THE APPRAISAL FOUNDATION
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISAL STANDARDS BOARD

2014-15 USPAP Q&A

2014-15 USPAP Q&A **Issue Date: October 9, 2013**

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

NOTE: This is a special edition of USPAP Q&A intended to address some questions associated with the 2014-15 edition of USPAP, which is effective January 1, 2014 through December 31, 2015. The following Q&A apply to the 2014-15 edition of USPAP only. They do **not** apply to the 2012-13 edition.

1. **What will be changing in the 2014-15 edition of USPAP?**

   All of the changes are discussed in the *Summary of Changes* which is available at https://appraisalfoundation.sharefile.com/download.aspx?id=sc1a9de474cd4769a#

2. **Effective January 1, 2014, what are the changes to reporting standards for real property and for personal property appraisal assignments?**

   STANDARDS 2 and 8 will each have two written appraisal report options, the Appraisal Report and the Restricted Appraisal Report.

3. What are the requirements for each report format under STANDARD 2 and STANDARD 8?

The requirements for an Appraisal Report are very similar to what had been required in a Summary Appraisal Report, and the requirements for a Restricted Appraisal Report are very similar to what had been required in a Restricted Use Appraisal Report.

For more specific information regarding the content requirements under the 2014-15 edition of USPAP, refer to the charts in Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2.* (https://appraisalfoundation.sharefile.com/download.aspx?id=sdbada817aab47b18#)

4. When is it appropriate to use the Appraisal Report option?

The use of an Appraisal Report is appropriate for any appraisal assignment in which the client may need to understand the appraiser's rationale, or for an assignment in which the client may not have specialized knowledge about the subject property. When there are any intended users other than the client, an Appraisal Report is the only written option that is allowed under USPAP.

The Standards Rules for an Appraisal Report establish the minimum level of information that must be included in the report. The appraiser must decide if additional detail or explanation is required, given the intended use and intended users of the report.

5. When is it appropriate to use the Restricted Appraisal Report reporting option in an appraisal assignment?

The Restricted Appraisal Report may be appropriate when:

- the client is the only intended user of the appraiser's opinions and conclusions set forth in the report;
- the client understands the limited utility of this option;
- the intended use of the appraisal warrants restricted disclosure about the research and analysis completed in the development of the assignment results; and
- the client (the only intended user) does not need the level of information required in an Appraisal Report.

When an appraiser uses the Restricted Appraisal Report option, a prominent notice to any reader must be provided. The prominent notice must warn any reader of the report that the rationale for the appraiser's opinions and conclusions set forth in the report may not be understood properly without the additional information that is in the appraiser's workfile.

While a client may request a Restricted Appraisal Report, the decision to utilize a Restricted Appraisal Report must be made by the appraiser based on communication with the client.

6. **Does the decision to use an Appraisal Report, a Restricted Appraisal Report, or an oral appraisal report impact the scope of work for an assignment?**

   No. The scope of work required to develop credible assignment results is independent of the report format. The research and analysis required for credible results in an assignment would be the same whether the appraiser prepared an Appraisal Report or a Restricted Appraisal Report to communicate the results. Similarly, the scope of work is unaffected if the assignment results are presented in an oral appraisal report.

7. **Several of the required items for an Appraisal Report and a Restricted Appraisal Report differ by the use of the terms "summarize" versus "state." What is the difference?**

   "State" would be a more abbreviated presentation than "summarize," but still sufficient to communicate the information to the intended users so that the report is properly understood. "State" is used to connote a minimal presentation of information. "Summarize" is used to connote a greater depth and detail of presentation.

   A more detailed explanation and examples of the differences can be found in Advisory Opinion 11, *Content of the Appraisal Report Options of Standards Rules 2-2, 8-2, and 10-2.* (https://appraisalfoundation.sharefile.com/download.aspx?id=sdbada817aab47b18#)

8. **What are the workfile requirements for an assignment with a Restricted Appraisal Report? Is there any additional information required to be in the workfile when comparing an assignment with an Appraisal Report to an assignment with a Restricted Appraisal Report?**

   The workfile for any appraisal assignment must include data, information, and documentation (or references to the location of such documentation) to support the opinions and conclusions and to show compliance with USPAP. In addition:

   A workfile in support of a Restricted Appraisal Report must be sufficient for the appraiser to produce an Appraisal Report.

9. **If a Restricted Appraisal Report includes the rationale for how the appraiser arrived at the opinions and conclusions may the appraiser exclude the required warning?**

No. There are other differences between an Appraisal Report and a Restricted Appraisal Report. The following warning must be stated in every Restricted Appraisal Report:

> ***... 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 opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile.***

10. A client asked me to communicate an appraisal using a particular form that is prominently labeled "Summary Appraisal Report." Is it acceptable to communicate an appraisal using this report label since a Summary Appraisal Report is no longer referenced in the 2014-15 edition of USPAP?

Yes, the reporting standards allow other labels in addition to, but not in place of, "Appraisal Report" and "Restricted Appraisal Report." In this instance, since the label references an "Appraisal Report," the report must, at a minimum, comply with the reporting requirements of an Appraisal Report in USPAP.

11. A Restricted Appraisal Report must include the following statement "that the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile." Standard Rules 2-1, 8-1 and 10-1 state "Each written or oral ... appraisal report must: (b) contain sufficient information to enable the intended users of the appraisal to understand the report properly." Is this an inconsistency?

No. While the report content must always be sufficient to enable intended users to understand the report, in a Restricted Appraisal Report it is not required for the report to include the rationale for how the appraiser arrived at the assignment results.

The USPAP Q&A is posted on The Appraisal Foundation website (www.appraisalfoundation.org).

For further information regarding *USPAP Q&A*, please contact:

John S. Brenan, Director of Appraisal Issues

The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005
(202) 624-3044
(202) 347-7727 fax
john@appraisalfoundation.org