



THE APPRAISAL FOUNDATION
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APPRAISAL STANDARDS BOARD

TO: All Interested Parties

FROM: J. Carl Schultz, Jr., Chair
Appraisal Standards Board

RE: **Third Exposure Draft of Proposed Changes for the 2014-15 Edition of the
*Uniform Standards of Professional Appraisal Practice***

DATE: November 30, 2012

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 enforcement, and thereby achieve the goal of promoting and maintaining public trust in appraisal practice.

The ASB is currently considering changes for the 2014-15 edition of USPAP. **All interested parties are encouraged to comment in writing to the ASB before the deadline of January 25, 2013.** Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited at the ASB public meeting on February 1, 2013 in San Francisco, California.

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

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The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: ASBComments@appraisalfoundation.org

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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 Emily Mann, Standards Administrator at The Appraisal Foundation, via e-mail at emily@appraisalfoundation.org or by calling (202) 624-3058.

Background

The Appraisal Standards Board promulgates USPAP for both appraisers and users of appraisal services. The purpose 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. USPAP represents the generally accepted and recognized standards of appraisal practice in the United States.

The ASB's work plan for the 2014-15 edition of USPAP includes reviewing and revising as needed the following areas of USPAP:

- Reporting and Communication Requirements
- Reporting Options
- Retirement of STANDARDS 4 and 5
- Other revisions and additions as needed to ensure clarity and relevance.

The Board currently intends to adopt any revisions for the 2014-15 edition of USPAP at its public meeting in San Francisco on February 1, 2013. Any such revisions would become effective on January 1, 2014, and any updates related to USPAP course material should be available by late summer 2013.

**Third Exposure Draft of Proposed Changes for the
2014-15 Edition of the *Uniform Standards of Professional Appraisal Practice***

Issued: November 30, 2012

Comment Deadline: January 25, 2013

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 ~~strikeout~~. For example: ~~This is ~~strikeout~~ 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.

NOTE: For the sake of clarity, in Sections 2 through 9, the proposed edits are shown based on the assumption that STANDARDS 4 and 5 will be retired as presented in Section 1. If that proposed change is not adopted, additional edits will be necessary.

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Section 1: Proposed Retirement of STANDARDS 4 and 5 (including revisions and additional Illustrations proposed for Advisory Opinion 21)

RATIONALE

Out of concern regarding the clarity, understandability, and enforceability of USPAP, respondents have offered a wide array of areas for examination, one of which includes STANDARDS 4 and 5. These two Standards address Real Property Appraisal Consulting Development and Reporting. The purpose of an assignment under STANDARDS 4 and 5 is to develop, without advocacy, an analysis, recommendation, or opinion where at least one opinion of value is a component of the analysis leading to the assignment results.

As in the First and Second Exposure Drafts, the ASB continues to propose the retirement of STANDARDS 4 and 5 for the 2014-15 edition of USPAP.

The ASB has requested comments for several years regarding the possible retirement of STANDARDS 4 and 5. In the past, there have been a few respondents that noted possible unintended consequences if STANDARDS 4 and 5 were retired. These concerns have been examined and additional Illustrations are being proposed as discussed below to address those concerns.

The impact of retiring STANDARDS 4 and 5 would be that any additional opinions or recommendations included within appraisal or appraisal review assignments will still be subject to the ETHICS RULE, the COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE. Effectively, most assignments that are currently appraisal consulting would become either appraisal or appraisal review assignments with additional components. Those additional components remain a part of appraisal practice. This is consistent with the way in which appraisal consulting in personal property and business appraisal assignments are currently treated under USPAP.

With the proposed retirement of STANDARDS 4 and 5, the term and definition of “Appraisal Consulting” would be deleted and corresponding edits made throughout the USPAP publication for the 2014-15 edition. STANDARDS 6 through 10 will not be renumbered.

To assist in demonstrating the impact of the retirement of STANDARDS 4 and 5, the proposed edits to Advisory Opinion 21, *USPAP Compliance*, are shown in this exposure draft. These edits included the elimination of references to appraisal consulting and the addition of Illustrations 5a, 5b, and 5c. In response to comments received regarding these illustrations, an additional illustration (Illustration 5d) is being proposed in this Third Exposure Draft.

ADVISORY OPINION 21 (AO-21)

1 *This communication by the Appraisal Standards Board (ASB) does not establish new standards*
2 *or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
3 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
4 *appraisal issues and problems.*

5 **SUBJECT: USPAP Compliance**

6 **APPLICATION: Real Property, Personal Property, Intangible Property**

7 **THE ISSUE:**

8 Individuals perform numerous roles within the broad realm of valuation services. Examples
9 include appraisal, brokerage, auctioning, property management, advocate consulting, appraisal
10 ~~review~~ ~~consulting~~ and collecting market data. Some valuation services are part of appraisal
11 practice and require compliance with USPAP. What are the USPAP compliance requirements
12 for these various services? More specifically:

- 13 1. When should an individual comply with USPAP?
- 14 2. What is the relationship between Valuation Services and Appraisal Practice?
- 15 3. What does acting “as an appraiser” or performing a service “as an appraiser” mean?
- 16 4. Why does an expectation for an individual to act as an appraiser indicate an
17 obligation to comply with USPAP?
- 18 5. What are the responsibilities of an appraiser regarding intended user expectations?
- 19 6. What are the USPAP obligations for appraisal practice outside of appraisal, and
20 appraisal review, and appraisal consulting?
- 21 7. What are the USPAP obligations for valuation services outside of appraisal practice?

22 **ADVICE FROM THE ASB ON THE ISSUE:**

23 **1. When should an individual comply with USPAP?**

24 The PREAMBLE states that *compliance with USPAP is required when either the service or the*
25 *appraiser is obligated to comply by law or regulation, or by agreement with the client or*
26 *intended users. An obligation to comply with USPAP is created by law, regulation, or agreement*
27 *with intended users.¹ In such cases an appraiser must follow USPAP. The PREAMBLE also*
28 *states that when not obligated, individuals may still choose to comply with USPAP. The*
29 *ETHICS RULE states that an individual should comply any time that individual represents that*
30 *he or she is performing the service as an appraiser.² An ethical obligation to comply with*
31 *USPAP is created by choice, that is, by choosing to represent one’s self as an appraiser.*

1 USPAP gains legal authority through adoption by the various state and federal jurisdictions. Consequently, the legal requirement to follow USPAP is rooted in federal and state laws or regulations.

2 The PREAMBLE states that the appraiser’s responsibility is to protect the overall public trust and it is the importance of the role of the appraiser that places ethical obligations on those who serve in this capacity. However, the PREAMBLE also states that USPAP does not establish who or which assignments must comply. Neither The Appraisal Foundation nor its Appraisal Standards Board is a government entity with the power to make, judge, or enforce law.

32 Therefore,

- 33 • When required by law, regulation, or agreement, an individual must comply with
34 USPAP.
- 35 • When choosing to represent oneself as an appraiser, an individual should comply with
36 USPAP.

37 **2. What is the relationship between Valuation Services and Appraisal Practice?**

38 A key to distinguishing an appraiser’s obligations is understanding the relationship between
39 “valuation services” and “appraisal practice” in USPAP. Appraisal practice is a subset of
40 valuation services.

41 “Valuation services” are *services pertaining to aspects of property value*. Appraisers and others
42 for whom value is an issue provide valuation services. Examples include appraisal, brokerage,
43 auctioning, property management, advocate consulting, appraisal review—~~consulting~~ and
44 collecting market data.

45 “Appraisal practice” is defined as *valuation services performed by an individual acting as an*
46 *appraiser*. Only appraisers may offer services that are considered appraisal practice. Examples
47 include appraisal, ~~appraisal consulting~~, appraisal review and collecting market data (acting as an
48 appraiser).

49 Since USPAP obligations apply to those who are acting as appraisers, USPAP applies to
50 appraisal practice.

51 **3. What does acting “as an appraiser” or performing a service “as an appraiser” mean?**

52 An “appraiser” is defined as *one who is expected to perform valuation services **competently and***
53 *in a manner that is **independent, impartial, and objective*** (bold added for emphasis). Therefore,
54 an individual “acting as an appraiser” is expected, in part, to be competent in the service being
55 provided. Also, an individual “acting as an appraiser” is expected to provide the service in a
56 manner that is independent, impartial, and objective. Performing a service in a manner that is
57 independent, impartial, and objective is an ethical requirement within USPAP.

58 “Acting as an appraiser” means representing oneself as an appraiser. Many individuals have
59 other professional roles in addition to their appraiser role. For example, some appraisers are also
60 brokers, consultants, or leasing agents. Individuals who have appraiser roles as well as other
61 professional roles must be careful to explain their role in performing a given valuation service
62 (see question #7 below).

63 Law, regulation, agreement, or representation (choice) each prescribes when a valuation service
64 is to be provided by an appraiser as part of appraisal practice. Emphasizing another portion of the
65 definition of an “appraiser” is *one who is **expected to perform valuation services competently***
66 *and in a manner that is **independent, impartial, and objective*** (bold added for emphasis). The
67 Comment to the definition goes on to state that the *expectation* (for ethical and competent

68 performance) *occurs when individuals, either by choice or by requirement... represent that they*
69 *comply.* Expectation is the crucial element in determining when one is acting as an appraiser.

70 **4. Why does an expectation for an individual to act as an appraiser indicate an obligation**
71 **to comply with USPAP?**

72 Public trust requires that when an individual is expected to perform with the ethics and
73 competency of an appraiser, he or she will do so. An individual who agrees to perform a
74 valuation service as an appraiser has a duty to comply with the ethics and competency that the
75 public expects from an appraiser. This obligates the individual to comply with USPAP in
76 performing the service.

77 The definition of an appraiser in conjunction with the need for public trust establishes the
78 “expectation” as the basis for the obligation to comply with USPAP.

79 Intended user expectations for valuation services performed in compliance with USPAP are
80 created when an individual represents that he or she is acting as an appraiser in a service. For
81 example, these expectations can arise when an individual advertises or solicits as an appraiser
82 (such as telephone listings, professional directories, business cards, stationery, or office signage),
83 holds appraiser accreditation from a licensing agency, or maintains membership in a professional
84 appraiser organization. An individual’s identification as an appraiser in a given valuation service
85 establishes a justifiable expectation that the valuation service will be performed in compliance
86 with USPAP.

87 In summary, expectation is the basis for determining when an individual providing a valuation
88 service is acting as an appraiser. Because of the need to preserve public trust and confidence in
89 appraisal practice, the expectations of the client and other intended users for ethical and
90 competent performance create an obligation to comply with USPAP.

91 **5. What are the responsibilities of an appraiser regarding intended user expectations?**

92 The appraiser has a professional responsibility to recognize the capacity in which he or she is
93 performing. The responsibility includes inquiry about, and recognition of, the intended users’
94 expectations. When an individual’s appraisal expertise and reputation for providing services
95 without bias induce the client or other intended users to select the individual to provide a
96 valuation service, there is a justifiable expectation that the valuation service will be performed in
97 compliance with USPAP.

98 When an individual who acts as an appraiser in some circumstances chooses to provide a
99 valuation service in some other capacity (i.e., not as an appraiser and outside of appraisal
100 practice), he or she must not represent himself or herself to be acting in the capacity of an
101 appraiser. Since choice is an instrument to create USPAP obligations it follows that when an
102 individual has an opportunity to choose the capacity in which he or she will provide a valuation
103 service, he or she is free to provide the valuation service as an appraiser or in some other
104 capacity. However, an individual who is recognized as an appraiser must use great care not to
105 violate the public trust.

106 **6. What are the USPAP compliance obligations for appraisal practice outside of appraisal**
107 **and appraisal review, and appraisal consulting?**

108 Within appraisal practice, there are some assignments that are addressed by the Standards (i.e.,
109 STANDARDS 1 through 10). The Standards describe the requirements for appraisal; or appraisal
110 review; ~~or appraisal consulting~~ assignments.

111 However, STANDARDS 1 through 10 do not apply in the performance of all appraisal practice
112 services. Examples include assignments (performed as an appraiser) to teach appraisal courses,
113 provide sales data, collect market data, analyze specific elements of value (e.g., reproduction cost
114 or functional utility), and develop educational texts. As defined in USPAP, assignments are
115 performed by an individual acting as an appraiser. Therefore, all assignments fall within
116 appraisal practice.

117 ~~Assignments to which STANDARDS 1 through 10 do not apply must still comply with the~~
118 ~~portions of USPAP that apply generally to appraisal practice. These include t~~The
119 DEFINITIONS, the PREAMBLE, the ETHICS RULE, the COMPETENCY RULE, and the
120 JURISDICTIONAL EXCEPTION RULE apply generally to all appraisal practice. As a result,
121 ~~such assignments to which STANDARDS 1 through 10 do not apply~~ must be provided without
122 bias or accommodation of personal interest by competent appraisers.

123 The RECORD KEEPING RULE applies to appraisal; and appraisal review; ~~and appraisal~~
124 ~~consulting~~ assignments (i.e., STANDARDS 1 through 10). For other assignments, there are no
125 workfile or record keeping requirements in USPAP. The SCOPE OF WORK RULE also applies
126 only to appraisal; and appraisal review; ~~and appraisal consulting~~ assignments.

127 Some assignments may include appraisal or appraisal review as well as other analyses that lead
128 to additional opinions or recommendations. In these assignments, the appraiser must comply
129 with the USPAP requirements that apply to appraisal or appraisal review in the appraisal or
130 appraisal review portion of the assignment and, at a minimum comply with the ETHICS RULE,
131 the COMPETENCY RULE and the JURISDICTIONAL EXCEPTION RULE for the rest of the
132 assignment.

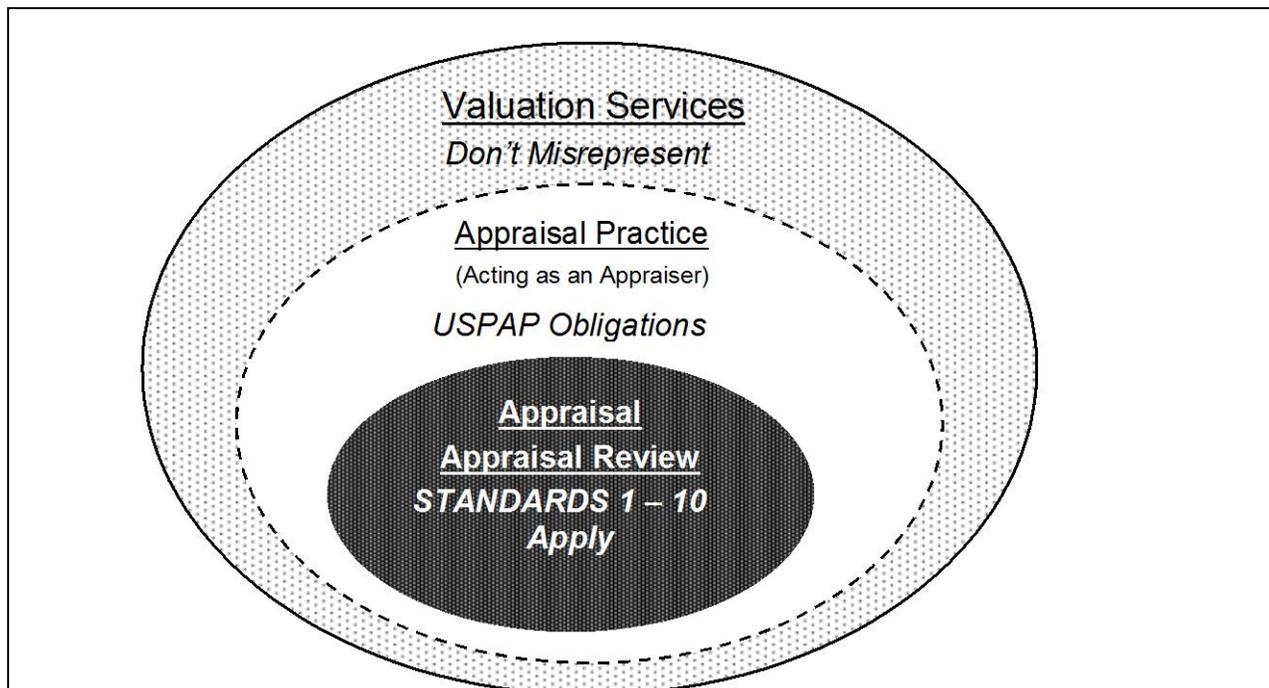
133 **7. What are the USPAP obligations for valuation services outside of appraisal practice?**

134 As previously stated, many individuals have other professional roles in addition to their appraiser
135 role. For example, some appraisers are also attorneys, accountants, brokers, or consultants.
136 USPAP also places an obligation on an individual who sometimes acts as an appraiser even
137 when he or she provides a valuation service in some other capacity – that obligation being not to
138 mislead the users of the valuation service about the capacity in which he or she is acting. The
139 ETHICS RULE states that *an appraiser must not misrepresent his or her role when providing*
140 *valuation services that are outside of appraisal practice*. If a valuation service is premised on
141 advocacy or compensation arrangements that are contrary to the ETHICS RULE, the valuation
142 service is not consistent with the objectives of USPAP and cannot be performed by the
143 individual acting as an appraiser.

144 An individual who sometimes provides services as an appraiser, but who is currently acting in
145 another role, must ensure that intended users are not misled as to the individual's role in
146 providing that valuation service. This can be accomplished through such means as disclosure,
147 notification, or careful distinction when providing the valuation service as to the individual's
148 role. Additionally, clear representation of the valuation services to be rendered in the
149 engagement communication, scope of work description, or contract, as well as in written and oral
150 correspondence with the client should assist in ensuring intended users are not misled.

151 **Relationships and Application**

152 The relationship between valuation services and appraisal practice can be illustrated as follows:



153 Valuation Services (large light-shaded oval): When providing valuation services, the obligation
154 for an individual recognized in some circumstances as an appraiser is not to misrepresent his or
155 her role.

156 Appraisal Practice (dotted-line oval): Within valuation services is appraisal practice (i.e.,
157 valuation services provided by an individual acting as an appraiser). All services performed as
158 part of appraisal practice must comply with USPAP. The portions of USPAP that apply generally
159 to appraisal practice include the DEFINITIONS, the PREAMBLE, ~~the Conduct, Management,~~
160 ~~and Confidentiality~~ sections of the ETHICS RULE, the COMPETENCY RULE, and the
161 JURISDICTIONAL EXCEPTION RULE.

162 Appraisal and Appraisal Review, ~~Appraisal Consulting~~ (dark-shaded oval within Appraisal
163 Practice oval): Within appraisal practice, there are requirements that apply to developing and
164 communicating appraisal, ~~or appraisal review, or appraisal consulting~~ assignments in addition to
165 those that apply to all appraisal practice. These requirements are described by STANDARDS 1 –
166 10, the SCOPE OF WORK RULE, and the RECORD KEEPING RULE.

VALUATION SERVICES			
	Other Roles (e.g., brokerage, property management)	Appraisal Practice	
		Other Services	Appraisal, <u>and</u> Appraisal Review & Appraisal Consulting
Pertains to aspects of value	√	√	√
Performed by individual acting as an appraiser		√	√
Obligation to comply with USPAP		√	√
Performance and reporting requirements (the STANDARDS)			√
Record keeping and workfile requirements			√

167 **Summary**

- 168 • An individual must comply with USPAP when required by law, regulation, or agreement.
- 169 • An individual should comply with USPAP when choosing to represent one’s self as an
170 appraiser.
- 171 • Appraisal practice is a subset of valuation services. Since USPAP obligations apply to those
172 who act as appraisers, USPAP applies to appraisal practice.
- 173 • The definition of appraiser and need for public trust establish the factor of “expectation” as
174 the basis for the obligation to comply with USPAP.
- 175 • An individual’s public identification as an appraiser establishes a justifiable expectation that
176 valuation services will be performed in compliance with USPAP. Because of the need to
177 preserve public trust and confidence in appraisal practice, the expectations of the client and
178 other intended users for ethical and competent performance create an obligation to comply
179 with USPAP.
- 180 • The appraiser has a professional responsibility to recognize the capacity in which he or she is
181 performing. The responsibility includes inquiry about, and recognition of, the client’s
182 expectations.
- 183 • When an individual has an opportunity to choose the capacity in which he or she will provide
184 a valuation service, he or she is free to provide the valuation service as an appraiser or in
185 some other capacity.
- 186 • An individual who is recognized as an appraiser must use great care not to violate the public
187 trust. An appraiser acting in another role must ensure that intended users are not misled as to
188 the individual’s role in providing that valuation service.

- 189 • USPAP also places an obligation on an appraiser even when he or she provides a valuation
190 service in some other capacity – that obligation being to not mislead the intended users of the
191 valuation service about the capacity in which he or she is acting.
- 192 • If a valuation service is premised on advocacy, or compensation arrangements that are
193 contrary to the ETHICS RULE, an individual acting as an appraiser cannot perform the
194 valuation service.
- 195 • Within appraisal practice, there are Standards that describe the requirements for developing
196 and communicating appraisal ~~or~~; appraisal review, ~~or appraisal consulting~~ assignments.
197 Appraisers who provide valuation services for which there are no Standards need to comply
198 with the portions of USPAP that apply generally to appraisal practice.
- 199 • The RECORD KEEPING RULE applies to appraisal, ~~or appraisal review, or appraisal~~
200 ~~consulting~~ assignments. For other assignments, there are no USPAP record keeping or
201 workfile requirements.
- 202 • The SCOPE OF WORK RULE applies only to appraisal; and appraisal review, ~~and appraisal~~
203 ~~consulting~~ assignments.

204 **Illustrations**

205 *Brokerage and Appraisal*

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

208 Answer: Many states’ brokerage and appraiser licensing laws have specific provisions for
209 appraisers who are also brokers. In the absence of such laws, USPAP provides flexibility
210 for brokers/appraisers and others who have multiple professional roles.

211 If providing the service as an agent or broker, USPAP requires only that an appraiser
212 must not misrepresent his or her role. In others words, if Robert was contacted by his
213 client because he is an agent or broker and signing his report as an agent or broker, then
214 Robert need not comply with USPAP except to not misrepresent his role. If Robert is
215 contacted by the client because he is known as an appraiser and is signing his report as an
216 appraiser, then USPAP applies.

217 *Appraisal Review*

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

223 Answer: The client has engaged Dan because of his identification as an appraiser; this
224 clearly creates an expectation by the client that the service will be provided in compliance
225 with USPAP. Therefore, this service is part of appraisal practice; *at a minimum* Dan must
226 comply with the portions of USPAP that apply generally to appraisal practice (i.e.,

227 DEFINITIONS, PREAMBLE, the ETHICS RULE, the COMPETENCY RULE, and the
228 JURISDICTIONAL EXCEPTION RULE.

229 Dan must next decide if compliance with STANDARD 3 is required. To do this, Dan
230 must consider the intended use, intended user, and type and definition of value for the
231 assignment. These factors are the basis of Dan's scope of work decision. If the
232 appropriate scope of work includes *developing or communicating an opinion about the*
233 *quality of another appraiser's work that was performed as part of an appraisal ;or*
234 *appraisal review;—or appraisal consulting assignment*, then that assignment is by
235 definition an appraisal review. The label placed on the service cannot support acting
236 outside of STANDARD 3. The client may call the assignment an “administrative
237 screening review,” but it is the extent of the service that defines it.³ Dan must decide,
238 based on the problem to be solved and scope of work, if the assignment is an *appraisal*
239 *review* as defined by USPAP. If the assignment is an *appraisal review*, then Dan must
240 comply with the development and reporting requirements of STANDARD 3.

241 There may be circumstances when Dan is not acting as an appraiser. If Dan acts in other
242 roles, say as a mortgage underwriter, then Dan may be in position to provide the
243 valuation service outside of appraisal practice. If Dan acts outside of appraisal practice,
244 he must ensure that he does not misrepresent his role and that the client and any other
245 intended users do not expect him to act as an appraiser.

246 *Rent Survey*

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

252 Answer: Mike should fully investigate the client's expectations before determining the
253 scope of work for this assignment. Does the client want only to know what rental rates
254 are being charged for other office buildings in the area? If so, this is likely a service for
255 which USPAP has no Standards (i.e., STANDARDS 1 and 2 when providing real
256 property appraisals). Mike would then be obligated to comply with the portions of
257 USPAP that apply generally to appraisal practice (i.e., DEFINITIONS, PREAMBLE, the
258 ETHICS RULE, the COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION
259 RULE). The development and reporting of the assignment results would be entirely at his
260 discretion, and a workfile would not be required.

261 However, if the client expects Mike to collect rental rate and lease term information and
262 to analyze them to conclude the market rental terms for the Acme Building, this is an
263 appraisal. This assignment is an appraisal because it includes a specific subject property
264 (i.e., the right to use space in the building) and the problem to be solved in the assignment
265 is a value opinion (i.e., the market rental terms for that space). The appraisal assignment
266 should then be completed in compliance with STANDARDS 1 and 2.

³ The Comment to the definition of appraisal practice states that the use of other nomenclature for an appraisal or appraisal review, ~~or appraisal consulting~~ assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to the *Uniform Standards of Professional Appraisal Practice*.

267 *Litigation Services*

268 4. Marie Vaughn has a diverse practice with a specialization in litigation services. She
269 commonly aids attorneys in developing cross-examination strategies for expert witness
270 testimony from appraisers. How does USPAP apply to Marie’s “litigation services?”

271 Answer: In order to determine Marie’s obligation, it is necessary to understand the nature
272 of her role. If she is acting as an appraiser, her litigation services are part of appraisal
273 practice and the ethics and competency requirements of USPAP apply. ~~Marie must~~
274 ~~comply, at a minimum, with the portions of USPAP that apply generally to appraisal~~
275 ~~practice. These include t~~ The DEFINITIONS, the PREAMBLE, the ETHICS RULE, the
276 COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE will apply to
277 the assignment. As an appraiser, Marie cannot act as an advocate for any party or issue.

278
279 If Marie’s services include providing an opinion of value, she must comply with the
280 appropriate appraisal standards (STANDARDS 1 and 2, 7 and 8, or 9 and 10). If Marie’s
281 services include providing an opinion about the quality of another appraiser’s work, the
282 appraisal review requirements of STANDARD 3 apply. If the service includes providing
283 analysis, recommendation, or an opinion to solve a ~~real property~~ problem where an
284 opinion of value is a component of the analysis leading to the assignment results, then
285 Marie must comply with the ETHICS RULE, the COMPETENCY RULE and the
286 JURISDICTIONAL EXCEPTION RULE for the entire assignment and she must also
287 comply with any applicable Rules and Standards if she performs an appraisal or appraisal
288 review as part of the assignment ~~adhere to the appraisal consulting requirements of~~
289 ~~STANDARDS 4 and 5.~~

290 On the other hand, if Marie provides litigation services as an advocate, then she is
291 providing a valuation service outside of appraisal practice. When performing services
292 outside of appraisal practice, Marie can act as an advocate and accept contingent
293 compensation. The only USPAP obligation is that she not misrepresent her role. She must
294 use care to distinguish her role from other roles that would carry an expectation of being
295 impartial, objective, and independent, i.e., acting as an appraiser.

296 Marie may provide litigation services by either acting as an appraiser **or** acting as an
297 advocate for the client’s cause; however, she must not perform both roles in the same
298 case.

299 Assignments with Services Other Than Appraisal or Appraisal Review

300 5a. Jane Doe, an appraiser, accepts an assignment to perform a feasibility analysis for a proposed
301 real estate subdivision. In order to complete the assignment, she develops prospective
302 market value opinions for the potential lots in the subdivision given several different possible
303 configurations. Each configuration may also have different absorption rates and/or
304 absorption periods. The objective of the assignment is to recommend the optimal
305 configuration. With which parts of USPAP must Jane comply in this assignment?

306 Answer: Jane must comply with the ETHICS RULE, the COMPETENCY RULE, and the
307 JURISDICTIONAL EXCEPTION RULE for the entire assignment.

308 Because the value opinions are appraisals, the SCOPE OF WORK RULE and the
309 RECORD KEEPING RULE apply to the appraisal portion of the assignment. In

310 addition, she must develop each value opinion in compliance with STANDARD 1 and
311 report the opinions in compliance with STANDARD 2.

312 5b. John Doe, an appraiser, accepts an assignment to advise a client regarding the feasibility of
313 replacing existing manufacturing equipment with newer, more efficient pieces. In order to
314 complete the assignment, he uses a liquidation value appraisal of the existing machinery.
315 That appraisal was prepared by another appraiser and reviewed by John. The objective of the
316 assignment is to recommend whether to replace the equipment now, or to wait. With which
317 parts of USPAP must John comply in this assignment?

318 Answer: John must comply with the ETHICS RULE, the COMPETENCY RULE, and
319 the JURISDICTIONAL EXCEPTION RULE for the entire assignment.

320 Since John is doing an appraisal review, the SCOPE OF WORK RULE and the RECORD
321 KEEPING RULE apply to the appraisal review portion of the assignment. He must also
322 develop and report the review opinion in compliance with STANDARD 3.

323 5c. Chris Filo is an appraiser who has an assignment to advise a corporation regarding a potential
324 stock offering. The corporate officers have provided Chris with an approximate value for the
325 existing stock. Chris has made the extraordinary assumption that the value provided is
326 credible and will use that value as part of the analysis before making final recommendations.
327 Which parts of USPAP apply to this assignment?

328 Answer: Chris must comply with the ETHICS RULE, the COMPETENCY RULE, and
329 the JURISDICTIONAL EXCEPTION RULE for this assignment.

330 Because this assignment does not include an appraisal or appraisal review, neither the
331 SCOPE OF WORK RULE nor the RECORD KEEPING RULE applies. In addition,
332 there are no Standards applicable to this assignment.

333 5d. Jane Doe is a real estate practitioner who offers a variety of services to her clients. She is a
334 licensed real estate broker and is also a certified appraiser. Jane has been asked by a client to
335 perform a service that is viewed by Jane and her client as a consulting service that relates to
336 value, but is to be undertaken by her in the role of a broker/consultant, not as an appraiser.
337 Which parts of USPAP apply to Jane in this assignment?

338 Answer: Individuals may fulfill different roles in different assignments. In general,
339 USPAP applies only when an individual is acting as an appraiser. As long as it is clear
340 that Jane is not performing as an appraiser, Jane's only obligation when acting as a
341 broker/consultant is stated in Conduct section of the ETHICS RULE, which states:

342 An appraiser:

343 must not misrepresent his or her role when providing valuation services that are
344 outside of appraisal practice;

Section 2: Proposed Revisions to the DEFINITION of “Assignment Results,” “Report,” and “Scope of Work”

NOTE: For the sake of clarity, in Sections 2 through 9, the proposed edits are shown based on the assumption that STANDARDS 4 and 5 will be retired as presented in Section 1. If that proposed change is not adopted, additional edits will be necessary.

RATIONALE

Assignment Results

In the First Exposure Draft the ASB proposed revising the current definition of “Assignment Results” in the DEFINITIONS section of USPAP. It was noted that the ASB had received numerous comments and requests for additional clarification of the meaning of the term “assignment results.” Assignment results as defined in USPAP is a key term. The ETHICS RULE requires the appraiser to act in good faith when communicating assignment results and prohibits the appraiser from disclosing assignment results to anyone other than the client, persons specifically authorized by the client, state appraiser regulatory agencies, third parties as authorized by due process of law, or a duly authorized professional peer review committee.

The ASB exposed two alternative definitions of assignment results in the First Exposure Draft. These alternatives were differentiated as a narrow and broad view of assignment results. In the narrow definition, assignment results consisted solely of the appraiser’s final opinions relative to a particular assignment. This would be the opinion of value in an appraisal assignment, or the appraiser's opinion as to the quality of work of another appraiser in an appraisal review assignment. In the broad definition, assignment results included the various opinions and conclusions developed and reported by the appraiser in the course of an assignment. The ASB received many comments regarding the definition of assignment results and both alternatives received support.

In the Second Exposure Draft, the ASB exposed only one definition of assignment results. This definition is similar to the current definition with some edits made to clarify that assignment results include opinions or conclusions and the assignment results are not specifically limited to the value conclusion in an appraisal assignment, or to the final opinion of the quality of another appraiser’s work in an appraisal review assignment. Written comments submitted by mail, email, and facsimile and oral testimony received at the ASB’s Public Meeting on October 12, 2012 in Washington, D.C. reiterated clarification of the existing definition is needed with most responding favorably to the revised definition.

In this Third Exposure Draft, the ASB continues to propose the revised definition exposed in the Second Exposure Draft for the 2014-15 edition of USPAP.

In an appraisal assignment, assignment results currently include more than just the appraiser’s opinion of value, as the appraiser is responsible not only for the opinion of value, but for the other opinions formed as part of an appraisal or appraisal review assignment. This accountability is important to the protection of public trust. Public trust is also enhanced by the requirement that assignment results cannot be disclosed except to the specific parties named in

the ETHICS RULE, in the same manner as confidential information. Treating assignment results solely as the opinion of value, or final opinion of another appraiser's quality of work, would eliminate the requirement that the appraiser not disclose information that has historically been considered as confidential.

Under both the current and the proposed definition of assignment results, the opinions and conclusions developed as part of an assignment are assignment results. For example, in a real estate appraisal where the objective is market value, an appraiser will develop opinions regarding market conditions, qualitative factors regarding the subject property, reasonable exposure time, highest and best use, indicated value by various approaches, and other factors in addition to the final value conclusion. The appraiser may also analyze and form opinions regarding listings, options, and pending and recent sales of the subject. All of these opinions and conclusions are developed as part of an assignment, and are assignment results.

The following DEFINITION shows the proposed changes made to the current USPAP definition of assignment results:

345 **ASSIGNMENT RESULTS:** An appraiser's opinions ~~and~~ or conclusions developed specific to
346 an assignment.

347 Comment: Assignment results include an appraiser's:

- 348 • opinions or conclusions developed in an appraisal assignment, ~~such as~~ not limited to
349 value;
- 350 • opinions or conclusions of adequacy, relevancy, or reasonableness, developed in an
351 appraisal review assignment, not limited to an opinion about the quality of another
352 appraiser's work; or
- 353 • ~~opinions, conclusions, or recommendations developed in an appraisal consulting~~
354 ~~assignment.~~
- 355 • opinions or conclusions developed when performing a valuation service other than an
356 appraisal or appraisal review assignment.

Report

In the Second Exposure Draft of proposed changes to USPAP for 2014-15 the ASB exposed a proposal to revise the definition of report and a related proposed revision to the RECORD KEEPING RULE. However, the ASB has decided not to make a change to the definition of report at this time.

As a result of the concerns expressed with both the current and the proposed definitions of report, and the fact that these concerns are largely a function of the appraiser's type of practice, the ASB has decided to investigate the possibility of having different report and workfile requirements based on the intended use and intended users of the assignment. The Board recognizes that this would be a radical change to USPAP and would affect many stakeholders. For that reason, such a change must be thoroughly investigated and vetted. Rather than rush to adopt changes for the 2014-15 edition, the ASB plans to follow-up on this issue after 2014-15

USPAP has been adopted. This will allow the Board to proceed judiciously and allow for the necessary level of consideration and deliberation on this important topic.

Scope of Work

In the First Exposure Draft, two alternative solutions were provided to incorporate communication considerations into a scope-related Rule: 1) the modification of the SCOPE OF WORK RULE; and 2) the addition of a SCOPE OF REPORT RULE.

The proposed alternatives in the First Exposure Draft received considerable comment, both for and against. However, based on the responses received, the proposed alternatives regarding communication in an assignment caused confusion and the proposed alternatives have consequently been withdrawn. While the ASB has decided not to pursue this change for the 2014-15 edition, an alternative solution may be proposed in the future.

While examining the scope of work concept, some comments expressed concern over the difference between the definition of “scope of work” and the SCOPE OF WORK RULE. The SCOPE OF WORK RULE only applies to appraisal and appraisal review assignments, whereas the term scope of work is broadly defined to include *all assignments performed under appraisal practice*.

In the Second Exposure Draft, changes were proposed to narrow the definition of “scope of work” to those assignments where the SCOPE OF WORK RULE applies, just as the definition of “report” limits its meaning to appraisal and appraisal review assignments. In general, comments regarding this change were mixed. Some expressed concern that under the proposed change appraisers would be unable to develop a scope of work in assignments that are outside of appraisal and appraisal review but still under appraisal practice (e.g. construction draws, final inspections, etc.). However, other comments expressed general support for the revised definition.

Similar to the SCOPE OF WORK RULE, fundamental concepts of the scope of work definition may aide appraisers in appraisal practice outside of appraisal and appraisal review. The purpose of the proposed edits is not intended to restrict scope of work concepts from other services. Rather, the edits are intended to clarify and align the definition to the SCOPE OF WORK RULE. Therefore, the ASB continues to propose the additional language of “appraisal or appraisal review” to the scope of work definition.

The following DEFINITION shows the proposed changes made to the current USPAP definition of assignment results:

357 **SCOPE OF WORK:** the type and extent of research and analyses in an appraisal or appraisal
358 review assignment.

Section 3: Proposed Revisions to the RECORD KEEPING RULE

The Second Exposure Draft of proposed changes to USPAP for 2014-15 provided two revisions to the RECORD KEEPING RULE that were closely linked to the proposed definition of report. As explained in Section 2 of this exposure draft, the Board has decided to withdraw that proposed revision to the definition of report. Therefore, the related proposed changes to the RECORD KEEPING RULE are also being withdrawn from consideration for the 2014-15 edition.

Section 4: Report Options

RATIONALE

USPAP currently has three different written report options for real property and personal property appraisal assignments: Self-Contained Appraisal Report, Summary Appraisal Report, and Restricted Use Appraisal Report. There are currently two written report options for intangible property appraisal assignments: Appraisal Report and Restricted Use Appraisal Report. There is one written report option for both appraisal review and mass appraisal assignments.

In the First Exposure Draft, the ASB provided two alternatives under the Report Options section. One alternative was for a single set of requirements for written reports in STANDARDS 2, 8, and 10. The other alternative was to have two written report options in STANDARDS 2, 8 and 10.

In the Second Exposure Draft the ASB proposed a single set of minimum report requirements for each of the three property types (real property, personal property and intangible property) with the level of information provided in this set of minimum requirements to be based upon the intended use and the intended user of each assignment.

As discussed in both the First and Second Exposure Drafts and confirmed with feedback received, distinguishing among the various report options may be viewed as confusing, difficult to enforce, and not easily understood by clients, regulators, and appraisers.

Comments received during the exposure periods were mixed, with some favoring one report option, while others favored two options. Those favoring two options cited the loss of the Restricted Use Appraisal Report option, regardless of its title, would have a negative effect on their practices and would not meet the needs of clients in some instances. There was little support for retaining the Self-Contained Appraisal Report option in STANDARDS 2 and 8.

The ASB is proposing in this Third Exposure Draft, two written report options for STANDARDS 2, 8, and edits to STANDARD 10.

The proposed changes would:

1. Eliminate the *Self-Contained Report* and *Summary Appraisal Report* options in STANDARDS 2 and 8 and replace them with an *Appraisal Report* option with requirements very similar to the current 2-2(b) and 8-2(b) Summary Appraisal Report.
2. Rename the *Restricted Use Appraisal Report* to *Restricted Appraisal Report* in STANDARDS 2, 8, AND 10 and clarify that the restriction is that this report option can only be used when the client is the only intended user of the report.

The proposed Appraisal Report option prescribes the minimum level of reporting necessary for an assignment that has any intended user(s) in addition to the client, and for an assignment in which the client may need to understand the appraiser's rationale, or the client may not have

specialized knowledge about the subject property. As this report option establishes a minimum level of information, the appraiser must decide if additional detail or explanation is required, given the intended use and intended users of the report.

A chart comparing the requirements in the two written report options is included in **Advisory Opinion 11 (AO-11)**. The following includes an expansion of that chart to further identify the differences in the proposed requirements for an assignment with an Appraisal Report and an assignment with a Restricted Appraisal Report.

	Appraisal Report	Restricted Appraisal Report
ETHICS and COMPETENCY RULES	Must be followed	Must be followed
SCOPE OF WORK RULE	Must be followed	Must be followed
Appropriate Development Standard	Must be followed	Must be followed
RECORD KEEPING RULE	Must be followed	Workfile sufficient for produce an Appraisal Report
Intended users	Client and any other party identified by the appraiser	Client only
Summarize the information analyzed and the reasoning that supports the analyses, opinions and conclusions	Yes	No
Must the intended users be able to understand the rationale for the opinion?	Yes	No
Standard Rules that do not differ	State	State
Standard Rules that differ	Summarize	State

The scope of work required to develop credible assignment results is independent of the report option followed by the appraiser. The research and analysis required for credible results in an assignment would be the same whether the appraiser used an Appraisal Report, or a Restricted Appraisal Report to communicate the results. Except for the RECORD KEEPING RULE, the requirements imposed by the Rules (ETHICS, etc.) are the same regardless of the report option used. When a Restricted Appraisal Report is used, the workfile must contain sufficient information for the appraiser to produce an Appraisal Report.

An Appraisal Report must summarize the appraiser’s analysis and the rationale for the conclusions. On the other hand, a Restricted Appraisal Report might not include sufficient information for the client (no other intended users are allowed) to understand either the appraiser’s analyses or rationale for the appraiser’s conclusions.

The core requirements for an oral report remain unchanged.

Additional edits were made to the minimum report requirements. In Standards Rule 2-2(a)(i), clarifying changes were made regarding intended users. The order of the requirements in subsections (iii) and (iv) within Standards Rule 2-2(a) were re-arranged. In Standards Rule 2-2(a)(vi), the date of report was defined. In Standards Rule 2-2(a)(vii) and 2-2(b)(vii) the

statement, “The signing appraiser must also state the name(s) of those providing the significant real estate assistance” was edited. The new statement eliminates “the signing appraiser, and states “The name(s) of those providing the significant real property appraisal assistance must be stated in the certification”. In Standards Rule 2-2(a)(viii), “agreements of sale” was added. In Standards Rule 2-2(a)(ix) and 2-2(b)(ix), the statement was divided with the last part of the statement becoming Standards Rule 2-2(a)(x) and 2-2(b)(x).The remaining items under these Standards Rules were renumbered. Similar changes to Standards Rules 8-2 and 10-2 were made and are shown on the following pages.

Lastly, to be consistent with items identified in the development requirements of Standards Rule 1-2(e)(i), an edit was made to Standards Rule 2-2(a)(iii) to include the summarization of legal characteristics relevant to the assignment. This edit is not viewed by the ASB as a new requirement; rather, it clarifies legal characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal must be communicated.

The revisions to STANDARDS 2, 8, and 10 are shown. Corresponding edits to STANDARDS 3 and 6 and to other USPAP sections requiring revision will be made if this proposal is adopted for the 2014-15 edition of USPAP.

TWO REPORT OPTIONS

STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

Standards Rule 2-2

359 **Each written real property appraisal report must be prepared under one of the following**
360 **three options and prominently state which option is used: ~~Self-Contained Appraisal~~**
361 **~~Report, Summary Appraisal Report or Restricted Use Appraisal Report.~~⁴**

362 Comment: When the intended users include parties other than the client, ~~either a~~
363 ~~Self-Contained Appraisal Report or a Summary~~ an Appraisal Report must be
364 provided. When the intended users do not include parties other than the client, a
365 Restricted Use Appraisal Report may be provided.

366 The essential difference ~~among~~ between these ~~three~~ two options is in the content
367 and level of information provided. The appropriate reporting option and the level
368 of information necessary in the report are dependent on the intended use and the
369 intended users.

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

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

379 A party receiving a copy of a ~~Self-Contained Appraisal Report, Summary~~ an
380 Appraisal Report; or Restricted Use Appraisal Report in order to satisfy disclosure
381 requirements does not become an intended user of the appraisal unless the
382 appraiser identifies such party as an intended user as part of the assignment.

383 ~~(a) The content of a Self-Contained Appraisal Report must be consistent with the~~
384 ~~intended use of the appraisal and, at a minimum:~~

385 ~~(i) state the identity of the client and any intended users, by name or type;~~⁵

386 Comment: ~~An appraiser must use care when identifying the client to~~
387 ~~ensure a clear understanding and to avoid violations of the Confidentiality~~
388 ~~section of the ETHICS RULE. In those rare instances when the client~~
389 ~~wishes to remain anonymous, an appraiser must still document the identity~~
390 ~~of the client in the workfile but may omit the client's identity in the report.~~

⁴ See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2*, and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2*.

⁵ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

391 Intended users of the report might include parties such as lenders,
392 employees of government agencies, partners of a client, and a client's
393 attorney and accountant.

394 **(ii) — state the intended use of the appraisal;⁶**

395 **(iii) — describe information sufficient to identify the real estate involved in the**
396 **appraisal, including the physical and economic property characteristics**
397 **relevant to the assignment;⁷**

398 Comment: The real estate involved in the appraisal can be specified, for
399 example, by a legal description, address, map reference, copy of a survey
400 or map, property sketch and/or photographs or the like. The information
401 can include a property sketch and photographs in addition to written
402 comments about the legal, physical, and economic attributes of the real
403 estate relevant to the type and definition of value and intended use of the
404 appraisal.

405 **(iv) — state the real property interest appraised;**

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

409 **(v) — state the type and definition of value and cite the source of the definition;**

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

413 When reporting an opinion of market value, state whether the opinion of
414 value is:

- 415 • in terms of cash or of financing terms equivalent to cash, or
- 416 • based on non-market financing or financing with unusual conditions or
417 incentives.

418 When an opinion of market value is not in terms of cash or based on
419 financing terms equivalent to cash, summarize the terms of such financing
420 and explain their contributions to or negative influence on value.

421 When an opinion of reasonable exposure time has been developed in
422 compliance with Standards Rule 1-2(c), the opinion must be stated in the
423 report.⁸

⁶ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁷ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

⁸ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

424 ~~(vi) state the effective date of the appraisal and the date of the report;~~⁹

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

429 ~~(vii) describe the scope of work used to develop the appraisal;~~¹⁰

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

435 ~~When any portion of the work involves significant real property appraisal~~
436 ~~assistance, the appraiser must describe the extent of that assistance. The~~
437 ~~signing appraiser must also state the name(s) of those providing the~~
438 ~~significant real property appraisal assistance in the certification, in~~
439 ~~accordance with Standards Rule 2-3.~~¹¹

440 ~~(viii) describe the information analyzed, the appraisal methods and techniques~~
441 ~~employed, and the reasoning that supports the analyses, opinions, and~~
442 ~~conclusions; exclusion of the sales comparison approach, cost approach, or~~
443 ~~income approach must be explained;~~

444 ~~Comment: A Self-Contained Appraisal Report must include sufficient~~
445 ~~information to indicate that the appraiser complied with the requirements~~
446 ~~of STANDARD 1. The amount of detail required will vary with the~~
447 ~~significance of the information to the appraisal.~~

448 ~~The appraiser must provide sufficient information to enable the client and~~
449 ~~intended users to understand the rationale for the opinions and~~
450 ~~conclusions, including reconciliation of the data and approaches, in~~
451 ~~accordance with Standards Rule 1-6.~~

452 ~~When reporting an opinion of market value, a summary of the results of~~
453 ~~analyzing the subject sales, options, and listings in accordance with~~
454 ~~Standards Rule 1-5 is required.~~¹² ~~If such information is unobtainable, a~~
455 ~~statement on the efforts undertaken by the appraiser to obtain the~~
456 ~~information is required. If such information is irrelevant, a statement~~
457 ~~acknowledging the existence of the information and citing its lack of~~
458 ~~relevance is required.~~

⁹ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

¹⁰ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

¹¹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

¹² See Advisory Opinion 1, *Sales History*.

459 ~~(ix) state the use of the real estate existing as of the date of value and the use of~~
460 ~~the real estate reflected in the appraisal; and, when an opinion of highest and~~
461 ~~best use was developed by the appraiser, describe the support and rationale~~
462 ~~for that opinion;~~

463 ~~(x) clearly and conspicuously:~~

- 464 ~~• state all extraordinary assumptions and hypothetical conditions;~~
- 465 ~~and~~
- 466 ~~• state that their use might have affected the assignment results;~~
- 467 ~~and~~

468 ~~(xi) include a signed certification in accordance with Standards Rule 2-3.~~

469 **(ab) The content of a Summary an Appraisal Report must be consistent with the**
470 **intended use of the appraisal and, at a minimum:**

471 ~~Comment: The essential difference between the Self-Contained Appraisal Report~~
472 ~~and the Summary Appraisal Report is the level of detail of presentation.~~

473 **(i) state the identity of the client and any intended users, by name or type;¹³**

474 ~~Comment: An appraiser must use care when identifying the client to~~
475 ~~ensure a clear understanding and to avoid violations of the Confidentiality~~
476 ~~section of the ETHICS RULE. In those rare instances when the client~~
477 ~~wishes to remain anonymous, an appraiser must still document the identity~~
478 ~~of the client in the workfile but may omit the client's identity in the report.~~

479 Intended users of the report might include parties such as lenders,
480 employees of government agencies, partners of a client, and a client's
481 attorney and accountant.

482 **(ii) state the intended use of the appraisal;¹⁴**

483 **(iii) summarize information sufficient to identify the real estate involved in the**
484 **appraisal, including the physical, legal, and economic property**
485 **characteristics relevant to the assignment;¹⁵**

486 ~~Comment: The real estate involved in the appraisal can be specified, for~~
487 ~~example, by a legal description, address, map reference, copy of a survey~~
488 ~~or map, property sketch, and/or photographs or the like. The summarized~~
489 ~~information can include a property sketch and photographs in addition to~~
490 ~~written comments about the legal, physical, and economic attributes of the~~
491 ~~real estate relevant to the type and definition of value and intended use of~~
492 ~~the appraisal.~~

493 **(iv) state the real property interest appraised;**

¹³ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

¹⁴ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

¹⁵ See Advisory Opinion 2, *Inspection of Subject Property*, and Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*.

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

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

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

501 When reporting an opinion of market value, state whether the opinion of
502 value is:

- 503 • in terms of cash or of financing terms equivalent to cash, or
- 504 • based on non-market financing or financing with unusual conditions or
505 incentives.

506 When an opinion of market value is not in terms of cash or based on
507 financing terms equivalent to cash, summarize the terms of such financing
508 and explain their contributions to or negative influence on value.

509 When an opinion of reasonable exposure time has been developed in
510 compliance with Standards Rule 1-2(c), the opinion must be stated in the
511 report.¹⁶

512 **(vi) state the effective date of the appraisal and the date of the report;¹⁷**

513 Comment: The effective date of the appraisal establishes the context for
514 the value opinion, while the date of the report indicates whether the
515 perspective of the appraiser on the market and property as of the effective
516 date of the appraisal was prospective, current, or retrospective.

517 **(vii) summarize the scope of work used to develop the appraisal;¹⁸**

518 Comment: Because intended users' reliance on an appraisal may be
519 affected by the scope of work, the report must enable them to be properly
520 informed and not misled. Sufficient information includes disclosure of
521 research and analyses performed and might also include disclosure of
522 research and analyses not performed.

523 When any portion of the work involves significant real property appraisal
524 assistance, the appraiser must summarize the extent of that assistance.
525 ~~The signing appraiser must also state the name(s) of those providing the~~

¹⁶ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

¹⁷ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

¹⁸ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

526 significant real property appraisal assistance must be stated in the
527 certification, in accordance with Standards Rule 2-3.¹⁹

528 **(viii) summarize the information analyzed, the appraisal methods and techniques**
529 **employed, and the reasoning that supports the analyses, opinions, and**
530 **conclusions; exclusion of the sales comparison approach, cost approach, or**
531 **income approach must be explained;**

532 Comment: A Summary An Appraisal Report must include sufficient
533 information to indicate that the appraiser complied with the requirements
534 of STANDARD 1. The amount of detail required will vary with the
535 significance of the information to the appraisal.

536 The appraiser must provide sufficient information to enable the client and
537 intended users to understand the rationale for the opinions and
538 conclusions, including reconciliation of the data and approaches, in
539 accordance with Standards Rule 1-6.

540 When reporting an opinion of market value, a summary of the results of
541 analyzing the subject sales, options, and listings in accordance with
542 Standards Rule 1-5 is required.²⁰ If such information is unobtainable, a
543 statement on the efforts undertaken by the appraiser to obtain the
544 information is required. If such information is irrelevant, a statement
545 acknowledging the existence of the information and citing its lack of
546 relevance is required.

547 **(ix) state the use of the real estate existing as of the date of value and the use of**
548 **the real estate reflected in the appraisal; and ~~when an opinion of highest and~~**
549 **~~best use was developed by the appraiser, summarize the support and~~**
550 **~~rationale for that opinion;~~**

551 **(~~xix~~) when an opinion of highest and best use was developed by the appraiser,**
552 **summarize the support and rationale for that opinion;**

553 **(~~xix~~) clearly and conspicuously:**

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

556 **(~~xix~~) include a signed certification in accordance with Standards Rule 2-3.**

557 **(he) The content of a Restricted Use Appraisal Report must be consistent with the**
558 **intended use of the appraisal and, at a minimum:**

¹⁹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

²⁰ See Advisory Opinion 1, *Sales History*.

559 (i) **state the identity of the client, by name or type;²¹ and state a prominent use**
560 **restriction that limits use of the report to the client and warns that the**
561 **appraiser's the rationale for how the appraiser arrived at the opinions and**
562 **conclusions set forth in the report may not be understood properly without**
563 **additional information in the appraiser's workfile;**

564 Comment: An appraiser must use care when identifying the client to
565 ensure a clear understanding and to avoid violations of the Confidentiality
566 section of the ETHICS RULE. In those rare instances when the client
567 wishes to remain anonymous, an appraiser must still document the identity
568 of the client in the workfile but may omit the client's identity in the report.

569 The Restricted Use-Appraisal Report is for client use only. Before
570 entering into an agreement, the appraiser should establish with the client
571 the situations where this type of report is to be used and should ensure that
572 the client understands the restricted utility of the Restricted Use-Appraisal
573 Report.

574 (ii) **state the intended use of the appraisal;²²**

575 Comment: The intended use of the appraisal must be consistent with the
576 limitation on use of the Restricted Use-Appraisal Report option in this
577 Standards Rule (i.e., client use only).

578 (iii) **state information sufficient to identify the real estate involved in the**
579 **appraisal;²³**

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

583 (iv) **state the real property interest appraised;**

584 (v) **state the type of value and cite the source of its definition;²⁴**

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

587 (vi) **state the effective date of the appraisal and the date of the report;²⁵**

588 Comment: The effective date of the appraisal establishes the context for
589 the value opinion, while the date of the report indicates whether the

²¹ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

²² See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

²³ See Advisory Opinion 2, *Inspection of Subject Property*. References to Advisory Opinions are for guidance only and do not incorporate Advisory Opinions into USPAP.

²⁴ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*, and Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments, Real Property*.

²⁵ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

590 perspective of the appraiser on the market and property as of the effective
591 date of the appraisal was prospective, current, or retrospective.

592 **(vii) state the scope of work used to develop the appraisal;²⁶**

593 Comment: Because the client's reliance on an appraisal may be affected by
594 the scope of work, the report must enable them to be properly informed
595 and not misled. Sufficient information includes disclosure of research and
596 analyses performed and might also include disclosure of research and
597 analyses not performed.

598 When any portion of the work involves significant real property appraisal
599 assistance, the appraiser must state the extent of that assistance. The
600 ~~signing appraiser must also state the name(s) of those providing the~~
601 ~~significant real property appraisal assistance~~ must be stated in the
602 certification, in accordance with Standards Rule 2-3.²⁷

603 **(viii) state the appraisal methods and techniques employed, state the value**
604 **opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of**
605 **the sales comparison approach, cost approach, or income approach must be**
606 **explained;**

607 Comment: An appraiser must maintain a specific, coherent workfile in
608 support of a Restricted Use Appraisal Report. The contents of the
609 workfile must include sufficient information to indicate that the appraiser
610 complied with the requirements of STANDARD 1 and for the appraiser to
611 produce a ~~Summary~~ an Appraisal Report.

612 When reporting an opinion of market value, a summary of the results of
613 analyzing the subject sales, options, and listings in accordance with
614 Standards Rule 1-5 is required. If such information is unobtainable, a
615 statement on the efforts undertaken by the appraiser to obtain the
616 information is required. If such information is irrelevant, a statement
617 acknowledging the existence of the information and citing its lack of
618 relevance is required.

619 **(ix) state the use of the real estate existing as of the date of value and the use of**
620 **the real estate reflected in the appraisal; ~~and when an opinion of highest and~~**
621 **~~best use was developed by the appraiser, state that opinion;~~**

622 **(~~xix~~) when an opinion of highest and best use was developed by the appraiser,**
623 **state that opinion;**

624 **(~~xix~~) clearly and conspicuously:**

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

²⁶ See Advisory Opinions 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

²⁷ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

627 **(xiii)** include a signed certification in accordance with Standards Rule 2-3.

STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING

628 Standards Rule 8-2

629 Each written personal property appraisal report must be prepared under one of the
630 following ~~three~~ options and prominently state which option is used: ~~Self-Contained~~
631 ~~Appraisal Report, Summary Appraisal Report, or Restricted Use Appraisal Report.~~²⁸

632 Comment: When the intended users include parties other than the client, ~~either a~~
633 ~~Self-Contained Appraisal Report or a Summary~~ an Appraisal Report must be
634 provided. When the intended users do not include parties other than the client, a
635 Restricted Use Appraisal Report may be provided.

636 The essential difference ~~among~~ between these ~~three~~ two options is in the content
637 and level of information provided. The appropriate reporting option and the level
638 of information necessary in the report are dependent on the intended use and
639 intended users.

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

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

649 A party receiving a copy of a ~~Self-Contained Appraisal Report, Summary~~ an
650 ~~Appraisal Report, or Restricted Use Appraisal Report~~ in order to satisfy disclosure
651 requirements does not become an intended user of the appraisal unless the
652 appraiser identifies such party as an intended user as part of the assignment.

653 ~~(a) The content of a Self-Contained Appraisal Report must be consistent with the~~
654 ~~intended use of the appraisal and, at a minimum:~~

655 ~~(i) state the identity of the client and any intended users, by name or type;~~²⁹

656 Comment: ~~An appraiser must use care when identifying the client to~~
657 ~~ensure a clear understanding and to avoid violations of the Confidentiality~~
658 ~~section of the ETHICS RULE. In those rare instances where the client~~
659 ~~wishes to remain anonymous, an appraiser must still document the identity~~
660 ~~of the client in the workfile but may omit the client's identity in the report.~~

²⁸ See Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2*, and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2*.

²⁹ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

- 661 (ii) ~~state the intended use of the appraisal;~~³⁰
- 662 (iii) ~~describe information sufficient to identify the property involved in the~~
663 ~~appraisal, including the physical and economic property characteristics~~
664 ~~relevant to the assignment;~~
- 665 (iv) ~~state the property interest appraised;~~
- 666 (v) ~~state the type and definition of value and cite the source of the definition;~~
- 667 ~~Comment: Stating the definition of value also requires any comments~~
668 ~~needed to clearly indicate to the intended users how the definition is being~~
669 ~~applied.~~
- 670 ~~When reporting an opinion of market value, state whether the opinion of~~
671 ~~value is:~~
- 672
 - ~~• in terms of cash or of financing terms equivalent to cash, or~~
 - ~~• based on non-market financing or financing with unusual conditions or~~
673 ~~incentives.~~

674

675 ~~When an opinion of market value is not in terms of cash or based on~~
676 ~~financing terms equivalent to cash, summarize the terms of such financing~~
677 ~~and explain their contributions to or negative influence on value.~~

678 ~~When an opinion of reasonable exposure time has been developed in~~
679 ~~compliance with Standards Rule 7-2(c), the opinion must be stated in the~~
680 ~~report.~~³¹

681 (vi) ~~state the effective date of the appraisal and the date of the report;~~³²

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

686 (vii) ~~describe the scope of work used to develop the appraisal;~~³³

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

³⁰ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³¹ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

³² See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

³³ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

692 ~~When any portion of the work involves significant personal property~~
693 ~~appraisal assistance, the appraiser must describe the extent of that~~
694 ~~assistance. The signing appraiser must also state the name(s) of those~~
695 ~~providing the significant personal property appraisal assistance in the~~
696 ~~certification, in accordance with Standards Rule 8-3.³⁴~~

697 ~~(viii) describe the information analyzed, the appraisal methods and techniques~~
698 ~~employed, and the reasoning that supports the analyses, opinions, and~~
699 ~~conclusions; exclusion of the sales comparison approach, cost approach, or~~
700 ~~income approach must be explained;³⁵~~

701 ~~Comment: A Self-Contained Appraisal Report must include sufficient~~
702 ~~information to indicate that the appraiser complied with the requirements~~
703 ~~of STANDARD 7. The amount of detail required will vary with the~~
704 ~~significance of the information to the appraisal and with the significance~~
705 ~~of a particular object or group of objects to the overall assignment results.~~

706 ~~The appraiser must provide sufficient information to enable the client and~~
707 ~~intended users to understand the rationale for the opinions and~~
708 ~~conclusions, including reconciliation of the data and approaches, in~~
709 ~~accordance with Standards Rule 7-6.~~

710 ~~When reporting an opinion of market value, a summary of the results of~~
711 ~~analyzing the subject sales, offers, options, and listings in accordance with~~
712 ~~Standards Rule 7-5 is required. If such information was unobtainable, a~~
713 ~~statement on the efforts undertaken by the appraiser to obtain the~~
714 ~~information is required. If such information is irrelevant, a statement~~
715 ~~acknowledging the existence of the information and citing its lack of~~
716 ~~relevance is required.~~

717 ~~(ix) state, as appropriate to the class of personal property involved, the use of the~~
718 ~~property existing as of the date of value and the use of the property reflected~~
719 ~~in the appraisal; and, when an opinion of the appropriate market or market~~
720 ~~level was developed by the appraiser, describe the support and rationale for~~
721 ~~that opinion;~~

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

726 ~~(x) clearly and conspicuously:~~

- 727 ~~• state all extraordinary assumptions and hypothetical conditions;~~
- 728 ~~and~~
- 729 ~~• state that their use might have affected the assignment results; and~~

730 ~~(xi) include a signed certification in accordance with Standards Rule 8-3.~~

³⁴ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

³⁵ See Advisory Opinion 2, *Inspection of Subject Property*.

731 **(a)** ~~The content of a Summary an Appraisal Report must be consistent with the~~
732 ~~intended use of the appraisal and, at a minimum:~~

733 ~~Comment: The essential difference between the Self-Contained Appraisal Report~~
734 ~~and the Summary Appraisal Report is the level of detail of presentation.~~

735 **(i) state the identity of the client and any intended users, by name or type;³⁶**

736 ~~Comment: An appraiser must use care when identifying the client to~~
737 ~~ensure a clear understanding and to avoid violations of the Confidentiality~~
738 ~~section of the ETHICS RULE. In those rare instances where the client~~
739 ~~wishes to remain anonymous, an appraiser must still document the identity~~
740 ~~of the client in the workfile but may omit the client's identity in the report.~~

741 **(ii) state the intended use of the appraisal;³⁷**

742 **(iii) summarize information sufficient to identify the property involved in the**
743 **appraisal, including the physical and economic property characteristics**
744 **relevant to the assignment;**

745 **(iv) state the property interest appraised;**

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

747 ~~Comment: Stating the definition of value also requires any comments~~
748 ~~needed to clearly indicate to the intended users how the definition is being~~
749 ~~applied.~~

750 When reporting an opinion of market value, state whether the opinion of
751 value is:

- 752 • in terms of cash or of financing terms equivalent to cash, or
753 • based on non-market financing or financing with unusual conditions or
754 incentives.

755 When an opinion of market value is not in terms of cash or based on
756 financing terms equivalent to cash, summarize the terms of such financing
757 and explain their contributions to or negative influence on value.

758 When an opinion of reasonable exposure time has been developed in
759 compliance with Standards Rule 7-2(c), the opinion must be stated in the
760 report.³⁸

761 **(vi) state the effective date of the appraisal and the date of the report;³⁹**

³⁶ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³⁷ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

³⁸ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

³⁹ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

762 Comment: The effective date of the appraisal establishes the context for
763 the value opinion, while the date of the report indicates whether the
764 perspective of the appraiser on the market and property as of the effective
765 date of the appraisal was prospective, current, or retrospective.

766 **(vii) summarize the scope of work used to develop the appraisal;**⁴⁰

767 Comment: Because intended users' reliance on an appraisal may be
768 affected by the scope of work, the report must enable them to be properly
769 informed and not misled. Sufficient information includes disclosure of
770 research and analyses performed and might also include disclosure of
771 research and analyses not performed.

772 When any portion of the work involves significant personal property
773 appraisal assistance, the appraiser must summarize the extent of that
774 assistance. The ~~signing appraiser must also state the name(s) of those~~
775 providing the significant personal property appraisal assistance must be
776 stated in the certification, in accordance with Standards Rule 8-3.⁴¹

777 **(viii) summarize the information analyzed, the appraisal methods and techniques**
778 **employed, and the reasoning that supports the analyses, opinions, and**
779 **conclusions; exclusion of the sales comparison approach, cost approach, or**
780 **income approach must be explained;**⁴²

781 Comment: ~~A Summary~~ An Appraisal Report must include sufficient
782 information to indicate that the appraiser complied with the requirements
783 of STANDARD 7. The amount of detail required will vary with the
784 significance of the information to the appraisal and with the significance
785 of a particular object or group of objects to the overall assignment results.

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

790 When reporting an opinion of market value, a summary of the results of
791 the analysis of the subject sales, offers, options, and listings in accordance
792 with Standards Rule 7-5 is necessary. If such information was
793 unobtainable, a statement on the efforts undertaken by the appraiser to
794 obtain the information is required. If such information is irrelevant, a
795 statement acknowledging the existence of the information and citing its
796 lack of relevance is required.

⁴⁰ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁴¹ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁴² See Advisory Opinion 2, *Inspection of Subject Property*.

797 (ix) state, as appropriate to the class of personal property involved, the use of the
798 property existing as of the date of value and the use of the property reflected
799 in the appraisal; ~~and, when an opinion of the appropriate market or market~~
800 ~~level was developed by the appraiser, summarize the support and rationale~~
801 ~~for that opinion;~~

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

806 ~~(xix)~~ when an opinion of the appropriate market or market level was developed by
807 the appraiser, summarize the support and rationale for that opinion;

808 ~~(xix)~~ clearly and conspicuously:

- 809 • state all extraordinary assumptions and hypothetical conditions;
- 810 and
- 811 • state that their use might have affected the assignment results; and

812 ~~(xix)~~ include a signed certification in accordance with Standards Rule 8-3.

813 ~~(e)~~ The content of a Restricted Use Appraisal Report must be consistent with the
814 intended use of the appraisal and, at a minimum:

815 (i) state the identity of the client, by name or type;⁴³ and state a prominent use
816 restriction that limits use of the report to the client and warns that the
817 rationale for how the appraiser arrived at the appraiser's opinions and
818 conclusions set forth in the report may not be understood properly without
819 additional information in the appraiser's workfile;

820 Comment: An appraiser must use care when identifying the client to
821 ensure a clear understanding and to avoid violations of the Confidentiality
822 section of the ETHICS RULE. In those rare instances when the client
823 wishes to remain anonymous, an appraiser must still document the identity
824 of the client in the workfile but may omit the client's identity in the report.

825 The Restricted Use Appraisal Report is for client use only. Before entering
826 into an agreement, the appraiser should establish with the client the
827 situations where this type of report is to be used and should ensure that the
828 client understands the restricted utility of the Restricted Use Appraisal
829 Report.

830 (ii) state the intended use of the appraisal;⁴⁴

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

⁴³ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁴⁴ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

834 (iii) state information sufficient to identify the property involved in the appraisal;

835 (iv) state the property interest appraised;

836 (v) state the type of value and cite the source of its definition;⁴⁵

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

840 (vi) state the effective date of the appraisal and the date of the report;⁴⁶

841 Comment: The effective date of the appraisal establishes the context for
842 the value opinion, while the date of the report indicates whether the
843 perspective of the appraiser on the market and property as of the effective
844 date of the appraisal was prospective, current, or retrospective.

845 (vii) state the scope of work used to develop the appraisal;⁴⁷

846 Comment: Because the client's reliance on an appraisal may be affected by
847 the scope of work, the report must enable them to be properly informed
848 and not misled. Sufficient information includes disclosure of research and
849 analyses performed and might also include disclosure of research and
850 analyses not performed.

851 When any portion of the work involves significant personal property
852 appraisal assistance, the appraiser must state the extent of that assistance.
853 ~~The signing appraiser must also state the name(s) of those providing the~~
854 ~~significant personal property appraisal assistance~~ must be stated in the
855 certification, in accordance with Standards Rule 8-3.⁴⁸

856 (viii) state the appraisal methods and techniques employed, state the value
857 opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of
858 the sales comparison approach, cost approach, or income approach must be
859 explained;⁴⁹

860 Comment: An appraiser must maintain a specific, coherent workfile in
861 support of a Restricted Use Appraisal Report. The contents of the workfile
862 must include sufficient information to indicate that the appraiser complied
863 with the requirements of STANDARD 7 and for the appraiser to produce a
864 ~~Summary~~ an Appraisal Report.

865 When reporting an opinion of market value, information analyzed in
866 compliance with Standards Rule 7-5 is significant information that must

⁴⁵ See Statement on Appraisal Standards No. 6, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*. See also Advisory Opinion 7, *Marketing Time Opinions*.

⁴⁶ See Statement on Appraisal Standards No. 3, *Retrospective Value Opinions*, and Statement on Appraisal Standards No. 4, *Prospective Value Opinions*.

⁴⁷ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁴⁸ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁴⁹ See Advisory Opinion 2, *Inspection of Subject Property*.

867 be disclosed in a Restricted Use Appraisal Report. If such information was
868 unobtainable, a statement on the efforts undertaken by the appraiser to
869 obtain the information is required. If such information is irrelevant, a
870 statement acknowledging the existence of the information and citing its
871 lack of relevance is required.

872 **(ix) state, as appropriate to the class of personal property involved, the use of the**
873 **property existing as of the date of value and the use of the property reflected**
874 **in the appraisal; and, ~~when an opinion of the appropriate market or market~~**
875 **~~level was developed by the appraiser, state that opinion;~~**

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

880 **(~~xix~~) when an opinion of the appropriate market or market level was developed by**
881 **the appraiser, state that opinion;**

882 **(~~xix~~) clearly and conspicuously:**

- 883 • state all extraordinary assumptions and hypothetical conditions;
- 884 and
- 885 • state that their use might have affected the assignment results; and

886 **(~~xix~~) include a signed certification in accordance with Standards Rule 8-3.**

STANDARD 10: BUSINESS APPRAISAL, REPORTING

887 Standards Rule 10-2

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

891 Comment: When the intended users include parties other than the client, an
892 Appraisal Report must be provided. When the intended users do not include
893 parties other than the client, a Restricted Use Appraisal Report may be provided.

894 The essential difference between these options is in the content and level of
895 information provided. The appropriate reporting option and the level of
896 information necessary in the report are dependent on the intended use and
897 intended users.

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

902 The report content and level of information requirements set forth in this Standard
903 are minimums for both types of report.

904 A party receiving a copy of an Appraisal Report or Restricted Use Appraisal
905 Report does not become an intended user of the appraisal unless the appraiser
906 identifies such party as an intended user as part of the assignment.

907 **(a) The content of an Appraisal Report must be consistent with the intended use of the**
908 **appraisal and, at a minimum:**

909 **(i) state the identity of the client and any other intended users, by name or**
910 **type;⁵⁰**

911 Comment: An appraiser must use care when identifying the client to
912 ensure a clear understanding and to avoid violations of the Confidentiality
913 section of the ETHICS RULE. In those rare instances when the client
914 wishes to remain anonymous, an appraiser must still document the identity
915 of the client in the workfile but may omit the client's identity in the report.

916 **(ii) state the intended use of the appraisal;⁵¹**

917 **(iii) summarize information sufficient to identify the business or intangible asset**
918 **and the interest appraised;**

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

922 **(iv) state the extent to which the interest appraised contains elements of**
923 **ownership control, including the basis for that determination;**

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

926 **(vi) state the standard (type) and definition of value and the premise of value and**
927 **cite the source of the definition;**

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

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

932 Comment: The effective date of the appraisal establishes the context for
933 the value opinion, while the date of the report indicates whether the
934 perspective of the appraiser on the market or property as of the effective
935 date of the appraisal was prospective, current, or retrospective.

936 **(viii) summarize the scope of work used to develop the appraisal;⁵²**

⁵⁰ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁵¹ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁵² See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

937 Comment: Because intended users' reliance on an appraisal may be
938 affected by the scope of work, the report must enable them to be properly
939 informed and not misled. Sufficient information includes disclosure of
940 research and analyses performed and might also include disclosure of
941 research and analyses not performed.

942 When any portion of the work involves significant business and/or
943 intangible asset appraisal assistance, the appraiser must summarize the
944 extent of that assistance. ~~The signing appraiser must also state~~ The
945 name(s) of those providing the significant business and/or intangible asset
946 appraisal assistance must be stated in the certification, in accordance with
947 Standards Rule 10-3.⁵³

948 **(ix) summarize the information analyzed, the appraisal procedures followed, and**
949 **the reasoning that supports the analyses, opinions, and conclusions; exclusion**
950 **of the market approach, asset-based (cost) approach, or income approach**
951 **must be explained;**

952 Comment: An Appraisal Report must include sufficient information to
953 indicate that the appraiser complied with the requirements of STANDARD
954 9. The amount of detail required will vary with the significance of the
955 information to the appraisal.

956 The appraiser must provide sufficient information to enable the client and
957 intended users to understand the rationale for the opinions and
958 conclusions, including reconciliation in accordance with Standards Rule 9-
959 5.

960 **(x) clearly and conspicuously:**

961 • state all extraordinary assumptions and hypothetical conditions;
962 and

963 • state that their use might have affected the assignment results; and

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

965 **(b) The content of a Restricted Use Appraisal Report must be consistent with the**
966 **intended use of the appraisal and, at a minimum:**

967 **(i) state the identity of the client, by name or type;⁵⁴ and state a prominent use**
968 **restriction that limits use of the report to the client and warns that the**
969 **appraiser's rationale for how the appraiser arrived at the opinions and**
970 **conclusions set forth in the report may not be understood properly without**
971 **additional information in the appraiser's workfile;**

972 Comment: An appraiser must use care when identifying the client to
973 ensure a clear understanding and to avoid violations of the Confidentiality
974 section of the ETHICS RULE. In those rare instances when the client

⁵³ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁵⁴ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

975 wishes to remain anonymous, an appraiser must still document the identity
976 of the client in the workfile but may omit the client's identity in the report.

977 The Restricted Use Appraisal Report is for client use only. Before
978 entering into an agreement, the appraiser should establish with the client
979 the situations where this type of report is to be used and should ensure that
980 the client understands the restricted utility of the Restricted Use Appraisal
981 Report.

982 **(ii) state the intended use of the appraisal;⁵⁵**

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

986 **(iii) state information sufficient to identify the business or intangible asset and
987 the interest appraised;**

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

991 **(iv) state the extent to which the interest appraised contains elements of
992 ownership control, including the basis for that determination;**

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

995 **(vi) state the standard (type) of value and the premise of value, and cite the
996 source of its definition;**

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

998 Comment: The effective date of the appraisal establishes the context for
999 the value opinion, while the date of the report indicates whether the
1000 perspective of the appraiser on the market or property as of the effective
1001 date of the appraisal was prospective, current, or retrospective.

1002 **(viii) state the scope of work used to develop the appraisal;⁵⁶**

1003 Comment: Because the client's reliance on an appraisal may be affected by
1004 the scope of work, the report must enable them to be properly informed
1005 and not misled. Sufficient information includes disclosure of research and
1006 analyses performed and might also include disclosure of research and
1007 analyses not performed.

1008 When any portion of the work involves significant business and/or
1009 intangible asset appraisal assistance, the appraiser must state the extent of

⁵⁵ See Statement on Appraisal Standards No. 9, *Identification of Intended Use and Intended Users*.

⁵⁶ See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work*.

1010 that assistance. The ~~signing appraiser must also state the name(s)~~ of those
1011 providing the significant business and/or intangible asset appraisal
1012 assistance must be stated in the certification, in accordance with Standards
1013 Rule 10-3.⁵⁷

1014 **(ix) state the appraisal procedures followed, state the value opinion(s) and**
1015 **conclusion(s) reached, and reference the workfile; exclusion of the market**
1016 **approach, asset-based (cost) approach, or income approach must be**
1017 **explained;**

1018 Comment: An appraiser must maintain a specific, coherent workfile in
1019 support of a Restricted Use Appraisal Report. The contents of the workfile
1020 must include sufficient information to indicate that the appraiser complied
1021 with the requirements of STANDARD 9 and for the appraiser to produce
1022 an Appraisal Report.

1023 **(x) clearly and conspicuously:**

1024 • **state all extraordinary assumptions and hypothetical conditions;**
1025 **and**

1026 • **state that their use might have affected the assignment results; and**

1027 **(xi) include a signed certification in accordance with Standards Rule 10-3.**

⁵⁷ See Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

Section 5: Proposed Revisions to Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2* and Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2*

In the Second Exposure Draft, the ASB proposed a single set of minimum reporting requirements for STANDARDS 2, 8, and 10. To help illustrate how this would be implemented, Advisory Opinion 33 was drafted and proposed. In this Third Exposure Draft, the ASB is proposing a change from three report options to two report options for STANDARDS 2 and 8. STANDARD 10 currently has two report options and is proposed to continue to have two report options.

As the previously proposed Advisory Opinion 33 is no longer applicable (showing the impact of having a single set of minimum reporting requirements), it has been deleted from the Third Exposure Draft.

Advisory Opinions 11 and 12 currently deals with the three report options. As two report options are being proposed, resultant changes are being proposed for Advisory Opinion 11 and 12. A new chart for Standards Rule 10-2 is being proposed in its entirety, however for ease of understanding, it is not shown in underscore text.

ADVISORY OPINION 11 (AO-11)

1028 *This communication by the Appraisal Standards Board (ASB) does not establish new*
1029 *standards or interpret existing standards. Advisory Opinions are issued to illustrate the*
1030 *applicability of appraisal standards in specific situations and to offer advice from the ASB*
1031 *for the resolution of appraisal issues and problems.*

1032 **SUBJECT: Content of the Appraisal Report Options of Standards Rules 2-2, ~~and 8-2,~~**
1033 **and 10-2**⁵⁸

1034 **APPLICATION: Real Property, Personal Property, Intangible Property**

1035 **THE ISSUE:**

1036 Standards Rules 2-2, ~~and 8-2,~~ and 10-2 of the *Uniform Standards of Professional Appraisal*
1037 *Practice* (USPAP) offer ~~three~~ two written appraisal report options. What information should
1038 be contained in each type of report?

1039 **ADVICE FROM THE ASB ON THE ISSUE:**

1040 **Relevant USPAP & Advisory References**

⁵⁸ See Standards Rules 2-2, ~~and 8-2,~~ and 10-2. See also related Advisory Opinion 12, *Use of the Appraisal Report Options of Standards Rules 2-2, ~~and 8-2,~~ and 10-2*.

- 1041 • Under Standards Rules 2-2, ~~and 8-2, and 10-2,~~ an appraiser may communicate the
1042 results of the appraisal in one of ~~two three options~~ formats: ~~Self-Contained Appraisal~~
1043 Report (Standards Rules 2-2(a), ~~and 8-2(a), and 10-2(a)), or Restricted Summary~~
1044 Appraisal Report (Standards Rules 2-2(b), ~~and 8-2(b), and 10-2(b)), or Restricted Use~~
1045 ~~Appraisal Report (Standards Rules 2-2(c) and 8-2(c)).~~ Standards Rules 2-2, ~~and 8-2,~~
1046 ~~and 10-2~~ require that the report prominently state which option is used.
1047
1048 • The Comments to Standards Rules 2-2, ~~and 8-2, and 10-2~~ state that *the essential*
1049 *difference among between the three two options are in two areas; 1) An Appraisal*
1050 *Report may have the client as the only intended user but may also have other*
1051 *intended users while a Restricted Appraisal Report must have the client as the only*
1052 *intended user. 2) An Appraisal Report requires the appraiser to summarize the*
1053 *information analyzed while a Restricted Appraisal Report does not have this*
1054 *requirement. Hence a Restricted Appraisal Report must include a prominent use*
1055 *restriction that limits the use of the report to the client and warns that the rationale*
1056 *for how the appraiser arrived at the opinions and conclusions set forth in the report*
1057 *may not be understood properly without additional information in the appraiser's*
1058 *workfile. is in the content and level of information provided.*

1059 **Prominent Statement of Option Used**

1060 The prominent statement of which option was used is a label that indicates to the reader how
1061 the appraisal is reported. Therefore, the statement should appear at or near the beginning of
1062 the report.

1063 In narrative appraisal reports, the prominent statement of which report option is used could
1064 appear with the statement of the intended use of the appraisal because the decision on which
1065 report option to use is primarily related to the intended use of the appraisal. For added
1066 prominence, a statement of the report option used could also appear on any cover page or
1067 transmittal letter, if part of the report.

1068 In form appraisal reports, the prominent statement of which report option is used could
1069 appear in the margin at the top of the front of the form.

1070 **Content of the Self-Contained Appraisal Report**

1071 ~~The Self-Contained Appraisal Report should contain all information significant to the~~
1072 ~~solution of the appraisal problem. "Describe" is the distinguishing term related to the Self-~~
1073 ~~Contained Appraisal Report.~~

1074 ~~Standards Rules 2-2(a)(vii) and 8-2(a)(vii) require a description of the scope of work used to~~
1075 ~~develop the appraisal. The intended users of the Self-Contained Appraisal Report should~~
1076 ~~expect to find all significant data reported in comprehensive detail.~~

1077 **Content of the Summary Appraisal Report Versus Content of the Restricted Appraisal** 1078 **Report.**

1079 ~~As noted in the Comments to Standards Rules 2-2(b) and 8-2(b):~~
1080 ~~The essential difference between the Self-Contained Appraisal Report and the Summary~~
1081 ~~Appraisal Report is the level of detail of presentation.~~

1082 The Summary Appraisal Report and the Restricted Appraisal Report both require the
1083 appraiser to “state” should items (i), (ii), (iv), (v), (vi), (ix), (x), (xi), and (xii) listed in the
1084 Standard Rules 2-2 and 8-2 (and summarized below) (Standard Rule 10-2 is also summarized
1085 below in a separate chart) . Two of the remaining items (iii) and (vii) differ by a single word
1086 with an Appraisal Report utilizing “summarize” and Restricted Appraisal Report utilizing the
1087 word “state.” contain a summary of all information significant to the solution of the appraisal
1088 problem. “Summarize” is the distinguishing term related to the Summary Appraisal Report.

1089 ~~Standards Rules 2-2(b)(vii) and 8-2(b)(vii) require a summary of the scope of work used to~~
1090 ~~develop the appraisal. The intended users of the Summary Appraisal Report should expect to~~
1091 ~~find all significant data reported in tabular or abbreviated narrative formats. The last~~
1092 ~~remaining item (viii) has the Appraisal Report requiring the appraiser to “summarize the~~
1093 ~~information analyzed, the appraisal methods and techniques employed, and the reasoning that~~
1094 ~~supports the analyses, opinions, and conclusions. Under item (viii) for a Restricted Appraisal~~
1095 ~~Report, the appraiser must state the appraisal methods and techniques employed, state the~~
1096 ~~value opinion(s) and conclusion(s) reached, and reference the workfile. Under both the~~
1097 ~~Appraisal Report and the Restricted Appraisal Report, the exclusion of the sales comparison~~
1098 ~~approach, cost approach, or income approach must be explained; Under item 2-2(a)(x), an~~
1099 ~~Appraisal Report must summarize the support and rationale for the highest and best use~~
1100 ~~opinion when such opinion was developed by the appraiser. Under item 2-2(b)(x), a~~
1101 ~~Restricted Appraisal Report must state the highest and best opinion when such opinion was~~
1102 ~~developed by the appraiser.~~

1103 **Content of the Restricted Use Appraisal Report**

1104 As noted in the Comment to Standards Rules 2-2(c)(i) and 8-2(c)(i):

1105 *The Restricted Use Appraisal Report is for client use only. Before entering into an*
1106 *agreement, the appraiser should establish with the client the situations where this*
1107 *type of report is to be used and should ensure that the client understands the*
1108 *restricted utility of the Restricted Use Appraisal Report.*

1109 ~~The Restricted Use Appraisal Report should contain a brief statement of information~~
1110 ~~significant to the solution of the appraisal problem. “State” is the distinguishing term related~~
1111 ~~to the Restricted Use Appraisal Report.~~

1112 ~~Standards Rules 2-2(c)(vii) and 8-2(c)(vii) requires the report to state the scope of work used~~
1113 ~~to develop the appraisal. The contents of the workfile must be sufficient for the appraiser to~~
1114 ~~produce a Summary Appraisal Report.~~

1115 **Differences in the Appraisal Report Options**

1116 ~~Each of the appraisal report options has reporting rules that serve as a content outline. The~~
1117 ~~reporting rules for the Self-Contained Appraisal Report are Standards Rules 2-2(a)(i) (xi) and~~
1118 ~~8-2(a)(i) (xi). The reporting rules for the Summary Appraisal Report are Standards Rules 2-~~
1119 ~~2(b)(i) (xi) and 8-2(b)(i) (xi). The reporting rules for the Restricted Use Appraisal Report are~~
1120 ~~Standards Rules 2-2(c)(i) (xi) and 8-2(c)(i) (xi).~~

1121 ~~The chart on the following page displays a rule-by-rule comparison of the reporting rules for~~
1122 ~~the three two types of reports for STANDARDS 2 and 8. This is followed by a separate~~
1123 ~~chart for STANDARD 10. Space does not permit inclusion of the Comments to the reporting~~

1124 rules in the charts. The Comments contain important distinctions that must be considered in
1125 the preparation of each type of appraisal report, and the reader of this Advisory Opinion
1126 should refer to the full text of Standards Rules 2-2, and 8-2, and 10-2.
1127

1128 **STANDARDS RULES 2-2 AND 8-2 REPORT COMPARISON CHART:** The essential
 1129 difference between the ~~three~~ two options is in the use and application of the terms “describe,”
 1130 “state” and “summarize.” and “state” “Describe” is used to connote a comprehensive level of
 1131 detail in the presentation of information. “Summarize” is used to connote a more concise
 1132 presentation of information. “State” is used to connote a minimal presentation of information.
 1133 “Summarize” is used to connote an expanded presentation of information.

a) Appraisal Report	b) Restricted Appraisal Report
i. state the identity of the client and any intended users, by name or type;	i. state the identity of the client by name or type; and state a prominent use restriction that limits use of the report to the client and warns that the <u>rationale for how the appraiser arrived at the appraiser’s</u> opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser’s workfile;
ii. state the intended use of the appraisal;	ii. state the intended use of the appraisal;
iii. summarize information sufficient to identify the real estate or personal property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;	iii. state information sufficient to identify the real estate or personal property involved in the appraisal;
iv. state the property interest appraised;	iv. state the property interest appraised;
v. state the type and definition of value and cite the source of the definition;	v. state the type of value, and cite the source of its definition;
vi. state the effective date of the appraisal and the date of the report;	vi. state the effective date of the appraisal and the date of the report;
vii. summarize the scope of work used to develop the appraisal;	vii. state the scope of work used to develop the appraisal;
viii. summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained;	viii. state the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained;
ix. state the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal;	ix. state the use of the property existing as of the date of value and the use of the real estate or personal property reflected in the appraisal;
x. and , when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, summarize the support and rationale for that opinion;	x. and , when an opinion of highest and best use or the appropriate market or market level was developed by the appraiser, state that opinion;
xi. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and	xi. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and that their use might have affected the assignment results; and
xii. include a signed certification in accordance with Standards Rule 2-3 or 8-3.	xii. include a signed certification in accordance with Standards Rule 2-3 or 8-3.
<u>Comments</u> have not been included in this chart	

1134 **STANDARDS RULES 10-2 REPORT COMPARISON CHART:** The essential difference
 1135 between the two options is in the use and application of the terms “state” and “summarize.”
 1136 “State” is used to connote a minimal presentation of information. “Summarize” is used to
 1137 connote an expanded presentation of information.

a) Appraisal Report	b) Restricted Appraisal Report
i. state the identity of the client and any intended users, by name or type;	i. state the identity of the client by name or type; and state a prominent use restriction that limits use of the report to the client and warns that the rationale for how the appraiser arrived at the appraiser’s opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser’s workfile;
ii. state the intended use of the appraisal;	ii. state the intended use of the appraisal;
iii. summarize information sufficient to identify the business or intangible asset and the interest appraised;	iii. state information sufficient to identify the business or intangible asset and the interest appraised;
iv. state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination;	iv. state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination;
v. state the extent to which the interest appraised lacks elements of marketability and/or liquidity, including the basis for that determination;	v. state the extent to which the interest appraised lacks elements of marketability and/or liquidity, including the basis for that determination;
vi. state the standard (type) and definition of value and the premise of value, and cite the source of the definition;	vi. state the standard (type) of value and the premise of value, and cite the source of its definition;
vii. state the effective date of the appraisal and the date of the report;	vii. state the effective date of the appraisal and the date of the report;
viii. summarize the scope of work used to develop the appraisal;	viii. state the scope of work used to develop the appraisal;
ix. summarize the information analyzed, the appraisal procedures followed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the market approach, asset-based (cost) approach, or income approach must be explained;	ix. state the appraisal procedures followed, state the value opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of the market approach, asset-based (cost) approach, or income approach must be explained;
x. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results; and;	x. clearly and conspicuously state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results; and;
xi. include a signed certification in accordance with Standards Rule 10-3.	xi. include a signed certification in accordance with Standards Rule 10-3.
<u>Comments</u> have not been included in this chart	

1138 **Examples of the Application of the Terms “Describe,” “Summarize,” and “State” in the**
1139 **Context of a Real Property Appraisal Report**

1140 The following presentations of the zoning section of a commercial appraisal report are used
1141 to exemplify the content differences in the ~~three~~ two appraisal report options. These
1142 examples show a relative illustration of depth and detail of presentation and are not intended
1143 to characterize the format for an entire appraisal report. The examples are not intended to
1144 imply that information on zoning is necessary in all appraisal reports.

1145 **EXAMPLE OF “DESCRIBE”**

1146 **Zoning**

1147 ~~The General Business B-4 zoning classification applies to the subject real estate. The purpose~~
1148 ~~of the B-4 zone is to encourage local commercial development along arterial streets to serve~~
1149 ~~the surrounding residential areas. The uses of B-4 zoning and yard and bulk regulations to the~~
1150 ~~B-4 zone are described below.~~

1151 **Principal Permitted Uses**

1152 ~~Banking facilities, houses of worship, public buildings and facilities, service establishments,~~
1153 ~~sit-down restaurants serving patrons on the premises, and stores for the sale of goods at retail.~~

1154 **Special Permit Uses**

1155 ~~Business and professional offices, manufacturing of goods sold on the premises, medical~~
1156 ~~clinics, multifamily dwellings (sites in excess of 15,000 sq. ft.), and take-out restaurants~~
1157 ~~(sites in excess of 25,000 sq. ft.).~~

1158 **Yard and Bulk Regulations**

1159	Minimum Requirements	Lot Area:	10,000 sq. ft.
1160	Lot Width:	100 feet	
1161	Front Yard:	20 feet	
1162	Side Yards:	10 feet (each)	
1163	Rear Yard:	10 feet	
1164	Off Street Parking (Stores):	4 spaces per 1,000 sq. ft. of sales area	

1165	Maximum Requirements	Building Coverage:	50% of lot area
1166	Building Height:	2 stories or 20 feet	

1167 **Conclusion**

1168 ~~On the basis of a review of the zoning regulations and a discussion with John N. Forcer of~~
1169 ~~the Anytown planning and zoning office, the existing use and subject improvements are in~~
1170 ~~conformance with zoning.~~

1171 **EXAMPLE OF “SUMMARIZE”**

1172 **Zoning**

1173 The General Business B-4 zoning classification applies. Its purpose is to encourage local
1174 commercial development of banking facilities, retail stores, and service establishments along
1175 arterial streets on minimum lots of 10,000 sq. ft. with a width of 100 feet. Building coverage
1176 is limited to 50% of the lot, and building height is limited to two stories or 20 feet. John N.
1177 Forcer of the Anytown planning and zoning office indicates that the existing use and subject
1178 improvements conform.

1179 **EXAMPLE OF “STATE”**

1180 **Zoning**

1181 General Business, B-4; existing use and subject improvements conform.

1182 The purpose of the above examples is to show one view of the differences between the
1183 application of the terms “describe,” “summarize,” and “state.” The examples should not be
1184 extended beyond this Advisory Opinion to every section of an appraisal report.

1185 **~~Varying Depth and Detail Within the Report Option Selected~~**

1186 ~~Standard Rules 2-2(a)(viii) and 8-2(a)(viii) and 2-2(b)(viii) and 8-2(b)(viii) use the words~~
1187 ~~“describe” and “summarize,” respectively, as the distinguishing verb, but they contain the~~
1188 ~~identical Comment that each item must be addressed in the depth and detail required by its~~
1189 ~~significance to the appraisal. The overall depth and detail of information presented to satisfy~~
1190 ~~each Standards Rule, not the length of any specific item, determine the proper application of~~
1191 ~~the report option utilized.~~

1192 This Advisory Opinion focuses on the content of the appraisal report options and should be
1193 read in conjunction with Advisory Opinion 12, which focuses on the use of the appraisal
1194 report options of STANDARDS 2, and STANDARD 8, and 10.

ADVISORY OPINION 12 (AO-12)

1195 *This communication by the Appraisal Standards Board (ASB) does not establish new standards*
1196 *or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of*
1197 *appraisal standards in specific situations and to offer advice from the ASB for the resolution of*
1198 *appraisal issues and problems.*

1199 **SUBJECT: Use of the Appraisal Report Options of Standards Rules 2-2, and 8-2, and 10-**
1200 **2⁵⁹**

1201 **APPLICATION: Real Property, Personal Property, Intangible Property**

1202 **THE ISSUE:**

1203 Standards Rules 2-2, ~~and 8-2,~~ and 10-2 of the *Uniform Standards of Professional Appraisal*
1204 *Practice* (USPAP) offer ~~three~~ two written appraisal report options. What are appropriate
1205 circumstances for the use of these options?

1206 **ADVICE FROM THE ASB ON THE ISSUE:**

1207 **Relevant USPAP & Advisory References**

1208 • Under Standards Rules 2-2, ~~and 8-2,~~ and 10-2, an appraiser may communicate the
1209 results of an appraisal in one of ~~three~~ two options formats: ~~Self-Contained Appraisal~~
1210 ~~Report (Standards Rules 2-2(a), ~~and 8-2(a), and 10-2(a)),~~ Restricted Summary
1211 ~~Appraisal Report (Standards Rules 2-2(b), ~~and 8-2(b)) and 10-2(b), or Restricted Use~~~~
1212 ~~Appraisal Report (Standards Rules 2-2(c) and 8-2(c)).~~~~

1213 **Deciding Which Report Option to Use**

1214 When the intended users include parties other than the client, an Appraisal Report must be
1215 provided. When the intended users do not include parties other than the client, a Restricted Use
1216 Appraisal Report may be provided. A Restricted Appraisal Report must state a prominent use
1217 restriction that limits use of the report to the client and warns that the rationale for how the
1218 appraiser arrived at the opinions and conclusions set forth in the report may not be understood
1219 properly without additional information in the appraiser's workfile.

1220 As with other business decisions that involve the application of USPAP, the existence of
1221 appraisal report options implies a dialogue between the appraiser and the client to define the
1222 appraisal problem prior to reaching an agreement to perform an assignment. Part of that dialogue
1223 is a decision on which report option is appropriate for the assignment. This dialogue/decision
1224 process can be applied to a single assignment or to a series of assignments performed by an
1225 appraiser for the same client. In most situations, the client may decide which report option is
1226 appropriate for the assignment.

1227 The appraiser may agree to provide the report option suggested by the client as long as the report
1228 option is consistent with the intended use and intended users of the appraisal.

⁵⁹ See Standards Rules 2-2, ~~and 8-2,~~ and 10-2. See also related Advisory Opinion 11, Content of the Appraisal Report Options of Standards Rules 2-2, ~~and 8-2,~~ and 10-2.

1229 ~~The decision between using a Self-Contained Appraisal Report and a Summary Appraisal Report~~
1230 ~~is not absolute. The following factors should be considered by the appraiser and the client in~~
1231 ~~deciding whether a Self-Contained Appraisal Report or a Summary Appraisal Report is~~
1232 ~~appropriate:~~

- 1233 ~~• the intended use of the appraisal;~~
- 1234 ~~• that the appraiser and client understand the differences between the options; and~~
- 1235 ~~• whether the intended use of the appraisal warrants comprehensive or summary~~
1236 ~~disclosure of the steps in, and information considered in, the appraisal process.~~

1237 A decision to use the Restricted Use Appraisal Report is absolute because the minimum level of
1238 information required in a Restricted Use Appraisal Report is not designed to address the needs of
1239 any third-party users. When an appraiser uses the Restricted Use Appraisal Report option, a
1240 prominent notice to any reader must be provided. The prominent notice must warn any reader of
1241 the report that the appraiser's opinions and conclusions set forth in the report may not be
1242 understood properly without the additional information in the appraiser's workfile. The
1243 Restricted Use Appraisal Report may be useful when:

- 1244 • the client is the only intended user of the appraiser's opinions and conclusions set
1245 forth in the report;
- 1246 • the client understands the limited utility of this option;
- 1247 • the intended use of the appraisal warrants restricted disclosure about the appraisal
1248 process steps completed in the assignment; and
- 1249 • the client (the only intended user) does not need the level of information required in
1250 an ~~Self-Contained Appraisal Report or Summary~~ Appraisal Report.

1251 This Advisory Opinion focuses on the use of the appraisal report options and should be read in
1252 conjunction with Advisory Opinion 11, which focuses on the content of the appraisal report
1253 options of STANDARDS 2, ~~and 8,~~ and 10.

Section 6: Proposed Revisions to the COMPETENCY RULE

As in the Second Exposure Draft, the ASB continues to propose the following revisions to the COMPETENCY RULE.

RATIONALE

The COMPETENCY RULE currently requires that an appraiser be competent to perform the assignment, or acquire the necessary competency to perform the assignment, or withdraw from the assignment. However, the COMPETENCY RULE does not expressly require the appraiser to act competently in the given assignment.

To address this issue, the following sentence is proposed to be added to the first paragraph:

In all cases, the appraiser must perform competently when completing the assignment.

COMPETENCY RULE

1254 **An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary**
1255 **competency to perform the assignment; or (3) decline or withdraw from the assignment. In**
1256 **all cases, the appraiser must perform competently when completing the assignment.**

1257 **Being Competent**

1258 **The appraiser must determine, prior to accepting an assignment, that he or she can**
1259 **perform the assignment competently. Competency requires:**

- 1260 **1. the ability to properly identify the problem to be addressed; and**
1261 **2. the knowledge and experience to complete the assignment competently; and**
1262 **3. recognition of, and compliance with, laws and regulations that apply to the**
1263 **appraiser or to the assignment.**

1264 **Comment:** Competency may apply to factors such as, but not limited to, an
1265 appraiser's familiarity with a specific type of property or asset, a market, a
1266 geographic area, an intended use, specific laws and regulations, or an analytical
1267 method. If such a factor is necessary for an appraiser to develop credible
1268 assignment results, the appraiser is responsible for having the competency to
1269 address that factor or for following the steps outlined below to satisfy this

1270 For assignments with retrospective opinions and conclusions, the appraiser must
1271 meet the requirements of this COMPETENCY RULE at the time of the
1272 assignment, rather than the effective date.

1273 **Acquiring Competency**

1274 **If an appraiser determines he or she is not competent prior to accepting an assignment, the**
1275 **appraiser must:**

- 1276 **1. disclose the lack of knowledge and/or experience to the client before accepting the**
1277 **assignment;**
- 1278 **2. take all steps necessary or appropriate to complete the assignment competently; and**
- 1279 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
1280 **to complete the assignment competently.**

1281 Comment: Competency can be acquired in various ways, including, but not
1282 limited to, personal study by the appraiser, association with an appraiser
1283 reasonably believed to have the necessary knowledge and/or experience, or
1284 retention of others who possess the necessary knowledge and/or experience.

1285 In an assignment where geographic competency is necessary, an appraiser who is
1286 not familiar with the relevant market characteristics must acquire an
1287 understanding necessary to produce credible assignment results for the specific
1288 property type and market involved.

1289 **When facts or conditions are discovered during the course of an assignment that cause an**
1290 **appraiser to determine, at that time, that he or she lacks the required knowledge and**
1291 **experience to complete the assignment competently, the appraiser must:**

- 1292 **1. notify the client, and**
- 1293 **2. take all steps necessary or appropriate to complete the assignment competently, and**
- 1294 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
1295 **to complete the assignment competently.**

1296 **Lack of Competency**

1297 **If the assignment cannot be completed competently, the appraiser must decline or**
1298 **withdraw from the assignment.**

Section 7: Proposed Revisions to the PREAMBLE - When Do USPAP Rules and Standards Apply?

As in the Second Exposure Draft, the ASB continues to propose the following revisions to the PREAMBLE.

RATIONALE

Individuals who at times work as an appraiser, and at other times work in other roles such as a consultant, broker, or investment advisor, perform an array of services for a variety of clients raising questions of when specific USPAP Rules and Standards apply. The distinction of when one is acting as an appraiser and when one is not is important to understanding the foundational obligations under USPAP. Furthermore, when one is acting as an appraiser, it is important to understand what activities fall under what section of USPAP. If governed by a jurisdiction's mandatory USPAP adherence, must an individual acting as an appraiser adhere to the ETHICS RULE before being engaged in an assignment? Which Rules (i.e., ETHICS RULE, SCOPE OF WORK RULE, etc.) must an appraiser adhere to for an assignment of an appraisal or appraisal review with additional opinions?

A revision is being proposed to the PREAMBLE as indicated on the following pages (this assumes the Board retires STANDARDS 4 and 5, as shown in Section 1 of this exposure draft).

PREAMBLE

1299 The purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to
1300 promote and maintain a high level of public trust in appraisal practice by establishing
1301 requirements for appraisers. It is essential that appraisers develop and communicate their
1302 analyses, opinions, and conclusions to intended users of their services in a manner that is
1303 meaningful and not misleading.

1304 The Appraisal Standards Board promulgates USPAP for both appraisers and users of appraisal
1305 services. The appraiser's responsibility is to protect the overall public trust and it is the
1306 importance of the role of the appraiser that places ethical obligations on those who serve in this
1307 capacity. USPAP reflects the current standards of the appraisal profession.

1308 ~~USPAP does not establish who or which assignments must comply. Neither The Appraisal~~
1309 ~~Foundation nor its Appraisal Standards Board is a government entity with the power to make,~~
1310 ~~judge, or enforce law. Compliance with USPAP is required when either the service or the~~
1311 ~~appraiser is obligated to comply by law or regulation, or by agreement with the client or intended~~
1312 ~~users. When not obligated, individuals may still choose to comply.~~

1313 USPAP addresses the ethical and performance obligations of appraisers through DEFINITIONS,
1314 Rules, Standards, Standards Rules, and Statements.

- 1315 • The DEFINITIONS establish the application of certain terminology in
1316 USPAP.
- 1317 • The ETHICS RULE sets forth the requirements for integrity, impartiality,
1318 objectivity, independent judgment, and ethical conduct.
- 1319 • The RECORD KEEPING RULE establishes the workfile requirements for
1320 appraisal and appraisal review ~~and appraisal consulting~~ assignments.
- 1321 • The COMPETENCY RULE presents pre-assignment and assignment
1322 conditions for knowledge and experience.
- 1323 • The SCOPE OF WORK RULE presents obligations related to problem
1324 identification, research and analyses.
- 1325 • The JURISDICTIONAL EXCEPTION RULE preserves the balance of
1326 USPAP if a portion is contrary to law or public policy of a jurisdiction.
- 1327 • The ~~ten~~ Standards establish the requirements for appraisal and appraisal
1328 review ~~and appraisal consulting service~~ and the manner in which each is
1329 communicated.
 - 1330 – STANDARDS 1 and 2 establish requirements for the development and
1331 communication of a real property appraisal.
 - 1332 – STANDARD 3 establishes requirements for the development and
1333 communication of an appraisal review.
 - 1334 – (Note: STANDARDS 4 and 5 have been retired).
 - 1335 ~~—STANDARDS 4 and 5 establish requirements for the development and~~
1336 ~~communication of a real property appraisal consulting assignment.~~
 - 1337 – STANDARD 6 establishes requirements for the development and
1338 communication of a mass appraisal.
 - 1339 – STANDARDS 7 and 8 establish requirements for the development and
1340 communication of a personal property appraisal.
 - 1341 – STANDARDS 9 and 10 establish requirements for the development and
1342 communication of a business or intangible asset appraisal.
- 1343 • Statements on Appraisal Standards clarify, interpret, explain, or elaborate on a
1344 Rule or Standards Rule.
- 1345 • Comments are an integral part of USPAP and have the same weight as the
1346 component they address. These extensions of the DEFINITIONS, Rules, and
1347 Standards Rules provide interpretation and establish the context and
1348 conditions for application.

1349 **When Do USPAP Rules and Standards Apply**

1350 USPAP does not establish who or which assignments must comply. Neither The Appraisal
1351 Foundation nor its Appraisal Standards Board is a government entity with the power to make,
1352 judge, or enforce law. An appraiser must comply with USPAP when either the service or the
1353 appraiser is required by law, regulation, or agreement with the client or intended user.
1354 Individuals may also choose to comply with USPAP any time that individual is performing the
1355 service as an appraiser. In order to comply with USPAP, an appraiser must meet the following
1356 obligations:

- 1357 • An appraiser must act competently and in a manner that is independent,
1358 impartial, and objective.
- 1359 • An appraiser must comply with the ETHICS RULE in all aspects of appraisal
1360 practice.
- 1361 • Appraisers must maintain the data, information and analysis necessary to
1362 support their opinions for appraisal and appraisal review assignments in
1363 accordance with the RECORD KEEPING RULE.
- 1364 • An appraiser must comply with the COMPETENCY RULE and the
1365 JURISDICTIONAL EXCEPTION RULE for all assignments.
- 1366 • When an appraiser provides an opinion of value in an assignment, the
1367 appraiser must comply with the SCOPE OF WORK RULE, the RECORD
1368 KEEPING RULE, the applicable development and reporting Standards and
1369 applicable Statements.
- 1370 • When an appraiser provides an opinion about the quality of another
1371 appraiser's work that was performed as part of an appraisal or appraisal
1372 review assignment, the appraiser must comply with the SCOPE OF WORK
1373 RULE, the RECORD KEEPING RULE, applicable portions of STANDARD
1374 3 and applicable Statements.
- 1375 • When preparing an appraisal or appraisal review that is a component of a
1376 larger assignment with additional opinions, conclusions, or recommendations,
1377 the appraisal or appraisal review component must comply with the applicable
1378 development and reporting Standards and applicable Statements, and the
1379 remaining component of the assignment must comply with the ETHICS
1380 RULE, the COMPETENCY RULE, and the JURISDICTIONAL
1381 EXCEPTION RULE.

Section 8: Proposed Revisions to Standards Rule 3-5

As in the Second Exposure Draft, the ASB continues to propose the following revisions to Standards Rule 3-5.

RATIONALE

In all but one of the Standards that address reporting requirements, a date of report associated with the communication is required. However, STANDARD 3 does not currently require a date of the appraisal review report.

Similar to an appraisal, the effective date of the appraisal review establishes the context for the opinions and conclusions, while the date of the appraisal review report indicates the perspective of the reviewer on the market and work product.

Appraisal reviews are used in a variety of situations. The reviewer's opinion about the quality of the work under review can include addressing its completeness, relevance, appropriateness, and reasonableness. In some instances, clients may also want the reviewer's own opinion of value within an appraisal review assignment. In any case, all of these elements are dependent on the context of the requirements applicable to that work.

Reviewers must carefully develop the scope of work as required by SR 3-2(h), which states:

Determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.

Comment: Reviewers have broad flexibility and significant responsibility in determining the appropriate scope of work in an appraisal review assignment.

Information that should have been considered by the original appraiser can be used by the reviewer in developing an opinion as to the quality of the work under review.

Information that was not available to the original appraiser in the normal course of business may also be used by the reviewer; however, the reviewer must not use such information in the reviewer's development of an opinion as to the quality of the work under review.

As indicated in Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*, if the reviewer's assignment has a different scope of work than the original work product, or if the reviewer relies on different information not available to, or not used by, the original appraiser, then it is possible that opinions or conclusions could differ. In any event, the reviewer should not use information unavailable to the original appraiser as the basis to discredit the original appraiser's opinions or conclusions.

As such, it is important that an appraisal review report indicate the date of report, which may or may not coincide with the effective date of the appraisal review, to be meaningful and not misleading.

To address this issue, an addition is proposed to Standards Rule 3-5(e):

1382 **Standards Rule 3-5**

1383 **The content of an Appraisal Review Report must be consistent with the intended use of the**
1384 **appraisal review and, at a minimum:**

1385 (a) **state the identity of the client and any intended users, by name or type;**

1386 (b) **state the intended use of the appraisal review;**

1387 (c) **state the purpose of the appraisal review;**

1388 (d) **state information sufficient to identify:**

1389 (i) **the work under review, including any ownership interest in the property that**
1390 **is the subject of the work under review;**

1391 (ii) **the date of the work under review;**

1392 (iii) **the effective date of the opinions or conclusions in the work under review;**
1393 **and**

1394 (iv) **the appraiser(s) who completed the work under review, unless the identity is**
1395 **withheld by the client.**

1396 Comment: If the identity of the appraiser(s) in the work under review is withheld
1397 by the client, that fact must be stated in the appraisal review report.

1398 (e) **state the effective date of the appraisal review and the date of the appraisal review**
1399 **report;**

1400 (f) **clearly and conspicuously:**

- 1401 • **state all extraordinary assumptions and hypothetical conditions; and**
1402 • **state that their use might have affected the assignment results.**

Section 9: Certification Requirement Related to Current or Prospective Interest and Prior Services

RATIONALE

The ETHICS RULE, which applies to all assignments that are undertaken within appraisal practice, requires disclosure of any current or prospective interest in the subject property and any services regarding the subject property that were performed by the appraiser in the three years immediately prior to accepting the assignment. The disclosure must be made both prior to accepting the assignment and “in the subsequent report certification.”

The Board has received inquiries about how this affects assignments that do not include an appraisal or appraisal review. In those assignments, no certification is required. Some have expressed concern that as currently written, the Conduct section of the ETHICS RULE triggers a requirement to include a certification when an appraiser’s assignment includes only a valuation service other than an appraisal or an appraisal review, and there is an interest or service that must be disclosed. It was not the Board’s intent that present or prospective interests or prior services would require a certification when such a certification is not otherwise required.

In order to eliminate this confusion, the ASB is proposing the following edit to the Conduct section of the ETHICS RULE:

1403 **If known prior to accepting an assignment, and/or if discovered at any time during the**
1404 **assignment, an appraiser must disclose to the client, and in ~~the~~ each subsequent report**
1405 **certification:**

- 1406 • **any current or prospective interest in the subject property or parties involved; and**
- 1407 • **any services regarding the subject property performed by the appraiser within the**
1408 **three year period immediately preceding acceptance of the assignment, as an**
1409 **appraiser or in any other capacity.**

1410 Comment: Disclosing the fact that the appraiser has previously appraised the property is
1411 permitted except in the case when an appraiser has agreed with the client to keep the
1412 mere occurrence of a prior assignment confidential. If an appraiser has agreed with a
1413 client not to disclose that he or she has appraised a property, the appraiser must decline
1414 all subsequent assignments that fall within the three year period.

1415 In assignments in which there is no report, only the initial disclosure to the client is
1416 required; neither a current or prospective interest, nor prior services in the prior three
1417 years establishes a certification requirement for an assignments where such a requirement
1418 does not already exist.
1419

Note: The rest of the Conduct section of the ETHICS RULE will remain as is it currently published.