



**APPRAISAL STANDARDS BOARD**  
**2013 SUMMARY OF ACTIONS**  
**RELATED TO PROPOSED USPAP CHANGES**  
**February 1, 2013**

On February 1, 2013, the Appraisal Standards Board (ASB) adopted modifications to the *Uniform Standards of Professional Appraisal Practice* (USPAP). This action was the culmination of a period of 15 months and multiple discussion drafts, requests for comments, and three exposure drafts. Written comments were received in response to each document, and oral comments were provided at each public meeting. The ASB read and carefully considered every comment, developed a work plan to address the issues brought forward, and adopted revisions for the 2014-15 edition of USPAP.

**1. Revisions adopted for 2014-15 USPAP**

The following changes were adopted by the Board on February 1, 2013, and will be incorporated in the 2014-15 edition of USPAP and associated guidance material with an effective date of January 1, 2014:

- Revisions to the DEFINITIONS of “Assignment Results” and “Scope of Work”
- Revisions to the PREAMBLE
- Revisions to the Conduct section of the ETHICS RULE
- Revisions to the COMPETENCY RULE
- Revisions to Reporting Requirements, including the type and number of Report Options
- Revisions to Standards Rule 3-5
- Retirement of STANDARDS 4 and 5
- 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*

The Board is also considering revisions to Advisory Opinion 21 (AO-21), *USPAP Compliance* which, if adopted, will appear in the 2014-15 USPAP. Changes to Advisory Opinion 13 (AO-13), *Performing Evaluations of Real Property Collateral to Conform with USPAP* are also being considered; any changes to AO-13 would be effective upon adoption.

## **2. Revisions *not* adopted for 2014-15 USPAP**

As stated in the Third Exposure Draft, the Board elected not to adopt the proposed revisions to the following topics at this time:

- Proposed Revisions to the DEFINITION of “Report”
- Proposed Revisions to the RECORD KEEPING RULE

## **3. Summary**

The goal of the *Uniform Standards of Professional Appraisal Practice* is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. All potential changes and additions to USPAP are evaluated in light of this goal. The adopted changes are intended to improve the clarity, understanding and enforcement of USPAP, thereby furthering the goal of promoting and maintaining public trust in appraisal practice.

In reviewing comment letters received on the exposure drafts, the ASB’s primary focus is the reasoning and insight presented in the letters, rather than the source or authorship. The ASB is guided by the quality, relevancy, and accuracy of the points made, and not their frequency.

The actions taken by the Board, and rationale for those decisions, are discussed below. With the exception of minor administrative edits, the Board acted on the proposed revisions to USPAP as contained in the Third Exposure Draft as shown on the following pages.

## **I. REVISIONS ADOPTED FOR 2014-15 USPAP**

### **Revisions to the DEFINITIONS of “Assignment Results” and “Scope of Work”**

#### **Action:**

The Board adopted the revisions proposed in the Third Exposure Draft to the definition of “Assignment Results” and “Scope of Work.” The new definitions, shown with deleted text in strikethrough and added text in underscore, are as follows:

#### **Assignment Results**

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

Comment: Assignment results include an appraiser’s:

- opinions or conclusions developed in an appraisal assignment, ~~such as~~ not limited to value;
- opinions or conclusions ~~of adequacy, relevancy, or reasonableness~~ developed in an appraisal review assignment, not limited to an opinion about the quality of another appraiser’s work; or
- ~~opinions, conclusions, or recommendations developed in an appraisal consulting assignment.~~
- opinions or conclusions developed when performing a valuation service other than an appraisal or appraisal review assignment.

#### **Rationale:**

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 edits adopted 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.

## **Scope of Work**

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

### **Rationale:**

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*.

Similar to the SCOPE OF WORK RULE, fundamental concepts of the scope of work definition may aid appraisers in appraisal practice outside of appraisal and appraisal review. The purpose of the adopted 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 added “appraisal or appraisal review” to the scope of work definition.

## **Revisions to the PREAMBLE - When Do USPAP Rules and Standards Apply?**

### **Action:**

The Board adopted revisions to the PREAMBLE as proposed in the Third Exposure Draft, with deletions shown in ~~striketrough~~ and additions shown in underscore text as follows:

### **PREAMBLE**

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. It is essential that appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading.

The Appraisal Standards Board promulgates USPAP for both appraisers and users of appraisal services. 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. USPAP reflects the current standards of the appraisal profession.

~~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. Compliance with USPAP is required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.~~

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

- The DEFINITIONS establish the application of certain terminology in USPAP.
- The ETHICS RULE sets forth the requirements for integrity, impartiality, objectivity, independent judgment, and ethical conduct.
- The RECORD KEEPING RULE establishes the workfile requirements for appraisal and appraisal review ~~and appraisal consulting~~ assignments.
- The COMPETENCY RULE presents pre-assignment and assignment conditions for knowledge and experience.
- The SCOPE OF WORK RULE presents obligations related to problem identification, research and analyses.
- The JURISDICTIONAL EXCEPTION RULE preserves the balance of USPAP if a portion is contrary to law or public policy of a jurisdiction.
- The ~~ten~~ Standards establish the requirements for appraisal and appraisal review ~~and appraisal consulting service~~ and the manner in which each is communicated.
  - STANDARDS 1 and 2 establish requirements for the development and communication of a real property appraisal.
  - STANDARD 3 establishes requirements for the development and communication of an appraisal review.
  - (Note: STANDARDS 4 and 5 have been retired).
  - ~~- STANDARDS 4 and 5 establish requirements for the development and communication of a real property appraisal consulting assignment.~~
  - STANDARD 6 establishes requirements for the development and communication of a mass appraisal.
  - STANDARDS 7 and 8 establish requirements for the development and communication of a personal property appraisal.
  - STANDARDS 9 and 10 establish requirements for the development and communication of a business or intangible asset appraisal.
- Statements on Appraisal Standards clarify, interpret, explain, or elaborate on a Rule or Standards Rule.
- Comments are an integral part of USPAP and have the same weight as the component they address. These extensions of the DEFINITIONS, Rules, and Standards Rules provide interpretation and establish the context and conditions for application.

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

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. An appraiser must comply with USPAP when either the service or the appraiser is required by law, regulation, or agreement with the client or intended user. Individuals may also choose to comply with USPAP any time that individual is performing the service as an appraiser. In order to comply with USPAP, an appraiser must meet the following obligations:

- An appraiser must act competently and in a manner that is independent, impartial, and objective.
- An appraiser must comply with the ETHICS RULE in all aspects of appraisal practice.
- Appraisers must maintain the data, information and analysis necessary to support their opinions for appraisal and appraisal review assignments in accordance with the RECORD KEEPING RULE.
- An appraiser must comply with the COMPETENCY RULE and the JURISDICTIONAL EXCEPTION RULE for all assignments.
- When an appraiser provides an opinion of value in an assignment, the appraiser must comply with the SCOPE OF WORK RULE, the RECORD KEEPING RULE, the applicable development and reporting Standards and applicable Statements.
- When an appraiser provides an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment, the appraiser must comply with the SCOPE OF WORK RULE, the RECORD KEEPING RULE, applicable portions of STANDARD 3 and applicable Statements.
- When preparing an appraisal or appraisal review that is a component of a larger assignment with additional opinions, conclusions, or recommendations, the appraisal or appraisal review component must comply with the applicable development and reporting Standards and applicable Statements, and the remaining component of the assignment must comply with the ETHICS RULE, the COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE.

**Rationale:**

An individual who at times works as an appraiser, and at other times works in other roles such as a consultant, broker, or investment advisor, performs 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? The revisions made to the PREAMBLE are intended to address these questions.

### Revisions to the Conduct section of the ETHICS RULE

The Board adopted the revisions proposed in the Third Exposure Draft, with deletions shown in ~~strike through~~ and additions shown in underscore text as follows:

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

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

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

In assignments in which there is no report, only the initial disclosure to the client is required.

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

### **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 received inquiries about how this requirement affects assignments that do not include an appraisal or appraisal review, since no certification is required in such assignments. Some 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. The edits adopted by the Board are intended to make this clear.

### **Revisions to the COMPETENCY RULE**

#### **Action:**

The Board adopted a revision to the COMPETENCY RULE as proposed in the Third Exposure Draft, adding this sentence to the first paragraph of the Rule:

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

#### **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 currently expressly require the appraiser to act competently in the given assignment.

### **Revisions to Reporting Requirements, including the type and number of Report Options**

#### **Action:**

The Board adopted the revisions proposed in the Third Exposure Draft related to STANDARDS 2, 8, and 10, as well as corresponding edits to STANDARDS 3 and 6. The adopted changes:

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 adopted 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.

Additional edits were adopted for the minimum report requirements. In Standards Rule 2-2(a)(i), clarifying changes were made regarding intended users. In Standards Rule 2-2(b)(i), language was added to clarify that although the appraiser's opinions and conclusions must be understood



in a Restricted Appraisal Report, the rationale for how the appraiser arrived at those opinions and conclusions may not be understood. 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)(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 were adopted for Standards Rules 8-2 and 10-2.

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.

### **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.

The edits adopted are intended to improve consistency among the Standards. In addition, the Board received many comments over the years suggesting elimination of the Self-Contained Appraisal Report option.

## **Revisions to Standards Rule 3-5**

### **Action:**

The Board adopted the revision proposed in the Third Exposure Draft, adding the language to Standards Rule 3-5(e), shown in underscore text as follows:

### **Standards Rule 3-5**

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

- (a) state the identity of the client and any intended users, by name or type;**
- (b) state the intended use of the appraisal review;**

- (c) state the purpose of the appraisal review;
- (d) state information sufficient to identify:
  - (i) the work under review, including any ownership interest in the property that is the subject of the work under review;
  - (ii) the date of the work under review;
  - (iii) the effective date of the opinions or conclusions in the work under review; and
  - (iv) the appraiser(s) who completed the work under review, unless the identity is withheld by the client.

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

- (e) state the effective date of the appraisal review and the date of the appraisal review report;
- (f) clearly and conspicuously:
  - state all extraordinary assumptions and hypothetical conditions; and
  - state that their use might have affected the assignment results.

### **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.

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.

## **Retirement of STANDARDS 4 and 5**

### **Action:**

The Board adopted the revisions proposed in the Third Exposure Draft, retiring STANDARDS 4 and 5.

### **Rationale:**

The Board received comments for several years regarding the possible retirement of STANDARDS 4 and 5 out of concern for the clarity, understandability, and enforceability of USPAP. This action was proposed for the 2012-13 edition of USPAP; however, comments

received prior to adopting the proposal brought to light potential unintended consequences in doing so. The Board has subsequently addressed those concerns and moved forward with the retirement of these Standards.

NOTE: To help illustrate the impact of retiring STANDARDS 4 and 5, the Board had also proposed edits to Advisory Opinion 21, *USPAP Compliance*. Although those proposed revisions were not adopted on February 1, 2013, the Board is re-exposing AO-21 with the intent of adopting it for inclusion in the 2014-15 publication.

**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***

**Action:**

Advisory Opinions 11 and 12 currently deal with the three report options. Because the Board has adopted two report options for the 2014-15 USPAP, corresponding changes are necessary for Advisory Opinions 11 and 12. AO-11 currently includes a chart for Standards Rules 2-2 and 8-2. Therefore, a new chart was created for Standards Rule 10-2.

Because the two Advisory Opinions are guidance pertaining to the report options, the specific edits are not shown here. However, these Advisory Opinions will appear in the 2014-15 USPAP publication as proposed in the Third Exposure Draft.

**Rationale:**

As indicated above, revisions were necessary to both Advisory Opinions to properly reflect the changes adopted for the reporting options.

## **II. REVISIONS *NOT* ADOPTED FOR 2014-15 USPAP**

### **Proposed Revisions to the DEFINITION of “Report”**

#### **Action:**

The Board did not adopt the revisions proposed in prior exposure drafts regarding the DEFINITION of “Report.”

#### **Rationale:**

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

### **Proposed Revisions to the RECORD KEEPING RULE**

#### **Action:**

The Board did not adopt proposed revisions to the RECORD KEEPING RULE, as shown in prior exposure drafts.

#### **Rationale:**

The revisions to the RECORD KEEPING RULE that were proposed were closely linked to the proposed definition of report. As indicated above, the Board did not adopt the proposed revision to the definition of report. Therefore, the related proposed changes to the RECORD KEEPING RULE were also not adopted.