subject to ownership and not classified as real property, including
 2601 identifiable tangible objects that are considered by the general public as being "personal," such as
 2602 furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and
 2603 intangible property that is created and stored electronically such as plans for installation art,
 2604 choreography, emails, or designs for digital tokens.

- 2605 **PHYSICAL CHARACTERISTICS:** attributes of a property that are observable or measurable
 2606 as a matter of fact, as distinguished from opinions and conclusions, which are the result of some
 2607 level of analysis or judgment.
- 2608 **PRICE:** the amount asked, offered, or paid for a property.
- 2609 Comment: Once stated, price is a fact, whether it is publicly disclosed or retained in private.
 2610 Because of the financial capabilities, motivations, or special interests of a given buyer or
 2611 seller, the price paid for a property may or may not have any relation to the value that might
 2612 be ascribed to that property by others.
- 2613 **REAL ESTATE:** an identified parcel or tract of land, including improvements, if any.
- 2614 **REAL PROPERTY:** the interests, benefits, and rights inherent in the ownership of real estate.
- 2615 ~~Comment: In some jurisdictions, the terms real estate and real property have the same legal~~
 2616 ~~meaning. The separate definitions recognize the traditional distinction between the two~~
 2617 ~~concepts in appraisal theory.~~
- 2618 **RELEVANT CHARACTERISTICS:** features that may affect a property’s value or
 2619 marketability such as legal, economic, or physical characteristics.
- 2620 **REPORT:** any communication, written or oral, of an appraisal or appraisal review that is
 2621 transmitted to the client or a party authorized by the client upon completion of an assignment.
- 2622 **SCOPE OF WORK:** the type and extent of research and analyses in an appraisal or appraisal
 2623 review assignment.
- 2624 **SIGNATURE:** personalized evidence indicating authentication of the work performed by the
 2625 appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the
 2626 report.
- 2627 **SIGNIFICANT APPRAISAL ASSISTANCE:** appraisal-related help, provided by another
 2628 appraiser, that is substantial enough to have affected the development of the assignment results.
- 2629 **STATE:** to present in a report, without supporting rationale.
- 2630 **SUMMARIZE:** to present in a report, with supporting rationale.
- 2631 **VALUATION SERVICES:** a services pertaining to an aspects of property value, regardless of
 2632 the type of service and whether it is performed by appraisers or by others.
- 2633 ~~Comment: Valuation services pertain to all aspects of property value and include services~~
 2634 ~~performed both by appraisers and by others.~~
- 2635 **VALUE:** the monetary relationship between properties and those who buy, sell, or use those
 2636 properties, expressed as an opinion of the worth of a property at a given time.

2637 Comment: Value expresses an economic concept. As such, it is never a fact but always an
2638 opinion of the worth of a property at a given time in accordance with a specific definition
2639 of value. In appraisal practice, value ~~must~~ will always be qualified - for example, market
2640 value, liquidation value, or investment value.

2641 **WORKFILE:** ~~documentation necessary to support an appraiser's analyses, opinions, and~~
2642 ~~conclusions.~~ data, information, and documentation necessary to support the appraiser's opinions
2643 and conclusions and to show compliance with USPAP.

Section 5: Other edits to improve clarity and enforceability of USPAP
--

RATIONALE**Proposed Edit #1: “ACCEPT AN ASSIGNMENT”**

According to the 2018-19 DEFINITIONS, an *assignment* now refers solely to an appraiser “providing” a valuation service. Previously, the term *assignment* also included a second meaning that referred to an order, contract, or engagement agreement that an appraiser could “accept.”

However, given the current definition of *assignment*, an appraiser can only “perform” or “complete” a valuation service (as it is not possible to *accept* a valuation service). Therefore, the ASB is proposing to reword the legacy phrase, “accept an assignment.” In the First Exposure Draft, the ASB proposed the phrase “agree to complete an assignment.” Feedback received, however, noted that while agreeing to perform an assignment is always within the appraiser’s control, *completion* of the assignment is not. Therefore, the Second Exposure Draft refined the phrase from “agree to complete an assignment” to “agree to perform an assignment.” Feedback received from the Second and Third Exposure Drafts was positive. In this Fourth Exposure Draft, the ASB continues to propose the “agree to perform” wording.

While current appraisers understand the legacy phrase “accept an assignment,” it may sound awkward and be unclear for non-appraisers and future readers. Therefore, the contemplated minor revisions are intended to remove ambiguity and help make USPAP simpler to read.

Thus, since there are several instances where the phrase “accept an assignment” (or similar language) appears in USPAP, the following excerpts reflect edits to the affected Rules and Standards Rules. If the change is adopted, similar edits will be made to Advisory Opinions and FAQs for consistency.

Proposed Edit #2: “INTANGIBLE ITEMS”

As noted in prior exposure drafts, the ASB has received feedback that the use of the term “intangible items” in several Standards Rules is inconsistent with the term “intangible assets” as used in STANDARDS 9 and 10. Thus, the ASB proposes to continue this change in the Fourth Exposure Draft for consistency.

In prior exposure drafts, the term “At the time of the assignment” was proposed for inclusion in the DEFINITIONS section of USPAP. As previously noted in this Fourth Exposure Draft, the Board no longer proposes to define that term.

COMPETENCY RULE (lines 316-321 in 2018-19 USPAP)

2644 **Acquiring Competency**

2645 **If an appraiser determines he or she is not competent prior to ~~accepting~~ agreeing to perform**
 2646 **an assignment, the appraiser must:**

- 2647 1. disclose the lack of knowledge and/or experience to the client before ~~accepting~~
 2648 agreeing to perform the assignment;
- 2649 2. take all steps necessary or appropriate to complete the assignment competently; and
- 2650 3. describe, in the report, the lack of knowledge and/or experience and the steps taken
 2651 to complete the assignment competently.

ETHICS RULE

Conduct (lines 190-193 in 2018-19 USPAP)

2652 **An appraiser:**

- 2653 • must not perform an assignment with bias;
- 2654 • must not advocate the cause or interest of any party or issue;
- 2655 • must not agree to perform ~~accept~~ an assignment that includes the reporting of
 2656 predetermined opinions and conclusions;

Conduct (lines 210-220 in 2018-19 USPAP)

2657 **If known prior to agreeing to perform ~~accepting~~ an assignment, and/or if discovered at any**
 2658 **time during the assignment, an appraiser must disclose to the client, and in each subsequent**
 2659 **report certification:**

- 2660 • any current or prospective interest in the subject property or parties involved; and
- 2661 • any services regarding the subject property performed by the appraiser, as an
 2662 appraiser or in any other capacity, within the three-year period immediately
 2663 preceding the agreement to perform ~~acceptance of the assignment, as an appraiser or~~
 2664 ~~in any other capacity.~~

2665 Comment: Disclosing the fact that the appraiser has previously appraised the property is
 2666 permitted except in the case when an appraiser has agreed with the client to keep the mere
 2667 occurrence of a prior assignment confidential. If an appraiser has agreed with a client not
 2668 to disclose that he or she has appraised a property, the appraiser must decline all subsequent
 2669 agreements to perform assignments that fall within the three-year period.

2670 In assignments in which there is no appraisal or appraisal review report, only the initial
 2671 disclosure to the client is required.

Management (lines 228-235 in 2018-19 USPAP)

2672 **An appraiser must not ~~accept~~ agree to perform an assignment, or have a compensation**
 2673 **arrangement for an assignment, that is contingent on any of the following:**

- 2674 1. the reporting of a predetermined result (e.g., opinion of value);
- 2675 2. a direction in assignment results that favors the cause of the client;
- 2676 3. the amount of a value opinion;

- 2677 4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced);
 2678 or
 2679 5. the occurrence of a subsequent event directly related to the appraiser’s opinions and
 2680 specific to the assignment’s purpose.

CERTIFICATIONS in Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3 (lines 739, 996, 1343, 1709, 2003 in 2018-19 USPAP)

2681 **I have performed no (or the specified) services, as an appraiser or in any other capacity,**
 2682 **regarding the property that is the subject of this report within the three-year period**
 2683 **immediately preceding the agreement to perform ~~acceptance of~~ this assignment.**

Standards Rule 1-2(e) (lines 476-477 in 2018-19 USPAP)

- 2684 iii. any personal property, trade fixtures, or intangible assets ~~items~~ that are not real
 2685 property but are included in the appraisal;

Standards Rule 1-4(g) (lines 555-559 in 2018-19 USPAP)

- 2686 **(g) When personal property, trade fixtures, or intangible assets ~~items~~ are included in the**
 2687 **appraisal, the appraiser must analyze the effect on value of such non-real property items.**

2688 Comment: When the scope of work includes an appraisal of personal property, trade
 2689 fixtures or intangible assets ~~items~~, competency in personal property appraisal (see
 2690 STANDARD 7) or business appraisal (see STANDARD 9) is required.

Standards Rule 7-2(e)(vi) (lines 1443-1444 in 2018-19 USPAP)

- 2691 (vi) any real property or intangible assets ~~items~~ that are not personal property but which
 2692 are included in the appraisal;

Standards Rule 7-4(h) (lines 1521-1526 in 2018-19 USPAP)

- 2693 **(h) When real property or intangible assets ~~items~~ are included in the appraisal, the appraiser**
 2694 **must analyze the effect on value of such non-personal property assets ~~items~~.**

2695 Comment: When the scope of work includes an appraisal of real property or intangible
 2696 assets ~~items~~, competency in real property appraisal (see STANDARD 1) or business
 2697 appraisal (see STANDARD 9) is required. In addition, competency in other types of
 2698 personal property outside of the appraiser’s specialty area may be necessary (see
 2699 ~~STANDARD 7~~ and the COMPETENCY RULE).

Section 6: Proposed Revisions to ADVISORY OPINION 1, *Sales History*

RATIONALE

In response to a request for a more detailed explanation of the sales history topic, the ASB proposes edits to the examples in Illustration 2, along with some additional edits based on the proposed changes to USPAP in the Fourth Exposure Draft.

2700 ADVISORY OPINION 1 (AO-1)

2701 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 2702 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 2703 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 2704 *appraisal issues and problems.*

2705 SUBJECT: Sales History

2706 APPLICATION: Real Property

2707 THE ISSUE:

2708 The *Uniform Standards of Professional Appraisal Practice* (USPAP) contain sales history
 2709 requirements that obligate appraisers of real property to analyze and report pending and recent
 2710 agreements, options, listings, and sales involving the property being appraised. Because of
 2711 differences in federal law and regulations, state laws, and operating practices relating to the
 2712 disclosure and confidentiality of real property sales data, the ways in which appraisers comply
 2713 with the sales history requirements vary according to the jurisdiction and the availability of
 2714 information. This lack of consistency has raised questions regarding the applicability and relevance
 2715 of the sales history requirements.

2716 How can the appraiser best comply with the sales history provisions of the applicable appraisal
 2717 standards in the face of obstacles that are beyond the control of the appraiser?

2718 ADVICE FROM THE ASB ON THE ISSUE:

2719 Relevant USPAP & Advisory References

- 2720 ● Advisory Opinion 24 which addresses the “normal course of business”

2721 Analysis and Reporting Requirements

2722 This Advisory Opinion offers advice and guidance for compliance with the requirements to
 2723 analyze and report sales history and related information in the appraisal of real property.

2724 USPAP Standards Rules 1-5(a) and (b) require an appraiser, when the value opinion to be
 2725 developed is market value, and if such information is available to the appraiser in the normal course
 2726 of business, to analyze ~~(1)~~ all agreements of sale, options, or listings of the subject property current
 2727 as of the effective date of the appraisal, and to analyze ~~(2)~~ all sales of the subject property that
 2728 occurred within three (3) years prior to the effective date of the appraisal. USPAP Standards Rules
 2729 2-2(a)~~(x)~~~~(iii)~~ and (b)~~(xii)~~~~(iii)~~ call for the written appraisal report to ~~provide sufficient~~
 2730 ~~information to indicate that the appraiser complied with the requirements of STANDARD 1 by~~

2731 ~~stating the results of analyzing the subject sales, agreements of sale, options, and listings in~~
 2732 ~~accordance with Standards Rule 1-5~~ contain a summary of the results of those analyses. It should
 2733 be noted that even in a Restricted Appraisal Report, it is necessary to include a “summary,” not
 2734 just a statement. ~~Standards Rules 2-2(a)(viii) and (b)(viii) further require that, if sales history~~
 2735 information is unobtainable, the written appraisal report must include a commentary on the efforts
 2736 taken by the appraiser to obtain the information.

2737 Laws, regulations and guidelines issued by government agencies, or government sponsored
 2738 enterprises, also contain requirements that require the appraiser to analyze and report sales history
 2739 information, and these requirements vary according to jurisdiction. Some clients might also require
 2740 analyses beyond what is required by USPAP. For example, while USPAP does not specifically
 2741 require that a report include an affirmative statement regarding the lack of prior sales, it is often a
 2742 client requirement to do so.

2743 The requirement for the appraiser to analyze and report sales history and related information is
 2744 fundamental to the appraisal process. Just as the appraiser must analyze the details of pending and
 2745 recent sales of comparable properties, the appraiser must also take into account the various factors
 2746 associated with all pending and recent sales of the subject property itself. This is not to say that
 2747 the agreed price in a pending or recent sale of the subject property is necessarily representative of
 2748 value as defined in the report, but the appraiser’s failure to analyze and report these facts may
 2749 exclude important information from the sales comparison approach. Information pertaining to the
 2750 current market status and the sales history of the subject property may also be useful information
 2751 for the determination of highest and best use or the analysis of market trends.

2752 Analysis of sales, offerings, etc., as referenced in Standards Rule 1-5, requires more than just
 2753 stating the known facts about the transaction. Each pertinent factor should be examined
 2754 individually, methodically, and in detail, to ascertain whether it has relevance to, or potential
 2755 impact on, the transaction and potentially other assignment results, including the opinion of market
 2756 value (if applicable). By examining (or evaluating) the specific details of all agreements of sale,
 2757 options, or current listings on the subject property, and all sales that occurred within the prior three
 2758 years, the appraiser gains valuable (or important) insights into market trends, property and buyer
 2759 characteristics.

2760 **Illustrations**

2761 Following are examples ~~of summaries of analyses~~ that might be included in an appraisal report in
 2762 compliance with the applicable standards.

- 2763 1. For a property that is not under agreement or option, that is not offered for sale on the open
 2764 market and that has not changed hands within the past three years, the sales history might be
 2765 shown in the appraisal report as follows:

2766 Research of the applicable public records, private data services and an interview of the
 2767 current owner, revealed that the subject property is not under current agreement or option
 2768 and is not offered for sale on the open market. Additionally, according to these sources, the
 2769 subject property has not been transferred during the past three years.

- 2770 2. For a property that is currently offered for sale (a current listing) wording similar to one of the
 2771 following examples might be used in the appraisal report, if relevant and if appropriate data

2772 exists for comparison. Comparing competitive listings to the subject property’s list price helps
 2773 to give a perspective of what might be a reasonable marketing time in situations where this is
 2774 an assignment condition, for example:

2775 A. ~~The subject property is listed for sale at \$350,000. As of the effective date it had been listed~~
 2776 ~~for 112 days; it was initially listed at \$369,900 and reduced to its current price after 60 days~~
 2777 ~~on the market. Based on a comparison with other current listings, the subject appears to be~~
 2778 ~~competitively priced.~~ As of the effective date, the subject property has been listed for sale
 2779 for 112 days. Originally listed at \$369,900, the price was reduced to the current amount of
 2780 \$350,000 after 60 days on the market. Since the current list prices of comparable properties
 2781 range from \$342,000 to \$359,900, and the average marketing time is 90 days, the subject
 2782 property appears to be competitively priced.

2783 B. ~~The subject property is listed for sale at \$379,000. As of the effective date it had been listed~~
 2784 ~~for 174 days; it was initially listed at \$399,900 and reduced to its current price after~~
 2785 ~~approximately 60 days on the market. Based on a comparison with other current listings,~~
 2786 ~~the subject appears to be inferior to similarly priced properties. These differences may~~
 2787 ~~result in a longer marketing period or lead to further price reductions.~~ As of the effective
 2788 date, the subject property has been listed for sale for 174 days. Originally listed at
 2789 \$199,900, the price was reduced to the current level of \$179,000 after 50 days on the
 2790 market. Superior properties have list prices under \$179,000, and the average marketing
 2791 time is 40 days. Therefore, the subject property may experience a longer marketing period
 2792 and further reductions in list price.

2793 C. The subject property is listed for sale at \$339,000. As of the effective date it had been listed
 2794 for 4 days. Based on a comparison with other current listings, the subject appears to be
 2795 superior to similarly priced properties. These differences may result in a quicker sale or
 2796 buyers bidding the price up beyond the list price.

2797 According to the public records, there have been no other transfers of the subject property
 2798 within the past three years.

2799 3. For a property that is currently under contract (a pending sale) reporting the summary of the
 2800 analysis might be similar to one of the following examples:

2801 A. The subject property is under contract to sell for \$525,000. It had been listed for sale at
 2802 \$535,000 for 107 days prior to the contract. The contract provided to the appraiser contains
 2803 no atypical terms or conditions. There are no reported seller concessions. This appears to
 2804 be an arm’s-length transaction.

2805 B. The subject property is under contract to sell for \$525,000. It had been listed for sale at
 2806 \$535,000 for 107 days prior to the contract. The contract provided to the appraiser includes
 2807 a provision for the seller to retain possession of the premises for 30 days after the closing.
 2808 In effect, the buyer is making a concession approximately equivalent to one month’s rent.
 2809 Otherwise, there are no atypical terms or conditions. There are no reported seller
 2810 concessions. This appears to be an arm’s-length transaction, and assuming that the parties
 2811 were acting in their own best interests (per definition of market value), the price was likely
 2812 affected by the concession.

- 2813 C. The subject property is under contract to sell for \$525,000. It had been listed for sale at
 2814 \$535,000 for 107 days prior to the contract. The contract provided to the appraiser contains
 2815 no atypical terms or conditions. The contract states that the seller will pay 2% of the sale
 2816 price (\$10,500) toward the buyer’s closing costs. This appears to be an arm’s-length
 2817 transaction, and assuming that the parties were acting in their own best interests (per
 2818 definition of market value), the price was likely affected by the concession.
- 2819 4. For a property that is not for sale but was acquired by the current owner during the past three
 2820 years, the summary to be included in the appraisal report might appear as follows:
- 2821 A. The subject property previously sold for \$400,000 on (insert sale date). Based on
 2822 discussions with the owner and a review of MLS and public records, the prior sale appears
 2823 to have been an arm’s-length transaction and was not impacted by any concessions.
- 2824 B. The subject property (land only) previously sold for \$100,000 on (insert sale date) prior to
 2825 construction of the now existing improvements. Based on discussions with the owner and
 2826 a review of MLS and public records, the prior sale appears to have been an arm’s-length
 2827 transaction and was not impacted by any concessions.
- 2828 C. The subject property previously sold for \$250,000 on (insert sale date). Based on
 2829 discussions with the owner and a review of MLS and public records, the prior sale was a
 2830 bank-owned (REO) property. In this market, REO properties are typically marketed for a
 2831 quick sale and usually sell at a discount. The prior sale is not considered to be a market
 2832 value transaction.

2833 **Special Circumstances**

2834 In cases where pertinent information is not available to the appraiser in the normal course of
 2835 business, wording in the sales histories would likely differ from the examples shown above. The
 2836 following examples are offered for purposes of illustration only.

2837 **Illustrations**

- 2838 5. In cases where the property being appraised is known to be the subject of a pending transaction,
 2839 but the appraiser is not privy to the terms of the pending transaction and the parties to the
 2840 transaction have declined to disclose the terms of the transaction to the appraiser, the summary
 2841 to be included in the appraisal report might include wording similar to the following:
- 2842 The property being appraised is known to be the subject of a pending purchase and
 2843 sale agreement, but the appraiser was unable to obtain the terms of the contract.
 2844 The current owner confirmed that the property is under contract for sale but
 2845 declined to disclose the details of the agreement.
- 2846 6. In jurisdictions where reliable price information cannot be found in the public records and
 2847 where the appraiser is unable to obtain complete information regarding a prior sale in the
 2848 normal course of business, it would be appropriate to include in the appraisal report a comment
 2849 similar to the following:
- 2850 The subject property was sold to the current owner on June 1, 20XX, for an
 2851 unknown price. Sale prices are not a matter of public record in this state. The
 2852 appraiser attempted to obtain the purchase price and other terms of the transaction

2853 without success. The parties to the transaction declined to discuss the terms or
2854 conditions of the sale.

2855 According to the public records, there have been no other transfers of the subject
2856 property within the past three years.

2857 In many cases, a property may require analyses of multiple items under Standards Rule 1-5 (e.g.,
2858 both a prior sale and a current listing) and in those cases, each of the analyses must be summarized
2859 in the report.

Section 7: Proposed Revisions to ADVISORY OPINION 2, *Inspection of Subject Property*

RATIONALE

In earlier Exposure Drafts, the ASB proposed introducing INSPECTION as a defined term, necessitating changes to this Advisory Opinion. Based upon stakeholder feedback, in this Fourth Exposure Draft, the ASB has amended the newly defined term in USPAP to PERSONAL INSPECTION.

As noted in the Third Exposure Draft, stakeholder feedback over the past two years resulted in the issuance of new Q&As and FAQs that address the use of drones, certain disclosure requirements of STANDARD 2, reliance on subject information provided by third parties, and other inspection-related concerns. The changes to this Advisory Opinion proposed in this Fourth Exposure Draft address these issues, including changes to Illustration 2 to better align this example with current industry practices, and advice regarding an appraiser’s reliance on the results of an inspection completed by a third party.

2860 **ADVISORY OPINION 2 (AO2)**

2861 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 2862 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 2863 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 2864 *appraisal issues and problems.*

2865 **SUBJECT: Inspection of Subject Property**

2866 **APPLICATION: Real Property, Personal Property**

2867 **THE ISSUE:**

2868 For real property and personal property appraisal assignments, USPAP requires the report to
 2869 contain a certification indicating whether ~~or not~~ the subject property was personally inspected by
 2870 the appraiser(s).

- 2871 • What is the purpose of inspecting the subject property?
- 2872 • What constitutes a personal inspection?
- 2873 • Does USPAP mandate a minimum level of property inspection?
- 2874 • What are my obligations if I rely upon an inspection of the property performed by someone
 2875 else?
- 2876 • What are the disclosure obligations relating to inspection?

2877 **ADVICE FROM THE ASB ON THE ISSUE:**

2878 **Relevant USPAP & Advisory References:**

- 2879 • DEFINITIONS, specifically the following:
- 2880 - **PERSONAL INSPECTION: a physical observation performed to assist in identifying**
 2881 **relevant property characteristics in a valuation service.**

2882 Comment: An appraiser’s inspection is typically limited to those things readily
 2883 observable without the use of special testing or equipment. Appraisals of some
 2884 types of property, such as gems and jewelry, may require the use of specialized
 2885 equipment. An inspection by an appraiser is not the equivalent of an inspection by
 2886 an inspection professional (e.g., a structural engineer, home inspector, or art
 2887 conservator).

2888 - **RELEVANT CHARACTERISTICS:** features that may affect a property’s value or
 2889 marketability such as legal, economic, or physical characteristics.

2890 • Standards Rules 1-2(e) and 7-2(e)

2891 • Standards Rules 2-3 and 8-3

2892 • SCOPE OF WORK RULE

2893 • Advisory Opinion 23, Identifying the Relevant Characteristics of the Subject Property in a
 2894 Real Property Appraisal Assignment

2895 **Purpose of an Inspection**

2896 The primary reason for inspecting the subject property ~~inspection of a property~~ is to gather
 2897 information about the characteristics of the property that are *relevant* to its value.

2898 **What is a Personal Inspection?**

2899 While there are other ways to gather ~~such~~ information on the subject property’s relevant
 2900 characteristics, in many cases the personal observations of the appraiser are the primary source of
 2901 information regarding the subject property.

2902 These personal observations can be assisted by tools, and as technology evolves, so too will the
 2903 tools available to an appraiser. For example, the use of unmanned aerial vehicles, or drones, now
 2904 allows appraisers to view much more of the subject or comparables and with greater detail. Drones
 2905 are tools that can be used to amplify vision like binoculars or a jeweler’s loop.

2906 The use of a drone may be a critical tool for some appraisers who, for example, value large acreage
 2907 properties. However, just as viewing photographs of a house does not constitute a personal
 2908 inspection by the appraiser, neither does viewing recordings of aerial photography. In order for a
 2909 real property appraiser to include the statement, “I have made a personal inspection of the subject
 2910 property” in the certification, the appraiser must have physically visited the subject property.

2911 **Minimum Level of Inspection**

2912 An inspection is not required by USPAP, but one is often conducted. While an inspection is not
 2913 required, appraisal reports for real and personal property must contain a signed certification ~~which~~
 2914 that clearly states whether the appraiser has or has not personally inspected the subject property.
 2915 This is further discussed under the Disclosure Requirements section which follows.

2916 The extent of the inspection process is an aspect of the scope of work and may vary based on
 2917 assignment conditions and the intended use of the assignment results. It is the appraiser’s
 2918 responsibility to determine the appropriate scope of work, including the degree of inspection
 2919 necessary to produce credible assignment results given the intended use.

2920 Every assignment is subject to assignment conditions that may limit, ~~in one way or another~~, the
 2921 inspection of the subject property. Regardless of the level of detail ~~one employs~~, it is always
 2922 possible to perform an inspection that is more thorough. The appraiser’s inspection commonly is
 2923 limited to those things readily observable without the use of special testing or equipment.

2924 An inspection conducted by an appraiser is usually not the equivalent of an inspection by an
 2925 inspection professional (e.g., a structural engineer, home inspector, or art conservator).

2926 Regardless of how the information is gathered, it must be sufficient for the development of relevant
 2927 analyses, such as highest and best use, the application of the approaches, etc.

2928 ~~An appraiser may use any combination of property inspection, plans and specifications, asset~~
 2929 ~~records, photographs, property sketches, recorded media, etc., to gather information about the~~
 2930 ~~relevant characteristics of the subject property.~~ An appraiser may use any combination of a
 2931 property inspection, documents, such as a legal description, address, map reference, copy of a
 2932 survey or map, property sketch, photographs, or other information to identify the relevant
 2933 characteristics of the subject property. For some assignments, it may be necessary to rely on reports
 2934 prepared by other professionals. In such cases the appraiser must comply with USPAP
 2935 requirements related to reliance on work done by others.

2936 There are many circumstances that influence the extent of the appraiser’s property inspection. In
 2937 some assignments, the client may request that the appraiser perform an exterior-only inspection
 2938 from the street or perform no inspection of the subject property (i.e., a “desktop appraisal”). There
 2939 are situations where inspection of the subject property is not possible; for example, if the
 2940 improvements have been destroyed, removed, or not yet built. ~~In some other~~ cases the appraiser is
 2941 denied access to the property for legal, personal safety, or other reasons. In such cases, the
 2942 appraiser must use other means to gather information about the relevant characteristics of the
 2943 subject property in order to provide credible assignment results.

2944 **Relying on an Inspection Performed by Someone Else**

2945 In some cases, the client may provide the appraiser with the results of an inspection performed by
 2946 a third party, or the appraiser may hire a third party to perform the inspection.

2947 Whether the inspection is performed by the appraiser, another appraiser, or a third-party inspector,
 2948 an~~The~~ appraiser must ensure that the degree of inspection is sufficient for the appraiser to
 2949 understand the subject property’s relevant characteristics, so the appraiser can ~~is adequate to~~
 2950 develop a credible appraisal. ~~An appraiser cannot develop a credible appraisal if adequate~~
 2951 ~~information about the relevant characteristics of the subject property is not available.~~ Therefore,
 2952 in cases when the appraiser relies upon a third-party inspector’s report, it may be necessary to
 2953 supplement the report by interviewing the inspector to obtain additional information and/or
 2954 examine other documents or information in order to understand the relevant characteristics of the
 2955 property.

2956 In all cases, ~~When~~ adequate information about relevant characteristics is not available through a
 2957 personal inspection or from sources the appraiser reasonably believes are reliable, ~~an~~ the appraiser
 2958 must: withdraw from the assignment unless the appraiser can:

- 2959 • modify the assignment conditions to expand the scope of work to include gathering the
- 2960 necessary information;~~or~~

2961 • use an extraordinary assumption about such uncertain information, if credible assignment
 2962 results can still be developed; or

2963 • withdraw from the assignment.

2964 ~~An inspection conducted by an appraiser is usually not the equivalent of an inspection by an~~
 2965 ~~inspection professional (e.g., a structural engineer, a licensed home inspector, a Renaissance art~~
 2966 ~~expert). An appraiser’s observations must, at the minimum, be thorough enough to properly~~
 2967 ~~develop the appraisal and adequately report the relevant characteristics. Regardless of how the~~
 2968 ~~information is gathered, it must be sufficient for the development of relevant analyses, such as~~
 2969 ~~highest and best use, the application of the approaches, etc.~~

2970 **Disclosure Requirements**

2971 Appraisal reports for real and personal property must contain a signed certification indicating
 2972 whether the appraiser has or has not personally inspected the subject property. All appraisal reports
 2973 must also contain sufficient information to enable the intended users to understand the extent of
 2974 the inspection that was performed.

2975 If the appraiser relies on inspection information from another appraiser (e.g., photographs, aerial
 2976 footage, inventory, etc.), and the information constitutes significant appraisal assistance, the
 2977 inspector must be identified in the Certification as having provided significant appraisal assistance.
 2978 Further, the extent of the assistance must be indicated within the report.

2979 Because of the ~~infinite~~-variability of inspections, ~~it is important that~~ the appraisal report should
 2980 clearly communicate the degree of the inspection ~~in order~~ for the report to be meaningful.

2981 **Illustrations**

2982 1. I have been asked to appraise a single-unit property based on an exterior-only inspection from
 2983 the street. What are my development and reporting obligations?

2984 If an appraiser’s observations are limited to an exterior-only inspection from the street,
 2985 then the appraiser must gather information on relevant characteristics from other data
 2986 sources and/or use extraordinary assumptions. The data sources used are often the same
 2987 sources used to gather information on comparable sales. For example, the size of the
 2988 property might be obtained from public records, and other information might be obtained
 2989 from interior photographs included in a listing of the property for sale, or information from
 2990 the appraiser’s own files.

2991 The report must disclose the extent of the property inspection in a manner that is clear to
 2992 the intended users. For example, in this case it would probably be insufficient to merely
 2993 state that the property was inspected. The report must make clear that the appraisal was
 2994 based on an “exterior only” inspection from the street and state the sources used to identify
 2995 the relevant characteristics other than those observed during the inspection.

2996 ~~2. A dealer has asked me to appraise a Rolex watch. I will not be provided access to the piece.~~
 2997 ~~However, I have been given the serial number, a copy of an authenticity certificate and several~~
 2998 ~~recent photographs of the watch. Can I develop an appraisal based solely on this information?~~

2999 ~~Yes, if the data provided contains sufficient information about the subject’s relevant~~
 3000 ~~characteristics, one could develop an appraisal based on the information described in the~~

3001 ~~illustration. Without directly inspecting the watch, however, the information provided is~~
 3002 ~~“assumed” to be accurate. Because some of these assumptions will have a significant effect~~
 3003 ~~on the assignment results, the assignment will involve the use of extraordinary assumptions~~
 3004 ~~and require proper disclosure. The scope of work in the assignment, including the degree~~
 3005 ~~of the inspection, must provide results that are credible in the context of the intended use.~~

3006 2. A client has asked me to appraise a Rolex wristwatch. I will not be provided access to the
 3007 watch. However, I have been given the serial number, a copy of a certificate of authenticity,
 3008 and several recent photographs. Can I develop an appraisal based solely on this information?

3009 The key question is whether the information provided will enable the appraiser to comply
 3010 with SR7-2(e), which requires the appraiser to “identify, from sources the appraiser
 3011 reasonably believes to be reliable, the characteristics of the property that are relevant to the
 3012 type and definition of value and intended use of the appraisal.” It is up to the appraiser to
 3013 know whether the serial number, certificate of authenticity, and recent photographs are
 3014 sufficient to identify these characteristics or if an in-person and/or professional specialist
 3015 inspection is needed. In some cases, the answer may depend upon the assignment
 3016 conditions.

3017 For example, if the intended use is an insurance claim after a client’s house has burned
 3018 down –damaging or destroying the Rolex watch, then this limited information may be all
 3019 that is available. In that scenario, the question becomes whether the provided information
 3020 can be presumed to accurately identify the relevant characteristics of the watch. If there is
 3021 a reasonable basis for this assumption and if the appraiser judges that credible assignment
 3022 results can be developed, the appraiser may decide to make an extraordinary assumption.
 3023 The extraordinary assumption will require proper disclosure.

3024 For other intended uses and under less dire assignment conditions, the appraiser will need
 3025 more information to develop a credible appraisal when appraising a Rolex watch. This is
 3026 because certificates of authenticity and photographs of Rolex watches are often misleading.

3027 3. A client has asked me to perform an appraisal, but instead of requiring me to physically inspect
 3028 the subject, they will provide me with the results of an inspection of the property done by
 3029 someone else. Does USPAP allow this?

3030 Yes. USPAP does not require an appraiser to inspect the subject per the SCOPE OF WORK
 3031 RULE. However, while an inspection is not required, appraisal reports for real and personal
 3032 property must contain a signed certification that clearly states whether the appraiser
 3033 personally inspected the subject.

3034 Standards Rules 1-2(e) and 7-2(e) require an appraiser to identify, from sources the
 3035 appraiser reasonably believes to be reliable, the characteristics of the property that are
 3036 relevant to the type and definition of value and the intended use of the appraisal, including
 3037 its legal and economic characteristics. In a real property appraisal assignment, an appraiser
 3038 may use any combination of a property inspection, documents, such as a legal description,
 3039 address, map reference, copy of a survey or map, property sketch, photographs, or other
 3040 information to identify the relevant characteristics of the subject property. While in a
 3041 personal property appraisal, an appraiser may use any combination of a property

3042 inspection, documents, or other information to identify the relevant characteristics of the
 3043 subject property.

3044 Standards Rules 1-1(b) and 7-1(b) require that an appraiser not commit a substantial error
 3045 of omission or commission that significantly affects an appraisal. Therefore, the appraiser
 3046 has to have a reasonable basis to believe the information contained in the inspection report
 3047 provided by the client is credible, or must seek additional information, which could include
 3048 interviewing the inspector or gathering data from other sources. If uncertainties remain,
 3049 but the appraiser can still develop credible assignment results, the appraiser may need to
 3050 use an extraordinary assumption regarding the decision to rely on the information
 3051 contained in the third-party inspection report. An appraiser must not allow assignment
 3052 conditions to limit the scope of work to such a degree that the assignment results are not
 3053 credible in the context of the intended use. If an appraiser determines that the only way to
 3054 meet these criteria is by personally inspecting the property, he or she must either discuss
 3055 changing the scope of work with the client, or withdraw from the assignment.

3056 4. I have been contacted by a property owner who is being transferred by his company to another
 3057 city. The owner indicated that while he might want a “detailed appraisal” later, right now he
 3058 only needs a rough idea of the value of the residence to begin negotiations related to the
 3059 relocation. The owner has asked me to perform a “desktop” appraisal (i.e., an appraisal with
 3060 no inspection of the property). I believe that, given this intended use, credible assignment
 3061 results can be developed without an inspection. Is this permitted under USPAP?

3062 Yes, this is permitted if sufficient information regarding the relevant characteristics of the
 3063 property is available. Such information could be obtained from public records, previous
 3064 listings of the property for sale, appraiser’s files, etc. If use of extraordinary assumptions
 3065 related to various relevant characteristics is necessary, then one must comply with the
 3066 requirements for their use.

Section 8: Proposed Revisions to ADVISORY OPINION 3, *Update of a Prior Appraisal*

RATIONALE

After receiving comments to the First Exposure Draft of Proposed Changes to Advisory Opinions, the ASB proposed edits related to the reference to an “original appraiser’s firm.” In the First Exposure Draft, the ASB proposed to delete the following sentence: “This option can only be used if the original appraiser’s firm and original intended users are involved, since the prior report was issued from that appraiser to those intended users, ensuring they have access to a copy.” The goal of this proposed edit was to clarify that the requirements of USPAP apply to an appraiser, not an appraiser’s firm.

In the Third Exposure Draft, the ASB proposed additional edits to further clarify the appraiser’s confidentiality obligations related to disclosure of the original appraisal. The feedback to these proposed edits was positive; thus, in this Fourth Exposure Draft, the ASB continues to propose the changes previously exposed.

3067 **ADVISORY OPINION 3 (AO-3)**

3068 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 3069 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 3070 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 3071 *appraisal issues and problems.*

3072 **SUBJECT: Update of a Prior Appraisal**

3073 **APPLICATION: Real Property, Personal Property, Intangible Property**

3074 **THE ISSUE:**

3075 Once an appraisal of a property has been completed, there are many cases in which a client may
 3076 need a subsequent appraisal involving the same property. Examples include:

- 3077 • In the appraisal of real property, a current value is commonly required by lenders and
 3078 secondary market participants when the time frame between the effective date of a prior
 3079 appraisal and the closing of a loan exceeds certain limits. A current value is also required
 3080 by agencies in eminent domain cases when time has elapsed between a prior appraisal and
 3081 the date of taking.
- 3082 • In the appraisal of business equity of privately held companies held by Employee Stock
 3083 Ownership Trusts, current values are required at least annually.
- 3084 • In the appraisal of personal property, it may be necessary to appraise equipment every two
 3085 years for financing purposes.

3086 Clients sometimes label such requests as “updates,” “reappraisals,” or “recertifications.” Does
 3087 USPAP address these and how can an appraiser comply with USPAP for such assignments?

3088 **ADVICE FROM THE ASB ON THE ISSUE:**

3089 **Clarification of Terminology**

3090 Various terms have been developed by clients and client groups for certain appraisal assignments,
 3091 including “updates” and “recertifications.” While such terms may be convenient for use in a
 3092 business setting, they do not necessarily impart the same meaning in every situation.

3093 The term “Update” is often used by clients when they are seeking a current appraisal of a property
 3094 that was the subject of a prior assignment. This practice is addressed in this Advisory Opinion.

3095 The term “Recertification of Value” is often mistakenly used by some clients in lieu of the term
 3096 “Update.” A Recertification of Value is performed to confirm whether or not the conditions of a
 3097 prior appraisal have been met. A Recertification of Value does not change the effective date of the
 3098 value opinion. If a client uses this term in an assignment request that includes an updated value
 3099 opinion, then it constitutes a new appraisal assignment that must be completed as discussed in this
 3100 Advisory Opinion.

3101 **A New Assignment of a Prior Assignment**

3102 Regardless of the nomenclature used, when a client seeks a more current value or analysis of a
 3103 property that was the subject of a prior assignment, this is not an *extension* of that prior assignment
 3104 that was already completed – it is simply a new assignment. An “assignment” is defined in USPAP
 3105 as:

3106 *a valuation service that is provided by an appraiser as a consequence of an agreement with*
 3107 *a client.*

3108 The same USPAP requirements apply when appraising or analyzing a property that was the subject
 3109 of a prior assignment. There are no restrictions on who the appraiser is in such a circumstance,
 3110 who the client is, what length of time may have elapsed between the prior and current assignments,
 3111 or whether the characteristics of the subject property are unchanged or significantly different than
 3112 in the prior assignment.

3113 **Development Requirements**

3114 For all assignments, the development of the assignment results must be in accordance with the
 3115 requirements contained in the applicable STANDARD (1, 3, 5, 7, or 9). When developing an
 3116 opinion regarding a property that was the subject of a previous assignment, the scope of work in
 3117 the new assignment may be different from the scope of work in the prior one. In addition, rather
 3118 than duplicating steps in the appraisal process, the appraiser can elect to incorporate some of the
 3119 analyses from the previous assignment (those items that the appraiser concludes are credible and
 3120 in compliance with the applicable development Standard) into the new assignment through the use
 3121 of an extraordinary assumption.

3122 **Reporting Requirements**

3123 For all assignments, the results must be reported in accordance with the requirements of
 3124 STANDARDS 2, 4, 6, 8, or 10, as applicable. The new report is not required to have the same
 3125 level of detail as the original report. — ~~i.e., a different reporting option may be used.~~ However, the
 3126 new report must contain sufficient information to be meaningful and not misleading to the intended
 3127 users. There are three ways that the reporting requirements can be satisfied for these types of
 3128 assignments:

- 3129 1. Provide a new report that contains all the necessary information/analysis to satisfy the
 3130 applicable reporting requirements, without incorporation of the prior report by either
 3131 attachment or reference.
- 3132 2. Provide a new report that incorporates by attachment specified information/analysis from the
 3133 prior report so that, in combination, the attached portions and the new information/analysis
 3134 added satisfies the applicable reporting requirements.
- 3135 3. Provide a new report that incorporates by reference specified information/analysis from the
 3136 prior report so that, in combination, the referenced portions and the new information/analysis
 3137 added satisfies the applicable reporting requirements. ~~This option can only be used if the~~
 3138 ~~original appraiser's firm and original intended users are involved, since the prior report was~~
 3139 ~~issued from that appraiser to those intended users, ensuring they have access to a copy.~~ When
 3140 this incorporation by reference option is used, the following items from that prior report should
 3141 ~~must~~ be specifically identified in the new report to avoid being misleading:
- 3142 • subject property
 - 3143 • client and any other intended users
 - 3144 • intended use
 - 3145 • appraiser(s)
 - 3146 • effective date of value or assignment results
 - 3147 • date of report, and
 - 3148 • interest(s) appraised

3149 When information is being extended to the report by use of an extraordinary assumption, the
 3150 requirements in USPAP for use of an extraordinary assumption must be met.

3151 **Confidentiality**

3152 In all assignments the appraiser must comply with the Confidentiality section of the ETHICS
 3153 RULE with respect to the handling of confidential information – i.e., if the prior appraisal or
 3154 appraisal review report included any confidential information, its disclosure in a new report to a
 3155 different client or intended user might violate the ETHICS RULE. This includes the requirement
 3156 to comply with *all confidentiality and privacy laws and regulations*.

3157 Assignment results and confidential information from a prior appraisal or appraisal review may
 3158 only be disclosed to the client or parties authorized by the client. Thus, when incorporating a prior
 3159 report by reference or attachment, if completing the report for a different client, the appraiser must
 3160 receive authorization from the original client.

3161 **Record Keeping**

3162 If the assignment includes use of, or reliance upon, all or part of a prior report, that report (or the
 3163 portions used or relied upon) must be retained in the workfile for the new assignment, or its
 3164 location must be properly referenced in the workfile. Refer to the RECORD KEEPING RULE for
 3165 more information.

Section 9: Proposed Revisions to ADVISORY OPINION 28, *Scope of Work Decision, Performance, and Disclosure*

RATIONALE

Based upon feedback received from stakeholders, edits are being proposed to revise Illustration 2 to correct some technical details, and to include an additional illustration regarding a scope of work problem related to real property. Additional edits are being proposed based on the USPAP changes proposed in the Third Exposure Draft and in response to comments on the First Exposure Draft of Proposed Changes to Advisory Opinions.

3166 **ADVISORY OPINION 28 (AO-28)**

3167 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 3168 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 3169 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 3170 *appraisal issues and problems.*

3171 **SUBJECT: Scope of Work Decision, Performance, and Disclosure**

3172 **APPLICATION: Real Property, Personal Property, Intangible Property**

3173 **THE ISSUE:**

3174 The SCOPE OF WORK RULE states:

3175 *For each appraisal and appraisal review assignment, an appraiser must:*

- 3176 1. *identify the problem to be solved;*
- 3177 2. *determine and perform the scope of work necessary to develop credible assignment*
 3178 *results; and*
- 3179 3. *disclose the scope of work in the report.*

3180 How are the requirements in the SCOPE OF WORK RULE incorporated into the process of
 3181 developing and reporting assignment results?

3182 **ADVICE FROM THE ASB ON THE ISSUE:**

3183 **Problem Identification**

3184 Problem identification is the beginning point of every assignment. The appraiser must gather and
 3185 analyze the information needed to properly recognize the appraisal or appraisal review problem to
 3186 be solved. The information necessary for problem identification is presented in each Standard that
 3187 addresses the development process for an appraisal or appraisal review assignment. For example,
 3188 Standards Rules 1-2, 5-2, 7-2 and 9-2 provide the assignment elements that must be defined and
 3189 analyzed in order to identify the problem to be solved in an appraisal assignment. These assignment
 3190 elements include the:

- 3191 • client and any other intended users;
- 3192 • intended use of the appraiser’s opinions and conclusions;

3193 • type and definition of value;

3194 • effective date of the appraiser’s opinions and conclusions;

3195 • subject of the assignment and its relevant characteristics; and

3196 • assignment conditions.

3197 Identifying the problem to be solved is required in order to make critical judgments in determining

3198 the appropriate scope of work. Therefore, the assignment elements necessary for problem

3199 identification in an appraisal or appraisal review assignment also serve as reference points in

3200 determining whether the scope of work performed was appropriate to provide credible assignment

3201 results.

3202 Additionally, proper identification of the problem to be solved is required for compliance with the

3203 COMPETENCY RULE, which states:

3204 *An appraiser must determine, prior to agreeing to perform an assignment, that he or she*

3205 *can perform the assignment competently. Competency requires (1) the ability to properly*

3206 *identify the problem to be addressed; (2) the knowledge and experience to complete the*

3207 *assignment competently; and (3) recognition of, and compliance with, laws and*

3208 *regulations that apply to the appraiser or to the assignment.*

3209 One of the assignment elements that affects the scope of work is assignment conditions. Some

3210 assignment conditions are not a matter of choice, such as an inability to inspect a property because

3211 it has been destroyed. Other assignment conditions are a matter of choice, such as a client’s request

3212 to perform a desktop appraisal of machinery and equipment to reduce fees.

3213 **Determining and Performing the Scope of Work**

3214 USPAP recognizes that the appropriate scope of work may differ significantly for different

3215 assignments; the SCOPE OF WORK RULE provides flexibility in determining the scope of work.

3216 The competency necessary to determine an appropriate scope of work within the allowed

3217 flexibility resides with the appraiser. Therefore, while it is common and reasonable for the client

3218 to provide input to the appraiser regarding a desired scope of work, the responsibility for

3219 determining the appropriate scope of work resides with the appraiser.

3220 The flexibility and responsibility are linked in the SCOPE OF WORK RULE when it states:

3221 *Appraisers have broad flexibility and significant responsibility in determining the*

3222 *appropriate scope of work for an appraisal or appraisal review assignment.*

3223 This responsibility is described when the SCOPE OF WORK RULE states:

3224 *The appraiser must be prepared to demonstrate that the scope of work is sufficient to*

3225 *produce credible assignment results.*

3226 The client, for example, might request that the appraiser include, or exclude, specific inspections,

3227 data collection, or analysis in the scope of work. The appraiser may agree to perform~~accept~~ an

3228 assignment with these types of assignment conditions provided that the assignment results are

3229 credible in the context of the intended use. The SCOPE OF WORK RULE addresses this issue in

3230 the Scope of Work Acceptability section:

3231 *An appraiser must not allow assignment conditions to limit the scope of work to such a*
 3232 *degree that the assignment results are not credible in the context of the intended use.*

3233 *An appraiser must not allow the intended use of an assignment or a client’s objectives to*
 3234 *cause the assignment results to be biased.*

3235 Determining the appropriate scope of work requires judgment. This judgment rests on the
 3236 appraiser’s identification of the assignment elements and understanding of what is required to
 3237 solve the identified problem. In many assignments, experienced appraisers are able to make this
 3238 judgment about the appropriate scope of work quickly because they have performed many
 3239 assignments addressing a similar problem to be solved (assignment with similar assignment
 3240 elements). In other assignments, the determination of the appropriate scope of work may require
 3241 more analysis by the appraiser because the problem to be solved has certain unusual characteristics.
 3242 In yet other assignments, the appraiser may begin with a planned scope of work but in the course
 3243 of the assignment find that the planned scope of work must be modified in order to produce
 3244 credible assignment results.

3245 The SCOPE OF WORK RULE recognizes that the scope of work actually performed may differ
 3246 from the scope of work initially planned, when it states:

3247 *Determining the scope of work is an ongoing process in an assignment. Information or*
 3248 *conditions discovered during the course of an assignment might cause the appraiser to*
 3249 *reconsider the scope of work.*

3250 **Disclosing the Scope of Work Performed**

3251 The SCOPE OF WORK RULE explains that proper disclosure of the scope of work:

3252 *...is required because clients and other intended users rely on the assignment results.*

3253 The Rule also states that:

3254 *The report must contain sufficient information to allow the client and other intended users*
 3255 *to understand the scope of work performed. The amount of information disclosed must be*
 3256 *appropriate for the intended use of the assignment results.*

3257 An appraiser must disclose research and analyses not performed when such disclosure is necessary
 3258 for intended users to understand the report properly and not be misled.

3259 These disclosure requirements apply to the scope of work performed, rather than the scope of work
 3260 initially planned by the appraiser. The appraiser must disclose the type and extent of research and
 3261 analyses that were actually completed in the development process. Additionally, the information
 3262 required to allow intended users to understand the scope of work may include disclosure of
 3263 research and analyses not performed. ~~There is no requirement for the scope of work description to~~
 3264 ~~be in a particular or separate section of the report.~~

3265 The appraiser has broad flexibility and significant responsibility in the level of detail and manner
 3266 of disclosing the scope of work in the appraisal report or appraisal review report. The appraiser
 3267 may, but is not required to, consolidate the disclosure in a specific section or sections of the report,
 3268 or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of
 3269 work as necessary throughout the report.

3270 **Illustrations:**

3271 1. A real property appraiser is engaged to appraise the market value of a twelve-unit apartment
 3272 building. The appraiser initially decided that the scope of work should include the inspection
 3273 of two of each of the three unit types (studio, one- and two-bedroom). In the course of
 3274 conducting the inspection, the property manager had a key for only one of the two-bedroom
 3275 units; thus the appraiser was not able to inspect one of the two-bedroom units as planned.

3276 The scope of work, which includes the degree of inspection, was affected in this assignment
 3277 because of lack of access. If the appraiser decides that she has sufficient information to produce
 3278 credible assignment results, the appraiser can complete the appraisal based on the inspection
 3279 completed. The report would include a description of the scope of work performed, stating that
 3280 five units had been inspected.

3281 2. A personal property appraiser has been engaged to appraise a collection of Chinese imperial
 3282 Qianlong porcelain vases. The intended use of the appraisal is for litigation regarding an
 3283 estate. The client has requested that all of the vases be inspected, since one cause of action
 3284 involves a claim that some are damaged.

3285 The appraiser contacts the estate's administrator to arrange for inspection and learns that three
 3286 of the vases are in storage and cannot be retrieved until after the Court's deadline for the
 3287 submission of expert reports. These assignment conditions severely limit the appraiser's scope
 3288 of work, making it impossible to obtain enough information to identify the characteristics of
 3289 the property in compliance with SR7-2(e).

3290 In this case, assignment conditions have changed the appraiser's scope of work. In the context
 3291 of the intended use of this assignment, the appraiser decides that there is no reasonable basis
 3292 for making an extraordinary assumption about the condition of the three vases in storage and
 3293 that credible assignment results cannot be produced without inspecting them. In this scenario,
 3294 the appraiser informs the client that the three uninspected vases cannot be appraised unless the
 3295 assignment conditions can be changed. The appraiser then alters the scope of work to appraise
 3296 only the vases that are available for inspection. A personal property appraiser was engaged to
 3297 appraise four sets of china. The intended use of the report was for litigation regarding an estate.
 3298 The client requested that all pieces of each set of china be inspected, since one cause of action
 3299 claimed that several pieces were damaged.

3300 ~~When the appraiser contacted the estate's administrator to arrange for inspection, he was told~~
 3301 ~~that one set of china was in storage and could not be retrieved until after the Court's deadline~~
 3302 ~~for the submission of expert reports.~~

3303 ~~In this case, assignment conditions have changed the appraiser's scope of work. The appraiser~~
 3304 ~~may not have sufficient information to produce credible assignment results in the context of~~
 3305 ~~the intended use. The appraiser should consult with the client on the proper course of action.~~
 3306 ~~The appraiser may alter the scope of work to include the appraisal of only the three sets of~~
 3307 ~~china available for inspection or use an extraordinary assumption regarding the condition of~~
 3308 ~~the fourth set.~~

3309 3. A business appraiser is appraising a closely-held business enterprise with real property and
 3310 personal property assets. In the course of the assignment, the appraiser's research indicates that
 3311 the market for the company's product is declining and management's projections are not

3312 supported. Therefore, the appraiser believes the company might be worth more in liquidation
 3313 than as a going concern, which would make performance of the work addressed in Standards
 3314 Rule 9-3 necessary for credible assignment results.

3315 The scope of work must be modified because of what the appraiser learned in the course of
 3316 performing research and analyses.

3317 4. A real property appraiser is contacted by a potential client to appraise an occupied
 3318 manufacturing facility. The client requests that the occupants not be disturbed by a property
 3319 inspection. Additionally, the client requests that the cost approach be performed in the
 3320 appraisal of the building. These requests are assignment conditions and will be part of the
 3321 appraiser’s identification of the problem to be solved and determination of the appropriate
 3322 scope of work.

3323 ~~Accepting and completing this assignment requires the appraiser to:~~ To perform this
 3324 assignment, the appraiser is required to:

- 3325 • Determine that the client’s assignment conditions do not limit the scope of work to such
 3326 a degree that assignment results are not credible in the context of the intended use;
- 3327 • Gather information on relevant characteristics by means other than inspection and/or
 3328 use extraordinary assumptions;
- 3329 • Include a cost approach in the scope of work, even if this approach is not otherwise
 3330 necessary for credible assignment results; and
- 3331 • Properly reconcile the applicability or suitability of the cost approach in arriving at the
 3332 value conclusion.

3333 5. A real property appraiser agreed to perform ~~accepted~~ an assignment to appraise a three-unit
 3334 residential property. The intended use of the appraisal was for mortgage financing. The client
 3335 requested that the appraiser not verify the legal status (e.g., compliance with zoning, building
 3336 codes, use permits) of the three units with municipal officials.

3337 The appraiser withdrew from the assignment because she concluded that the client’s
 3338 assignment condition limited the scope of work to such a degree that assignment results would
 3339 not be credible in the context of the intended use. The use of an extraordinary assumption about
 3340 the legal use of the property would not produce credible assignment results in the context of
 3341 the mortgage financing use.

3342 6. A ~~real property~~ real property appraiser was engaged to appraise a one-unit residence. Based on the
 3343 appraiser’s identification of the appraisal problem, the appropriate scope of work was
 3344 determined to include development of the sales comparison approach and cost approach.
 3345 However, at the time of the inspection the appraiser discovered that the property was not a one-
 3346 unit, but instead a three-unit property.

3347 Based on this new information, the appraiser re-considered the appraisal problem and the
 3348 appropriate scope of work. The change in relevant property characteristics for the subject
 3349 property significantly changed the appropriate scope of work; the initially planned scope of
 3350 work was no longer suitable and would not produce credible assignment results. The type of
 3351 data to be researched and the type of analysis to be applied changed when the property type
 3352 changed from a single-unit to a three-unit.

3353 A new appraisal problem requires reexamination of the scope of work. The appropriate scope
 3354 of work for the new appraisal problem includes an income approach, and the cost approach is
 3355 not necessary for credible assignment results.

3356 The appraiser should consult with the client since the appraisal problem has changed.

3357 7. A real property appraiser is contacted by a potential client to appraise a one-unit residence.
 3358 The client informs the appraiser that a property inspection completed by others will be
 3359 provided to the appraiser, and that the property will not be available for inspection by the
 3360 appraiser. This is an assignment condition, and the appraiser must consider this in the
 3361 identification of the problem to be solved and the determination of the scope of work.

3362 To perform this assignment, the appraiser is required to:

- 3363 • Determine that the client’s assignment condition does not limit the scope of work to
 3364 such a degree that assignment results are not credible in the context of the intended use;
 3365 and
- 3366 • Identify, from sources the appraiser reasonably believes to be reliable, relevant
 3367 characteristics of the property.

3368 If the appraiser cannot gather sufficient information about the property’s relevant
 3369 characteristics from the third-party property inspection, the appraiser must seek additional
 3370 information, which could include interviewing the inspector or gathering data from other
 3371 sources. If uncertainties remain, but the appraiser can still develop credible assignment results,
 3372 the appraiser may need to use an extraordinary assumption regarding the decision to rely on
 3373 the information contained in the third party inspection report.

3374 Otherwise, if the appraiser cannot gather sufficient information from the third-party inspection
 3375 report and other sources to produce credible assignment results, the appraiser must either seek
 3376 to change the scope of work or withdraw from the assignment.

Section 10: Proposed Revisions to ADVISORY OPINION 31, *Assignments Involving More than One Appraiser*

RATIONALE

The First Exposure Draft of changes to the Advisory Opinions included edits resulting from the ASB’s proposal to add SIGNIFICANT APPRAISAL ASSISTANCE as a defined term. A clarification was also proposed to Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3, clarifying that a signed certification must be included in a report and acknowledging that a supplemental certification(s) may be necessary in some circumstances. This clarification has resulted in additional proposed edits to AO-31. Administrative edits have been made to mirror other proposed changes to the reporting Standards.

3377 **ADVISORY OPINION 31 (AO-31)**

3378 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 3379 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 3380 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 3381 *appraisal issues and problems.*

3382 **SUBJECT: Assignments Involving More than One Appraiser**

3383 **APPLICATION: Real Property, Personal Property, Intangible Property**

3384 **THE ISSUE:**

3385 What are the specific USPAP obligations when an appraisal or appraisal review assignment
 3386 involves more than one appraiser?

3387 **BACKGROUND:**

3388 Many appraisal assignments involve participation by more than one appraiser. Typical scenarios
 3389 include, but are not limited to:

- 3390 • Two appraisers working together as equals on an assignment.
- 3391 • A staff appraiser whose work is reviewed and/or directed by a more senior appraiser.
- 3392 • A person who is being trained as an appraiser (“trainee”) and requires supervision and
 3393 direction by an appraiser already fully qualified to complete the assignment.
- 3394 • An independent appraiser/contractor performing work for an appraisal firm.
- 3395 • Two or more appraisers from different appraisal disciplines working on an assignment.

3396 When assignments involve more than one appraiser there are often questions about the proper
 3397 way to deal with USPAP requirements relating to record keeping, signatures and certifications.

3398 It is important to realize that USPAP does not define an “appraiser” in terms of state licensing
 3399 or certification requirements. USPAP defines an appraiser as one who is expected to perform
 3400 valuation services competently and in a manner that is independent, impartial, and objective.
 3401 Expectation is the crucial element in determining when one is acting as an appraiser. As a result,
 3402 one could be a trainee by state licensing requirements and also identified as an appraiser by

3403 USPAP definition. Reference to applicable state law should be made to clarify the specific
 3404 definition of appraiser and trainee in a jurisdiction.

3405 **ADVICE FROM THE ASB ON THE ISSUE:**

3406 **Relevant USPAP References**

- 3407 • SCOPE OF WORK RULE, which requires that the appraiser disclose the scope of work
 3408 performed
- 3409 • DEFINITIONS, specifically the definition of SIGNIFICANT APPRAISAL
 3410 ASSISTANCE: appraisal-related help, provided by another appraiser, that is substantial
 3411 enough to have affected the development of the assignment results
- 3412 • RECORD KEEPING RULE
- 3413 • Standards Rules 2-2(a)(~~vii~~)(ix), 2-2(b)(~~xi~~)(~~vii~~), 4-2(~~hg~~), 6-2(~~hg~~), 8-2(a)(ix)(~~vii~~), 8-
 3414 2(b)(~~vii~~)(ix), 10-2(a)(~~x~~)(~~viii~~) and 10-2(b)(~~vxiii~~), which specify the reporting
 3415 requirements when any portion of the work involves significant assistance
- 3416 • Standards Rules 2-3, 4-3, 6-3, 8-3 and 10-3, which identify the requirements for an
 3417 appraiser who is signing the a certification and also for instances when appraisers provide
 3418 significant assistance but do not sign the a certification

3419 **Record Keeping Requirements**

3420 The RECORD KEEPING RULE requires:

3421 *An appraiser must prepare a workfile for each appraisal or appraisal review assignment.*
 3422 *A workfile must be in existence prior to the issuance of any report.*

3423 The Rule also mandates that workfiles be retained for a specified time, and states,

3424 *An appraiser must have custody of the workfile, or make appropriate workfile retention,*
 3425 *access and retrieval arrangements with the party having custody of the workfile.*

3426 *An appraiser having custody of a workfile must allow other appraisers with workfile*
 3427 *obligations related to an assignment appropriate access and retrieval for the purpose of:*

- 3428 • *submission to state appraiser regulatory agencies;*
- 3429 • *compliance with due process of law;*
- 3430 • *submission to a duly authorized professional peer review committee; or*
- 3431 • *compliance with retrieval arrangements.*

3432 When an assignment is performed by more than one appraiser, each appraiser is subject to the
 3433 same obligations regarding the workfile for the assignment, whether or not the appraiser signs
 3434 the a certification. These obligations may be met by creating a copy of the workfile for every
 3435 appraiser involved in the assignment. Alternatively, the appraisers might agree to an access
 3436 arrangement whereby the workfile is stored in a single location but access is provided to all
 3437 appraisers involved. In whatever manner this USPAP requirement is met, all appraisers involved
 3438 with the assignment must meet it.

3439 **Certifications/Signatures**

3440 A signed certification is required for all appraisal and appraisal review reports. An appraiser who
 3441 signs any part of a report, including a letter of transmittal, must also sign ~~the~~ a certification.

3442 A signed certification provides important disclosures about aspects of the assignment. It provides
 3443 evidence that the appraiser is aware of the ethical obligations of acting as an appraiser. In single-
 3444 discipline appraisals, ~~the~~ a certification also attests that the analyses, opinions, and conclusions
 3445 expressed are those of the signatory. ~~The~~ A certification is also where significant appraisal
 3446 assistance from others not signing ~~the~~ a certification must be acknowledged. Any appraiser who
 3447 provides significant appraisal or appraisal review assistance in the assignment must sign ~~the~~ a
 3448 certification or be identified in ~~the~~ a certification. When more than one appraiser is involved in
 3449 an assignment, USPAP allows for certification in a variety of ways, including:

- 3450 • all appraisers could sign a certification accepting responsibility for the entirety of the
 3451 analyses and the report if they are all competent to do so; or
- 3452 • one appraiser could sign a certification and provide the name of each individual who
 3453 provided significant appraisal or appraisal review assistance. In such a case, the exact
 3454 nature of the assistance must be reported, but this need not be in ~~the~~ a certification; or
- 3455 • for assignments involving multiple disciplines (e.g., real property appraisal and personal
 3456 property appraisal), an appraiser could sign a certification accepting responsibility only
 3457 for the elements of the certification assignment results and report contents applicable to
 3458 the appraiser’s discipline; or
- 3459 • for personal property assignments involving multiple appraisers with different specialties
 3460 (e.g., antiques, fine art, gems and jewelry, machinery and equipment) an appraiser could
 3461 sign a certification accepting responsibility only for the elements of the certification,
 3462 assignment results, and report contents specific to the appraiser’s specialty.

3463 **Significant Professional Appraisal Assistance**

3464 USPAP ~~does not~~ defines ~~what constitutes~~ significant appraisal assistance in an appraisal or
 3465 appraisal review assignment: as “appraisal-related help, provided by another appraiser, that is
 3466 substantial enough to have affected the development of the assignment results.” ~~To be~~
 3467 ~~significant, the assistance provided must be substantial enough to have affected the development~~
 3468 ~~of the assignment results.~~ Assistance is related to the appraisal process and requires appraisal
 3469 competency. Therefore, only those acting as an appraiser sign ~~the~~ a certification, or are identified
 3470 as providing significant appraisal assistance in ~~the~~ a certification. Examples of significant
 3471 appraisal assistance may include; ~~but are not limited to,~~

- 3472 • ~~identification~~ (research and selection) of comparable properties and data;
- 3473 • inspection of the subject property and comparable properties;
- 3474 • estimating accrued depreciation; or
- 3475 • forecasting income and expenses.

3476 An appraiser often uses assistance that does not constitute significant appraisal assistance.
 3477 Although it is the responsibility of the appraiser to determine the role of any individual providing
 3478 assistance, tasks such as, but not limited to, writing down measurements the appraiser provides
 3479 when measuring a structure, taking photographs of the subject property, and providing clerical
 3480 duties are not considered significant appraisal assistance. An appraiser providing assistance must

3481 comply with those parts of USPAP that apply to the assistance that he or she provides. So, for
 3482 example, if an appraiser’s assistance includes only developing a cost approach in a real property
 3483 appraisal assignment, that appraiser must comply with the applicable Rules (i.e., the ETHICS
 3484 RULE, etc.), Standards Rules 1-1, 1-3, 1-4(b) and any other applicable sections of Standards
 3485 Rule 1-4, and Standards Rule 1-6(a).

3486 **Illustrations:**

3487 *Workfile Obligations When Trainee Signs the Report*

3488 1. Jennifer is currently being trained as an appraiser (a trainee) working toward her state license
 3489 as a real property appraiser. Her work includes completing and co-signing appraisal reports
 3490 with her supervising appraiser. Must she keep a copy of the workfile for every assignment
 3491 she works on?

3492 If Jennifer acted as an appraiser in the assignment, USPAP provides two options: 1) she
 3493 can maintain custody of the workfile, either the original or a copy; or 2) she can make
 3494 appropriate access arrangements for the retention period, for example, with her employer
 3495 or supervising appraiser.

3496 Some common scenarios in such an assignment may include the trainee appraiser and
 3497 the supervising appraiser each keeping a copy of the workfile. Or, the supervising
 3498 appraiser may retain custody of the workfile and provide for access by the trainee
 3499 appraiser. Both of these arrangements meet the record keeping requirements.

3500 *Certification Requirements When Trainee Does Not Sign the Report*

3501 2. Using the same scenario from Illustration 1 except only the senior appraiser signs the report
 3502 and not the trainee appraiser, what certification requirements must each appraiser meet to
 3503 comply with USPAP?

3504 USPAP states that when a signing appraiser relies on work done by others who do not
 3505 sign ~~the~~ certification, the signing appraiser is responsible for the decision to rely on the
 3506 trainee appraiser’s work.

3507 The name of the trainee appraiser who provided significant assistance, but does not sign
 3508 ~~the~~ certification, must be stated in ~~the~~ certification. It is not required that the description
 3509 of the assistance appear in ~~the~~ certification, but the extent of the assistance must be
 3510 summarized set forth in the report as required in STANDARDS 2, 4, 6, 8 and 10. ~~The~~
 3511 ~~degree of this description is identified by the applicable reporting option for the~~
 3512 ~~assignment. For example, in an Appraisal Report the extent of the significant assistance~~
 3513 ~~must be summarized.~~

3514 *Possession of Workfiles*

3515 3. An appraiser is an employee of an appraisal firm. The firm has announced that the office is
 3516 moving to another city. All appraisers not moving to the new location have been asked to
 3517 turn over their workfiles to the company. The appraiser believes that he is required to keep
 3518 the workfiles. Who is correct?

3519 The RECORD KEEPING RULE does not mandate that an appraiser have possession of
 3520 assignment workfiles. Employment contracts and other employment arrangements often

3521 require appraisers to leave their workfiles with an employer should the appraiser leave
 3522 that firm, or in other situations. However, if an appraiser must relinquish actual
 3523 possession of the workfiles, the appraiser must establish appropriate access arrangements
 3524 for the length of the retention period. In the circumstances described, another solution
 3525 may be for the appraiser to obtain permission from the employer to make copies of his
 3526 or her workfiles.

3527 4. Jonathan is a trainee appraiser who has been working with the same supervising appraiser
 3528 for some time. Recently, his supervising appraiser told him that since he was only a trainee,
 3529 he had no right to access workfiles on appraisals where he had provided significant appraisal
 3530 assistance. Is the supervising appraiser correct? Do trainees have any rights regarding access
 3531 to workfiles?

3532 The supervising appraiser is not correct. USPAP places workfile retention requirements
 3533 on the appraiser. Jonathan, since he is acting as an appraiser, is an appraiser as defined
 3534 in USPAP. In assignments where more than one appraiser is involved (e.g. a trainee
 3535 appraiser and a supervising appraiser) each appraiser shares responsibility for complying
 3536 with the RECORD KEEPING RULE.

3537 Supervising appraisers should be aware that all appraisers, including trainee appraisers,
 3538 must maintain access to workfiles for a minimum of five years. A supervising appraiser
 3539 must not impede a trainee appraiser’s ability to access a workfile under the following
 3540 conditions:

- 3541 • submission to state appraiser regulatory agencies;
- 3542 • compliance with due process of law;
- 3543 • submission to a duly authorized professional peer review committee; or
- 3544 • compliance with retrieval arrangements.

3545 Denying access to a workfile that the trainee worked on is a violation of the ETHICS
 3546 RULE.

3547 *An individual appraiser employed by a group or organization that conducts itself*
 3548 *in a manner that does not conform to these Standards should take steps that are*
 3549 *appropriate under the circumstances to ensure compliance with the Standards.*

3550 *Acknowledging Significant Appraisal Assistance*

3551 5. Matthew, an appraiser, is working with a more senior appraiser on a complex appraisal
 3552 assignment. His only task has been to develop the income approach based on information
 3553 provided by the senior appraiser. What is the appropriate way to acknowledge Matthew’s
 3554 role in the assignment?

3555 Since Matthew’s work is limited to part of the assignment, signing a certification
 3556 accepting responsibility for the entire assignment would not be appropriate. USPAP
 3557 requires that Matthew be named in ~~the~~ certification, and the nature of his significant
 3558 assistance be summarized in the report~~ed~~.

3559 6. Margaret is performing a specific portion of a complex appraisal assignment, but is not
 3560 competent to complete the entire assignment. As part of her training, she read the report and

3561 discussed it with the senior appraiser. Having now expanded her knowledge of the
 3562 assignment, she wants to sign ~~the~~ea certification along with the senior appraiser on the project.
 3563 Is this appropriate?

3564 No. By signing ~~the~~ea certification, she would be accepting full responsibility for all
 3565 elements of ~~the~~ea certification, for the assignment results, and for the contents of the
 3566 appraisal report. Although she was competent to perform her assigned task, reading the
 3567 report and discussing it with the senior appraiser does not confer competence. Therefore,
 3568 she cannot accept full responsibility for the assignment results or sign ~~the~~ea certification.

3569 7. I am an appraiser trainee in a large firm. We recently transmitted a report to a client for an
 3570 appraisal in which I provided significant appraisal assistance. The report stated that I assisted
 3571 in all aspects of the process and I was named in the certification. The client’s reviewer sent
 3572 me a request that said, “If you assisted in all aspects of the appraisal you should sign it
 3573 because you are an appraiser.” The principal appraiser who signed the report feels it looks
 3574 better if only he signs because I am unlicensed. For this assignment, there is no law or
 3575 regulation that prohibits me from signing ~~the~~ea certification. What should I do?

3576 The unlicensed appraiser should discuss the situation with the principal appraiser in this
 3577 instance as USPAP allows for certification in a variety of ways. The principal appraiser
 3578 elected to acknowledge the significant appraisal assistance of the appraiser trainee in ~~the~~ea
 3579 certification rather than allowing her to sign. The exact nature of the assistance must also
 3580 be reported but it does not have to be stated in ~~the~~ea certification. The specific portions of
 3581 the assignment that the appraiser trainee completed should have been summarized in the
 3582 report, rather than just a statement simply indicating the appraiser trainee assisted in all
 3583 aspects of the assignment.

Section 11: Proposed Revisions to ADVISORY OPINION 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*

RATIONALE

There have been no changes to the edits being proposed to this Advisory Opinion since it was exposed in the First Exposure Draft of Proposed Changes to Advisory Opinions. The proposed edits add an Illustration 5, which captures information proposed for deletion from a Comment to Standards Rule 5-5(a). The ASB concluded this information was of an advisory nature and was better placed in this Advisory Opinion. Additional edits are being proposed based on the potential USPAP changes in the Fourth Exposure Draft.

3584 **ADVISORY OPINION 32 (AO-32)**

3585 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 3586 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 3587 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 3588 *appraisal issues and problems.*

3589 **SUBJECT: Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments**

3590 **APPLICATION: Real Property, Personal Property**

3591 **THE ISSUE:**

3592 Ad valorem is Latin for “according to value.” In ad valorem taxation assignments, the appraisal or
 3593 mass appraisal is used to establish a value basis for a political subdivision’s tax burden. This
 3594 guidance is provided to address the application of USPAP to appraisal and mass appraisal
 3595 assignments for ad valorem taxation.

3596 As used in this Advisory Opinion, “appraisal assignments” are those covered by STANDARDS 1
 3597 and 2 or STANDARDS 7 and 8. “Mass appraisal assignments” are those covered by
 3598 STANDARDS 5 and 6.

3599 **ADVICE FROM THE ASB ON THE ISSUE:**

3600 **Application of Standards**

3601 Ad valorem taxation assignments include both appraisal assignments and mass appraisal
 3602 assignments.

3603 • STANDARDS 1 and 2 address the requirements for development of an appraisal and
 3604 reporting of appraisal results for a particular real property interest as of a given date.

3605 • STANDARDS 5 and 6 address the requirements for the development of a mass appraisal
 3606 and reporting of mass appraisal results for real property and personal property. Mass
 3607 appraisal is the valuation of a universe of properties (many properties) as of a given date
 3608 using standard methodology, employing common data, and allowing for statistical testing.
 3609 Mass appraisal provides for a systematic approach and uniform application of appraisal
 3610 methods and techniques to obtain estimates of values that allow for statistical review and
 3611 analysis of results.

3612 • STANDARDS 7 and 8 address the requirements for development of an appraisal and
3613 reporting of appraisal results for a particular personal property interest as of a given date.

3614 The keys to distinguishing a mass appraisal are: 1) the subject of the appraisal is a “universe” of
3615 properties, meaning more than one property; and 2) the assignment involves standard methodology
3616 employing common data that allows for statistical testing. These models may be based on the cost
3617 approach, the income approach, the sales comparison approach or any combination of these
3618 approaches to value.

3619 **Identification of Intended Users**

3620 In ad valorem taxation assignments, the client is typically the government or taxing authority that
3621 engages the appraiser. As defined in USPAP, the client is an intended user. Through
3622 communication with the client, the appraiser may identify other intended users. A party receiving
3623 a copy of a report in order to satisfy disclosure requirements does not become an intended user of
3624 the appraisal or mass appraisal unless the appraiser identifies such party as an intended user.

3625 **Scope of Work**

3626 The determination of an appropriate scope of work in all appraisal and mass appraisal assignments,
3627 including ad valorem taxation assignments, is based on problem identification. The assignment
3628 elements necessary for problem identification are identified in Standards Rule 1-2 (real property
3629 appraisal), Standards Rule 5-2 (real property and personal property mass appraisal) and Standards
3630 Rule 7-2 (personal property appraisal). This information provides the appraiser with the basis for
3631 determining the scope of work necessary to develop credible assignment results.

3632 In ad valorem taxation assignments, applicable laws and regulations of an assessing jurisdiction
3633 may define the assignment elements needed for problem identification. For example, the type and
3634 definition of value is usually established by statute, as is the effective date of the appraiser’s
3635 opinions and conclusions (tax year, levy year, valuation date, etc.). Whatever the source of the
3636 assignment elements needed for problem identification, the appraiser must identify the problem to
3637 be solved, and determine and perform the scope of work necessary to develop credible assignment
3638 results.

3639 In the interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation
3640 can include consideration of appraisal level (the overall proximity between appraised values and
3641 actual prices) and the uniformity of property values (equity within groups of like properties).
3642 Standard Rule 5-1 (a) states:

3643 *In developing a mass appraisal, an appraiser must: (a) be aware of, understand, and*
3644 *correctly employ those recognized methods and techniques necessary to produce a credible*
3645 *mass appraisal;*

3646 The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal
3647 uniformity are necessary for credible assignment results in a mass appraisal assignment for ad
3648 valorem taxation.

3649 **Reporting**

3650 Standards Rules 6-1 and 6-2 address the requirements for reporting mass appraisal results for real
3651 property and personal property. The Mass Appraisal Report must clearly communicate the
3652 elements, results, opinions, and value conclusions of the mass appraisal. In mass appraisals for ad

3653 valorem taxation, local statutes may prescribe additional reporting requirements and procedures
3654 for the delivery of the assignment results.

3655 In mass appraisal, the value opinion for each property is developed using the standard methods
3656 applied in the mass appraisal model for a universe of properties. There may be many mass appraisal
3657 models used to value an entire universe of properties. An individual property record or worksheet
3658 may describe the valuation of the specific property after the application of the mass appraisal
3659 model. A written report of the mass appraisal as described in Standards Rule 6-2 is not provided
3660 for each individual property. To understand the individual property result developed in a mass
3661 appraisal requires the examination of all the information and analysis required by Standards Rule
3662 6-2.

3663 STANDARDS 2 and 8 address the requirements for reporting of appraisal results for real property
3664 and personal property (respectively). The written report must be presented in an Appraisal Report
3665 or Restricted Appraisal Report.

3666 An appraiser may be asked to communicate the assignment results for a single property that was
3667 appraised as part of a mass appraisal assignment. USPAP does not address this specific
3668 circumstance. The reporting requirements of STANDARD 2 apply to appraisal assignments
3669 developed under STANDARD 1 and do not apply to mass appraisal assignments prepared under
3670 STANDARD 6. However, the second sentence of the PREAMBLE states: *It is essential that*
3671 *appraisers develop and communicate their analyses, opinions, and conclusions to intended users*
3672 *of their services in a manner that is meaningful and not misleading.* Additionally, the ETHICS
3673 RULE states: *An appraiser must not communicate assignment results with the intent to mislead or*
3674 *defraud.* The ETHICS RULE also states: *An appraiser must not use or communicate a report that*
3675 *is known by the appraiser to be misleading or fraudulent.* Therefore, if an appraiser communicates
3676 mass appraisal or assignment results for a single property, the communication must be meaningful
3677 and must not be misleading.

3678 In assignments for ad valorem taxation, public policy may direct property owner notification of
3679 the property values rendered as a result of a mass appraisal. Notifications are commonly required
3680 within the jurisdiction to meet due process requirements. These property owner notifications are
3681 not “reports” as defined in USPAP. Further, a party receiving a notification in order to satisfy
3682 disclosure requirements does not become an intended user unless the appraiser identifies such party
3683 as an intended user as part of the assignment.

3684 **Workfile Requirements**

3685 The RECORD KEEPING RULE requirement to prepare a workfile applies to appraisals and mass
3686 appraisals performed for ad valorem taxation assignments. An appraiser’s assignment workfile
3687 preserves evidence of the appraiser’s compliance with USPAP and other information as may be
3688 required to support the appraiser’s opinions and conclusions.

3689 For a mass appraisal assignment, compliance with the RECORD KEEPING RULE requires a
3690 workfile for the mass appraisal assignment, not a workfile for each property in the mass appraisal.
3691 The workfile for a mass appraisal contains the information to support the valuation of all properties
3692 in the mass appraisal. This supporting material may be documented in any form of media,
3693 including electronic files, and includes such items as property records, market data, sales ratios
3694 and other statistical studies, appraisal manuals and documentation, market studies, model building

3695 documentation, regulations, statutes, property photos, sketches, aerial imagery, maps, automated
 3696 mapping and geographic information systems, worksheets, spreadsheets, and analysis reports.
 3697 USPAP does not dictate the form or format of workfile documentation. There is no requirement
 3698 that the contents of the workfile be held in a single location.

3699 The retention of the workfile in support of an assignment for ad valorem taxation is governed by
 3700 USPAP and may also be subject to retention schedules in the jurisdictions. The record retention
 3701 time frames referenced in the RECORD KEEPING RULE are minimums. Retention beyond the
 3702 USPAP requirements is permitted. Unless compelled by law or regulation, USPAP does not permit
 3703 appraisers to destroy records prior to five years after preparation for any reason.

3704 **JURISDICTIONAL EXCEPTION RULE**

3705 The JURISDICTIONAL EXCEPTION RULE exempts appraisers from the part or parts of USPAP
 3706 that are precluded by the law or regulation of a particular jurisdiction. If compliance with a part of
 3707 USPAP is precluded by any applicable federal, state, or local law or regulation, only that part shall
 3708 be of no force and effect in that assignment. Appraisers using the JURISDICTIONAL
 3709 EXCEPTION RULE must properly disclose the legal authority justifying the exemption of part or
 3710 parts of USPAP that are precluded by law. Use of the JURISDICTIONAL EXCEPTION RULE is
 3711 triggered by a contradiction between the requirements of USPAP and the law or regulations of a
 3712 jurisdiction, not by client or appraiser discretion. USPAP does not establish who or which
 3713 assignments must comply. Therefore, the JURISDICTIONAL EXCEPTION RULE cannot be
 3714 applied to the decision to comply with USPAP.

3715 An individual’s identification as an appraiser is the basis for determining who should comply with
 3716 USPAP. This is because an individual’s public identification as an appraiser establishes an
 3717 expectation that valuation services will be performed in compliance with USPAP. An individual
 3718 must comply with USPAP when required by law, regulation, or agreement. Even if the governing
 3719 authority’s policy does not require USPAP compliance, other applicable law or regulation might
 3720 require compliance.

3721 **Illustrations:**

3722 1. An appraiser is in the process of developing appraisals for the next year’s tax roll. The
 3723 residential properties, condominiums, and general commercial and major commercial
 3724 properties will be valued with a mass appraisal model. Which development standards apply?

3725 Because the subject of the appraisal is a universe of properties, and because they are being
 3726 appraised with a mass appraisal model, ~~STANDARDS 5 and 6 apply~~ STANDARD 5
 3727 applies to the development portion of a mass appraisal assignment and STANDARD 6
 3728 applies to the reporting portion.

3729 2. An appraiser has completed a mass appraisal for ad valorem taxation using a mass appraisal
 3730 model. There is a special use property for which it has been determined that the mass appraisal
 3731 model is not appropriate. This property will be appraised as an individual property. Which
 3732 development standard applies to the appraisal of the special use property?

3733 Even though the special use property is being appraised for ad valorem taxation,
 3734 STANDARD 1 would apply because the subject is an individual property, not a universe
 3735 of properties.

- 3736 3. An assessment appeal is in process, and an appraisal of an individual property is being
 3737 conducted as part of that appeal. Which development standards apply?
- 3738 STANDARD 1 or STANDARD 7 would apply because an individual property is being
 3739 appraised rather than a universe of properties.
- 3740 4. An appraiser is conducting a mass appraisal for ad valorem taxation. A property record card is
 3741 produced for each property. Is each property record card considered a report under
 3742 STANDARD 6?
- 3743 No. The property record card is not the mass appraisal report; it is only a portion of the
 3744 information and analysis supporting the mass appraisal.
- 3745 5. The Comment to Standards Rule 5-5 (a)(v) requires an appraiser conducting a mass appraisal
 3746 assignment to take reasonable steps to ensure that the quantity and quality of the factual data
 3747 that are collected are sufficient to produce credible appraisals. What are some examples of
 3748 these steps?
- 3749 In real property, where applicable and feasible, systems for routinely collecting and
 3750 maintaining ownership, geographic, sales, income and expense, cost, and property
 3751 characteristics data must be established.
- 3752 Geographic data must be contained in as complete a set of cadastral maps as possible,
 3753 compiled according to current standards of detail and accuracy. Sales data must be
 3754 collected, confirmed, screened, adjusted, and filed according to current standards of
 3755 practice. The sales file must contain, for each sale, property characteristics data that are
 3756 contemporaneous with the date of sale. Property characteristics data must be appropriate
 3757 and relevant to the mass appraisal models being used. The property characteristics data file
 3758 must contain data contemporaneous with the date of appraisal including historical data on
 3759 sales, where appropriate and available.
- 3760 The data collection program must incorporate a quality control program, including checks
 3761 and audits of the data to ensure current and consistent records.

Section 12: Proposed Revisions to ADVISORY OPINION 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*

RATIONALE

As a result of changes being proposed to USPAP in the Fourth Exposure Draft, the ASB proposes edits to this advisory opinion to clarify the requirements surrounding proper disclosure of the client and other intended users in an Appraisal Report or a Restricted Appraisal Report, particularly in cases where the client has requested anonymity from being noted in the report.

Advisory Opinion 36 was not included in prior Exposure Drafts. As such, any proposed edits are newly proposed in this Fourth Exposure Draft.

3762 ADVISORY OPINION 36

3763 *This communication by the Appraisal Standards Board (ASB) does not establish new standards*
 3764 *or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 3765 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 3766 *appraisal issues and problems.*

3767 SUBJECT: Identification and Disclosure of Client, Intended Use, and Intended Users

3768 APPLICATION: Real Property, Personal Property, Intangible Property

3769 THE ISSUE:

3770 An appraiser must identify and consider the client, any other intended users, and the intended use
 3771 of the appraiser’s reported opinions and conclusions in order to identify the problem to be solved
 3772 and to understand his or her development and reporting responsibilities in an appraisal or appraisal
 3773 review assignment. An appraiser must state the intended use and intended users of the opinions
 3774 and conclusions in a report.

3775 What kind of information must an appraiser identify and consider regarding the intended use and
 3776 intended users in the course of accepting and completing an assignment, and how much of that
 3777 information must an appraiser include in the report?

3778 ADVICE FROM THE ASB ON THE ISSUE:

3779 Relevant USPAP and Advisory References

3780 The term “Client” is defined in the DEFINITIONS section of USPAP as:

3781 *the party or parties who engage, by employment or contract, an appraiser in a specific*
 3782 *assignment.*

3783 *Comment: The client may be an individual, group, or entity, and may engage and*
 3784 *communicate with the appraiser directly or through an agent.*

3785 The term “Intended Use” is defined as:

3786 *the use(s) of an appraiser’s reported appraisal or appraisal review assignment results, as*
 3787 *identified by the appraiser based on communication with the client at the time of the*
 3788 *assignment.*

3789 The term “Intended User” is defined as:

3790 *The client and any other party as identified, by name or type, as users of the appraisal or*
 3791 *appraisal review report by the appraiser, based on communication with the client at the*
 3792 *time of the assignment.*

3793 **Specific Issues to be Addressed in the Development of the Appraisal**

3794 In order to properly define the problem and to understand his or her responsibilities in an
 3795 assignment, an appraiser must identify the client and other intended users. This is accomplished
 3796 by communication with the client at the time of the engagement.

3797 An appraiser should use care when identifying the client to avoid violations of the Confidentiality
 3798 section of the ETHICS RULE. In instances where the client wishes to remain anonymous, the
 3799 appraiser must still document the identity of the client in the workfile but may omit the client’s
 3800 identity in the appraisal or appraisal review report. The client may be identified as a person or
 3801 entity, or as an agent of an intended user. When the identity of the client is withheld from the
 3802 report, the report must state that the client’s identity has been withheld at the client’s request.

3803 The appraiser is ~~not~~ obligated to identify additional intended users by name only in a Restricted
 3804 Appraisal Report. If identification by name, in an Appraisal Report, is not appropriate or practical,
 3805 the appraiser may identify an intended user by type.

3806 An appraiser’s obligations to the client are established in the course of considering and accepting
 3807 an engagement. If, during the assignment, an appraiser becomes aware of a change in the intended
 3808 use, the appraiser must consider whether the extent of the development process and report content
 3809 initially planned are still appropriate. If they are not, the appraiser must make the necessary
 3810 changes.

3811 An appraiser’s obligations to other intended users may impose additional development and
 3812 reporting requirements in the assignment. Because an appraiser’s obligations to other intended
 3813 users may impose additional development and reporting requirements in the assignment, it is
 3814 essential to establish a clear understanding of the needs of all intended users.

3815 A party receiving a report copy from the client does not, as a consequence, become a party to the
 3816 appraiser-client relationship. Parties who receive a copy of an appraisal or appraisal review report
 3817 as a consequence of disclosure requirements applicable to an appraiser’s client do not become
 3818 intended users of the report unless they were specifically identified as intended users by the
 3819 appraiser at the time of the assignment.

3820 **Disclosure of Client and Other Intended User(s) in an Appraisal or Appraisal Review Report**

3821 Except when specifically requested by the client not to do so, an appraiser must state the identity
 3822 of the client in the report.

3823 Within an Appraisal Report, ~~o~~ther intended users, if any, may be identified by name or type.

3824 However, for a Restricted Appraisal Report the appraiser must identify the specific intended users
 3825 by name. A Restricted Appraisal Report is inappropriate for users only known and identified by
 3826 type because they could be misled by the abbreviated reporting format which may not contain
 3827 supporting rationale for the opinions and conclusions. The appraiser has an obligation to ensure
 3828 that the report contains sufficient information to enable the intended users of the appraisal to
 3829 understand the report properly. This obligation cannot be fulfilled unless the intended users are
 3830 only the client and those other intended users specifically named by the appraiser.

3831 The purpose of this reporting requirement is to (1) ensure that the client and other intended users
 3832 can recognize their relationship to the assignment and report, and (2) ensure that parties other than
 3833 intended users will not mistakenly assume that they are the client or an intended user. For example,
 3834 a statement similar to the following may be appropriate in an Appraisal Report:

3835 *This report is intended for use only by (identify the client) and (identify any other*
 3836 *intended users by name or type). Use of this report by others is not intended by the*
 3837 *appraiser.*

3838 While a statement similar to the following may be appropriate in a Restricted Appraisal Report:

3839 *This report is intended for use only by (identify the client) and (identify any other*
 3840 *intended users by name). Use of this report by others is not intended by the*
 3841 *appraiser.*

3842 If the client’s identity is omitted from a report, the appraiser must (1) identify the client in the
 3843 workfile, and (2) provide a notice in the report that the identity of the client has been omitted in
 3844 accordance with the client’s request and that the report is intended for use only by the client and
 3845 any other identified intended users. In such cases, a statement similar to the following may be
 3846 appropriate in an Appraisal Report:

3847 *This report is intended for use only by the client and (identify any other intended users by*
 3848 *name or type). Use of this report by others is not intended by the appraiser.*

3849 While a statement similar to the following may be appropriate in a Restricted Appraisal Report:

3850 *This report is intended for use only by the client and (identify any other intended users by*
 3851 *name). Use of this report by others is not intended by the appraiser.*

3852 **Identification of the Intended Use in an Appraisal or Appraisal Review Assignment**

3853 Identification of the intended use is one of the assignment elements necessary to properly identify
 3854 the appraisal or appraisal review problem. Identification of the intended use helps the appraiser
 3855 and the client make two important decisions about the assignment:

- 3856 • the appropriate scope of work for the appraisal or appraisal review development process;
- 3857 and
- 3858 • the level of detail to provide in the appraisal or appraisal review report.

3859 **Disclosure of the Intended Use in an Appraisal or Appraisal Review Report**

3860 An appraiser can avoid misleading parties in possession of an appraisal or appraisal review report
 3861 by clearly identifying the intended use in the report and stating that other uses are not intended.
 3862 For example, a statement similar to the following may be appropriate:

3863 *This report is intended only for use in (state the use). This report is not intended for any*
 3864 *other use.*

3865 The intended use description provided in the statement must be specific to the assignment. Each
 3866 of the following assignments involves the same subject property and the same type and definition
 3867 of value. What changes are the intended use and intended users.

3868 **Illustrations:**

- 3869 1. A homeowner calls an appraiser and asks for an appraisal of the owner’s home. The owner
 3870 wants to determine how much equity is in the property. The owner is content to know the
 3871 market value of his home in the form of a range of value. He does not want to pay for a
 3872 written report or the time involved in a property inspection. The owner does not intend to
 3873 give the appraisal to the lender because the owner knows the lender will order a new appraisal
 3874 when a loan application is submitted.
- 3875 2. The next week a lender calls the appraiser for a “drive-by appraisal” on the same property in
 3876 connection with a home equity loan. The lender is happy with the owner’s credit rating and
 3877 plans to keep the loan in their portfolio. The lender sees very little risk in the transaction and
 3878 seeks the appraiser’s opinion of the property’s market value based on an exterior inspection
 3879 only.
- 3880 3. Several months later an attorney for the wife asks the appraiser for an appraisal on the same
 3881 property because the owners are getting a divorce. The attorney needs the appraiser to
 3882 conduct a thorough inspection of the home and to provide an in-depth study of the sales of
 3883 comparable homes in the market area making sure to verify the sales information with the
 3884 buyers, real estate agents and the county recorder’s office. The attorney wants the appraiser’s
 3885 report to contain a complete and exhaustive description of the subject property, the
 3886 comparable sales, and of the analysis leading to the appraiser’s opinion.

3887 **What is the impact of the different intended users on the scope of work in the three**
 3888 **assignments?**

3889 In the first assignment, the client was the only intended user. In the second assignment, the lending
 3890 institution that engaged the appraiser may not be the only intended user. In the third assignment,
 3891 the attorney is the intended user. In the third assignment the intended use entails scrutiny of the
 3892 report by the court and/or opposing counsel. When additional intended users are identified, the
 3893 scope of work may increase. This is because the assignment results typically need to satisfy more
 3894 objectives as the number of intended users increase.

3895 **What is the impact of the different intended use on the scope of work in the three**
 3896 **assignments?**

3897 The objective of the appraisal in the first assignment was to establish a range of value so the owner
 3898 could resolve a question about his equity. The owner was only interested in the appraiser’s opinion
 3899 and had no intention of reviewing the evidence or reasoning used to support the appraiser’s
 3900 opinion. In this case, the appraiser could develop an opinion of value without a property inspection,
 3901 relying on an interview with the owner, assessment records, or other data to identify the property’s

3902 relevant characteristics. Without personal inspection by the appraiser, however, such information
 3903 is assumed to be correct. Because some of these assumptions will have a significant effect on the
 3904 assignment results, the assignment will involve the use of extraordinary assumptions and require
 3905 proper disclosure.

3906 In the second assignment, the intended use requires a property inspection by the appraiser to gather
 3907 some key information, though it also permits assumptions with respect to interior components of
 3908 the subject property. The development process in this assignment is likely to be expanded by the
 3909 lender’s appraisal guidelines as well.

3910 In the third assignment, the intended use requires a higher degree of inspection of the subject
 3911 property and a more thorough verification and analysis of the comparable sales. The information
 3912 gathered during these investigations may affect the analysis and may extend the development
 3913 process beyond what is required in the other assignments.

3914 **PERSONAL PROPERTY AND INTANGIBLE PROPERTY**

3915 Changing the above illustrations’ subject property from real property to an item or group of items
 3916 of personal property (artwork, machinery, jewelry, etc.) or an interest in a business would not
 3917 change the assignment’s results, i.e., the impact of the different intended use and different intended
 3918 users on the scope of work would still be the same, with possible differences of discipline-specific
 3919 terminology. Therefore, Illustration #1 would involve an owner of the property seeking a range of
 3920 value for the owner’s own knowledge. Illustration #2 would involve some form of loan against the
 3921 property, but at an amount that did not exceed some percentage of the value. Illustration #3 would
 3922 involve a lawsuit in which the value of the property, or the value of the owner’s interest in the
 3923 business, is an important issue.

3924 Illustration Conclusions

3925 There are two important points to be made here. First, the needs of the client and other intended
 3926 users established the type of information and analysis required in the development and reporting
 3927 process. Second, the intended use provided the context for the depth of the analysis required in
 3928 development and the level of detail required in reporting.

3929 **SUMMARY:**

- 3930 • An appraiser must identify the client and other intended users as part of the process
 3931 of identifying the intended use of an appraisal or appraisal review report, based on
 3932 communication with the client.
- 3933 • Identification of the intended use and intended users are necessary steps in
 3934 determining the appropriate scope of work.
- 3935 • Whether or not assignment results are credible is measured in the context of the
 3936 intended use of the opinions and conclusions.
- 3937 • An appraiser should use care when identifying the client to avoid violations of the
 3938 Confidentiality section of the ETHICS RULE.
- 3939 • The appraiser’s obligations to the client are established in the course of considering
 3940 and accepting an engagement.
- 3941 • The appraiser’s obligation to intended users other than the client is limited to
 3942 addressing their requirements as identified by the appraiser at the time of the
 3943 assignment.

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- Appraisers can avoid misleading parties in possession of a report by clearly identifying the intended use and any intended users in the report and stating that other uses and/or users are not intended.
 - Except when specifically requested not to do so as part of the agreement with the client, an appraiser must disclose the identity of the client in the report.
 - If the client’s identity is withheld from a report, the appraiser must (1) document the identity of the client in the workfile, and (2) provide a notice in the appraisal report that the identity of the client has been omitted in accordance with the client’s request.
 - The report must state the intended use of the appraisal or appraisal review.
 - The report and must state the identity of the intended users by name or type in an Appraisal Report, or in a Restricted Appraisal Report only by name.

Section 13: ADVISORY OPINION 38, *Content of an Appraisal Report and Restricted Appraisal Report*

RATIONALE

If the proposed revisions to STANDARDS 2, 8 and 10 in the Fourth Exposure Draft are adopted, the ASB will retire Advisory Opinion 11, *Contents of the Appraisal Report Options of Standards 2-2, 8-2, and 10-2*, and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards 2- 2, 8-2, and 10-2*. This new Advisory Opinion 38 is being proposed to help answer questions about the responsibilities of the appraiser related to USPAP reporting requirements in STANDARDS 2, 8, and 10.

Comments to the ASB about the proposed changes to reporting requirements have led to significant changes in these proposals. Therefore the content of this Advisory Opinion has also been changed to correspond with the reporting requirements that are currently being proposed.

Since all of the content of this proposed Advisory Opinion is new, the text is not shown in the strikethrough and underline format used in the balance of this document.

3956 **ADVISORY OPINION 38 (AO-38)**

3957 *This communication by the Appraisal Standards Board (ASB) does not establish new standards or*
 3958 *interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
 3959 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
 3960 *appraisal issues and problems.*

3961 **SUBJECT: Content of an Appraisal Report and Restricted Appraisal Report**

3962 **APPLICATION: Real Property, Personal Property, Intangible Property**

3963 **THE ISSUE:**

3964 Standards Rules 2-2, 8-2, and 10-2 contain the minimum content requirements for an Appraisal
 3965 Report and for a Restricted Appraisal Report.

3966 This Advisory Opinion addresses the following questions about the required content of a report.

- 3967 • Since USPAP allows flexibility in reporting assignment results, does this mean that for
 3968 some assignments an appraiser is permitted to be less thorough in *developing* an appraisal?
- 3969 • If there are only two written reporting options (Appraisal Report and Restricted Appraisal
 3970 Report), does this mean that USPAP allows only two ways to report an appraisal?
- 3971 • Does USPAP require appraisal reports to have a specific label?
- 3972 • Under what conditions does USPAP permit a Restricted Appraisal Report?
- 3973 • When may it be appropriate to issue a Restricted Appraisal Report?
- 3974 • What are the differences between the required content of an Appraisal Report and
 3975 Restricted Appraisal Report?

- 3976 • What is an example of the difference between “state” and “summarize” in the context of a
- 3977 real property Appraisal Report?
- 3978 • How must the appraiser disclose restrictions on the use of a Restricted Appraisal Report?
- 3979 • When might an appraiser need to exceed the minimum requirements for an Appraisal
- 3980 Report or Restricted Appraisal Report?
- 3981 • Is it permitted to issue an Appraisal Report if an appraiser exceeds some of the minimum
- 3982 reporting requirements for a Restricted Appraisal Report but does not meet all of the
- 3983 requirements for an Appraisal Report?
- 3984 • Is the appraiser required to make workfile retrieval arrangements with the client?
- 3985 • What if the report is sufficient for the needs of the client, but a reviewer requests more
- 3986 information from the workfile?
- 3987 • For oral reports, what is meant by *substantive matters*?

3988 **Relevant USPAP References**

3989 The term “state” is defined as:

3990 *to present in a report, without supporting rationale*

3991 The term “summarize” is defined as:

3992 *to present in a report, with supporting rationale*

3993 According to the SCOPE OF WORK RULE Disclosure Obligations:

3994 *The report must contain sufficient information to allow the client and other intended users*
 3995 *to understand the scope of work performed. The information disclosed must be appropriate*
 3996 *for the intended use of the assignment results.*

3997 According to the General Reporting Requirements in Standards Rules 2-1, 8-1, and 10-1, each
 3998 written or oral appraisal report must:

3999 *(a) clearly and accurately set forth the appraisal in a manner that will not be misleading;*

4000 *(b) contain sufficient information to enable the intended user(s) of the appraisal to*
 4001 *understand the report properly; and*

4002 *(c) clearly and accurately disclose all assumptions, extraordinary assumptions,*
 4003 *hypothetical conditions, and limiting conditions used in the assignment.*

4004 **ADVICE FROM THE ASB ON THE ISSUE:**

4005 **Since USPAP allows flexibility in reporting assignment results, does this mean that for some**
 4006 **assignments an appraiser is permitted to be less thorough in developing an appraisal?**

4007 STANDARDS 1, 7, and 9 set requirements for developing an appraisal. These *development*
 4008 requirements apply to all appraisals along with the ETHICS RULE, the RECORD KEEPING
 4009 RULE, the COMPETENCY RULE, the SCOPE OF WORK RULE, and the JURISDICTIONAL
 4010 EXCEPTION RULE. Thus, regardless of whether a *report* contains only the minimum contents,
 4011 the SCOPE OF WORK RULE still requires an appraiser to “determine and perform the scope of
 4012 work necessary to *develop* credible assignment results.”

4013 Since the development process for an appraisal is separate from the reporting process, the choice
 4014 of different reporting options does not affect the USPAP requirements for development. The
 4015 appraiser must comply with STANDARDS 1, 7, or 9 to *develop* credible assignment results,
 4016 regardless of the length or type of form or format used to *report* the appraisal.

4017 **If there are only two written reporting options (Appraisal Report and Restricted Appraisal**
 4018 **Report), does this mean that USPAP allows only two ways to report an appraisal?**

4019 No. USPAP sets minimum requirements but does not limit the ways in which opinions of value
 4020 may be reported. STANDARDS 2, 8 AND 10 state that “the substantive content of a report
 4021 determines its compliance.”

4022 **Does USPAP require appraisal reports to have a specific label?**

4023 Yes. However, Standards Rules 2-2, 8-2, and 10-2 explicitly permit an appraiser to use other labels
 4024 *in addition to* "Appraisal Report" and "Restricted Appraisal Report." It is not required that either
 4025 "Appraisal Report" or "Restricted Appraisal Report" be the only label.

4026 **Under what conditions does USPAP permit a Restricted Appraisal Report?**

4027 According to Standards Rules 2-2(b), 8-2(b), and 10-2(b) “A Restricted Appraisal Report may be
 4028 provided when the client is the only intended user; or, when additional intended users are identified
 4029 by name.” For a Restricted Appraisal Report, other intended users are permitted only if they are
 4030 identified by name in the report.

4031 **When may it be appropriate to issue a Restricted Appraisal Report?**

4032 According to Standards Rules 2-2(b), 8-2(b), and 10-2(b), the content of a Restricted Appraisal
 4033 Report must be “appropriate for its intended use.” Thus it is not appropriate to issue a Restricted
 4034 Appraisal Report solely because the client is the only intended user.

4035 Further, an appraiser should carefully consider the obligation for a report to “contain sufficient
 4036 information to enable the intended user(s) of the appraisal to understand the report properly” when
 4037 considering whether it is appropriate to have other intended users.

4038 It may be appropriate to issue a Restricted Appraisal Report if:

- 4039 • the client understands the limited utility of this option;
- 4040 • the intended use of the appraisal is appropriate for a report which may not contain
 4041 supporting rationale for the all of the opinions and conclusions set forth in the report; and
- 4042 • the client (and, if applicable, named other intended users) do not need the level of
 4043 information required in an Appraisal Report.

4044 Some examples of situations in which a Restricted Appraisal Report may be appropriate are:

- 4045 • The intended use is consultation for acquisition or disposition by a collector who is
 4046 knowledgeable about the subject property.
- 4047 • A real property owner wants to know the market value of their property, but does not need
 4048 to know details as to how the appraiser arrived at that conclusion.
- 4049 • A business orders a yearly or quarterly appraisal of property that the appraiser has
 4050 appraised many times in the past.
- 4051 • The appraisal is for a preliminary hearing to dispute property taxes at the assessor’s office.

- 4052 • The valuation service is limited to simple classifications such as “the highest and best use
 4053 is as-is, the overall condition is good, and the single-family home conforms to its
 4054 neighborhood.”

4055 **What are the differences between the required content of an Appraisal Report and**
 4056 **Restricted Appraisal Report?**

4057 The comparison chart below shows the required contents of an Appraisal Report and Restricted
 4058 Appraisal Report in Standards Rule 2-2. The requirements in Standards Rules 8-2 and 10-2 are
 4059 similar. In most cases the difference between an Appraisal Report and Restricted Appraisal Report
 4060 is whether the information must be summarized or whether it may be stated. Bold type is used to
 4061 highlight some of the other differences.

Appraisal Report	Restricted Appraisal Report
(i) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client’s request;	(i) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client’s request;
(ii) state the identity of any other intended users by name or type ;	(ii) state the identity of any other intended user(s) by name ;
n/a	(iii) clearly and conspicuously state a restriction that limits use of the report to the client and the named intended user(s);
n/a	(iv) clearly and conspicuously warn that the report may not contain supporting rationale for the all of the opinions and conclusions set forth in the report
(iii) state the intended use of the appraisal;	(v) state the intended use of the appraisal;
(iv) contain information, documents, and/or exhibits sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment	(vi) state information sufficient to identify the real estate involved in the appraisal;
(v) state the real property interest appraised;	(vii) state the real property interest appraised;
(vi) state the type and definition of value and cite the source of the definition;	(viii) state the type of value and cite the source of its definition;

<p>(vii) state the effective date of the appraisal and the date of the report;</p>	<p>(ix) state the effective date of the appraisal and the date of the report;</p>
<p>(viii) summarize the scope of work used to develop the appraisal</p>	<p>(x) state the scope of work used to develop the appraisal</p>
<p>(ix) summarize the extent of any significant real property appraisal assistance;</p>	<p>(xi) state the extent of any significant real property appraisal assistance;</p>
<p>(x) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 by:</p> <p>i. summarizing the appraisal methods and techniques employed</p> <p>ii. stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;</p> <p>iii. summarizing the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standards Rule 1-5; and</p> <p>iv. stating the value opinion(s) and conclusion(s); and</p> <p>v. summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches.</p>	<p>(xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 by:</p> <p>i. stating the appraisal methods and techniques employed</p> <p>ii. stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;</p> <p>iii. summarizing the results of analyzing the subject sales, agreements of sale, options, and listings in accordance with Standards Rule 1-5; and</p> <p>iv. stating the value opinion(s) and conclusion(s).</p> <p style="padding-left: 40px;"><u>Comment:</u> An appraiser must maintain a workfile that includes sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 and for the appraiser to produce an Appraisal Report.</p>
<p>(xi) state the use of the real estate existing as of the effective date and the use of the real estate reflected in the appraisal;</p>	<p>(xiii) state the use of the real estate existing as of the effective date and the use of the real estate reflected in the appraisal;</p>
<p>(xii) when an opinion of highest and best use was developed by the appraiser, state that opinion and summarize the support and rationale for that opinion;</p>	<p>(xiv) when an opinion of highest and best use was developed by the appraiser, state that opinion;</p>

4062 **What is an example of the difference between “state” and “summarize” in the context of a**
 4063 **real property Appraisal Report?**

4064 The following presentations of the zoning section of a commercial appraisal report are used to
 4065 exemplify the content differences in the two appraisal report options. These examples show a
 4066 relative illustration of depth and detail of presentation and are not intended to characterize the
 4067 format for an entire appraisal report. The examples are not intended to imply that information on
 4068 zoning is necessary in all appraisal reports. Furthermore, an appraiser may need to provide
 4069 additional information in the valuation of a complex property wherein the issues of what is
 4070 physically possible, legally permissible, financially feasible, and maximally productive are
 4071 explored in much greater detail, to enable the client and intended users to understand the report
 4072 properly.

4073 Example of “summarize” - zoning

4074 *The General Business B-4 zoning classification applies. Its purpose is to encourage local*
 4075 *commercial development of banking facilities, retail stores, and service establishments*
 4076 *along arterial streets on minimum lots of 10,000 sq. ft. with a width of 100 feet. Building*
 4077 *coverage is limited to 50% of the lot, and building height is limited to two stories or 20*
 4078 *feet. John N. Forcer of the Anytown planning and zoning office indicates that the existing*
 4079 *use and subject improvements conform.*

4080 Example of “state” - zoning

4081 *General Business, B-4; existing use and subject improvements conform.*

4082 The purpose of the above examples is to show one view of the differences between the application
 4083 of the terms “summarize” and “state.” The examples should not be extended beyond this Advisory
 4084 Opinion to every section of an appraisal report.

4085 **How must the appraiser disclose restrictions on the use of a Restricted Appraisal Report?**

4086 Standards Rules 2-2(b), 8-2(b) and 10-2(b) state that restrictions on the use of a Restricted
 4087 Appraisal Report must be disclosed clearly and conspicuously:

4088 *... clearly and conspicuously state a restriction that limits use of the report to the client*
 4089 *and the named intended user(s);*

4090 *... clearly and conspicuously warn that the report may not contain supporting rationale*
 4091 *for all of the opinions and conclusions set forth in the report.*

4092 **When might an appraiser need to exceed the minimum requirements for an Appraisal**
 4093 **Report or Restricted Appraisal Report?**

4094 USPAP does not prescribe a one-size-fits-all level of information regardless of the required
 4095 minimum contents of a report. An appraiser will need to exercise judgment and may need to exceed
 4096 the minimum requirements to ensure that a report is meaningful and not misleading to the intended
 4097 user(s).

4098 The minimum content requirements do not prohibit an appraiser from providing more extensive
 4099 explanation and background. In some cases, for example, if a client is not a knowledgeable user
 4100 of valuation services, an appraiser may need to exceed the requirements in order to ensure that an

4101 Appraisal Report is meaningful and not misleading to the intended user(s). In other cases, the
 4102 intended use of an appraisal may require an appraiser to exceed the minimum report content
 4103 requirements.

4104 Some examples of intended uses when the appraiser might need to summarize information even if
 4105 USPAP only requires a statement are:

- 4106 • Charitable contribution for which IRS reporting requirements apply
- 4107 • Litigation matter
- 4108 • A financing transaction in the primary or secondary mortgage market, such as when VA,
 4109 FHA, or Fannie Mae report content requirements apply

4110 **Is it permitted to issue an Appraisal Report if an appraiser exceeds some the minimum**
 4111 **reporting requirements for a Restricted Appraisal Report but does not meet all of the**
 4112 **requirements for an Appraisal Report?**

4113 No.

4114 **Is the appraiser required to make workfile retrieval arrangements with the client?**

4115 No. This is not required by USPAP. However, an appraiser may make these arrangements with a
 4116 client.

4117 **What if the report is sufficient for the needs of the client, but a reviewer requests more**
 4118 **information from the workfile?**

4119 As long as the client gives the appraiser approval to share assignment results with the reviewer,
 4120 USPAP neither requires nor prohibits sharing workfile information with a reviewer.

4121 **For oral reports, what is meant by *substantive matters*?**

4122 Standards Rules 2-4, 8-4, and 10-4 specify that an oral appraisal report must “to the extent that it
 4123 is both possible and appropriate” address the *substantive matters* set forth in Standards Rules 2-2,
 4124 8-2 and 10-2.

4125 The flexibility in this requirement reflects the varied circumstances in which oral appraisal reports
 4126 are delivered. The appraiser is expected to use judgment about which elements of Standards Rules
 4127 2-2, 8-2 and 10-2 are “substantive” or, as defined in the Merriam-Webster dictionary, “matters of
 4128 major or practical importance to all concerned.”

4129 In many cases it is critically important to state (and explain) the type and definition of value, but
 4130 it may not be necessary in an oral report to cite the source of the definition. Similarly, it may be
 4131 very important to summarize information sufficient to identify the property involved in the
 4132 appraisal, but it may not be necessary in every oral presentation to state the property interest
 4133 appraised or to state the reasons for the exclusion of some approaches to value.

Section 14: Proposed Retirement of ADVISORY OPINION 4, *Standards Rule 1-5(b)*; ADVISORY OPINION 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*; and ADVISORY OPINION 12, *Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2*

RATIONALE

There have been no changes to the proposed retirements of these Advisory Opinions as described in the prior Exposure Drafts of Proposed Changes to USPAP and the Advisory Opinions.

ADVISORY OPINION 4

SUBJECT: Standards Rule 1-5(b)

The ASB proposes to retire Advisory Opinion 4 on the applicability of SR 1-5(b) to the analysis of foreclosure sales or transfers of title in lieu of foreclosure. The content of this Advisory Opinion was very timely when originally adopted by the ASB. However, the content of the Advisory Opinion is very narrowly-focused and the guidance exists in the USPAP Frequently Asked Questions.

ADVISORY OPINION 11

SUBJECT: Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2

If the proposed changes to Standards Rules 2-2, 8-2, and 10-2 in this Third Exposure Draft are adopted, AO-11 will be retired and replaced with the proposed new **Advisory Opinion 38, *Content of an Appraisal Report***.

ADVISORY OPINION 12

SUBJECT: Use of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2

If the proposed changes to Standards Rules 2-2, 8-2, and 10-2 in this Third Exposure Draft are adopted, AO-12 will be retired and replaced with the proposed new **Advisory Opinion 38, *Content of an Appraisal Report***.