

2024 EDITION

2024

Uniform Standards of Professional Appraisal Practice (USPAP)

Effective January 1, 2024

e
electronic edition

Contains USPAP Standards 1 through 10

*Guidance and USPAP Reference Manual
now available in a separate volume.*



**The Appraisal
FOUNDATION**

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

APPRAISAL STANDARDS BOARD

Uniform Standards of Professional Appraisal Practice (USPAP)

2024 EDITION



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

APPRAISAL STANDARDS BOARD

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EFFECTIVE:

January 1, 2024

The Appraisal Foundation has developed a series of courses related to the *Uniform Standards of Professional Appraisal Practice* (USPAP). These courses are available for several appraisal disciplines: Business Valuation, Personal Property, Mass Appraisal and Real Property.

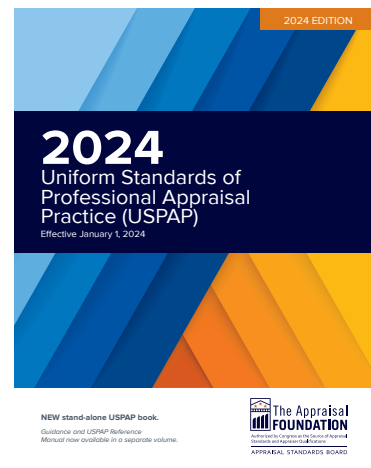
Please contact your educational provider for a schedule of course offerings.

15-HOUR USPAP COURSES

15-Hour National USPAP Course (Real Property)

15-Hour Personal Property USPAP Course

15-Hour Business Appraisal USPAP Course



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USPAP and the Yellow Book, A Guide to Understanding Their Relationship

ABOUT THE APPRAISAL FOUNDATION

The Appraisal Foundation is the nation's foremost authority on the valuation profession. The organization sets the congressionally authorized standards and qualifications for real estate appraisers, and provides voluntary guidance on recognized valuation methods and techniques for all valuation professionals. This work advances the profession by ensuring appraisals are independent, consistent, and objective. More information on The Appraisal Foundation is available at www.appraisalfoundation.org.

CONNECT WITH US



THE APPRAISAL FOUNDATION AND THE INTERNATIONAL VALUATION STANDARDS COUNCIL

The Appraisal Foundation is an Institutional Member and proud Sponsor of the International Valuation Standards Council (IVSC). In addition, the Foundation is an active participant of the IVSC Advisory Forum Work Group.

IVSC The IVSC is an independent, not-for-profit organization that acts as the global standard setter for valuation practice and the valuation profession, serving the public interest.

The IVSC is the developer of the International Valuation Standards (IVS), the latest version of the global standards for valuation professionals. For more information on the IVSC and IVS visit www.ivsc.org.

The Foundation and the IVSC are working together to harmonize valuation standards. As part of this effort, both groups jointly released **A Bridge from USPAP to IVS**. This document was developed to assist appraisers familiar with the *Uniform Standards of Professional Appraisal Practice* (USPAP) to produce a valuation that is also compliant with the IVS. While the document describes additional steps necessary to ensure that compliance, a full review of both sets standards is always encouraged. Both organizations note that this joint effort unveiled more commonalities than differences in the two sets of standards. The Core Principles of Valuation and Core Principles of Valuation Standards Setting were added to **A Bridge from USPAP to IVS** as a result from a series of meetings between the IVSC, the Foundation, and the Appraisal Institute of Canada (AIC) to understand if it was possible to reduce differences between their standards.

A Bridge from USPAP to IVS will be amended to be consistent with updates to IVS and USPAP as they occur.

For copies of **A Bridge from USPAP to IVS**, visit www.ivsc.org or www.appraisalfoundation.org.

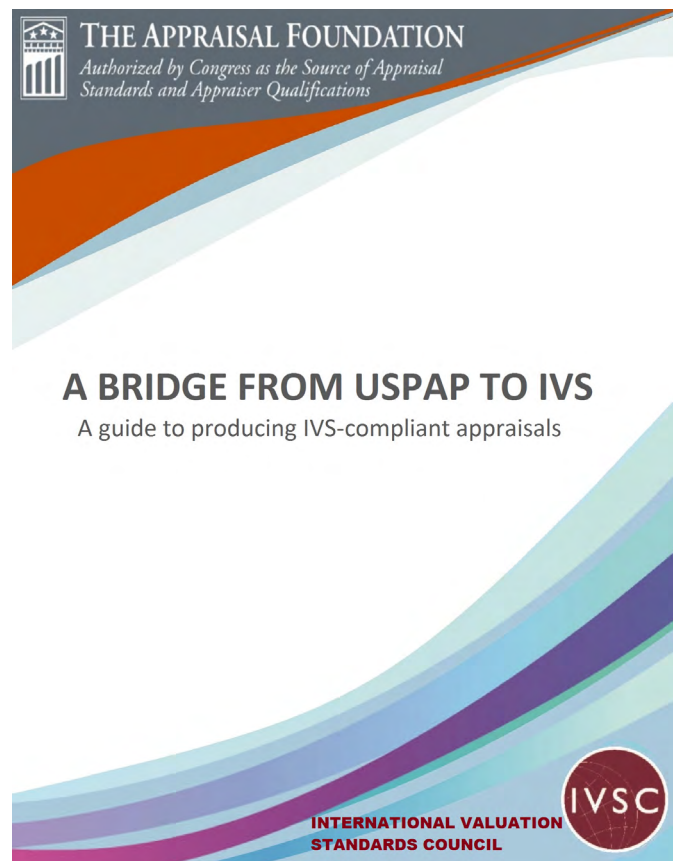


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STATEMENTS ON APPRAISAL STANDARDS

Statements on Appraisal Standards (SMT) are authorized by the by-laws of The Appraisal Foundation and are specifically for the purposes of clarification, interpretation, explanation, or elaboration of the *Uniform Standards of Professional Appraisal Practice* (USPAP). Statements have the full weight of a Standards Rule and can be adopted by the Appraisal Standards Board only after exposure and comment. There are currently no active Statements.

FOREWORD

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 2024 edition of USPAP has an effective start date but no end date. As the standards have evolved and matured in the last 35 years, the need for the standards to be updated on a regular basis has decreased, leaving the standards unchanged for a longer period of time. Furthermore, the issues that now impact the standards are more complex and require additional research and time to consider potential changes.

NEW CONFIGURATION

At the same time, changing market conditions have increased the need for new guidance related to the USPAP standards on a more frequent basis. Issues like new technology, fair housing, and the coronavirus pandemic have required the ASB to be responsive to the needs of the profession on a more frequent basis. As a result, the decision was made to publish the 2024 USPAP as a stand-alone publication and to publish the Advisory Opinions (AOs) and Frequently Asked Questions (FAQs), which in recent years have been part of the USPAP publication, separately as the *USPAP Guidance and Reference Manual* (USPAP GRM). This new publication also includes the *USPAP Reference Manual*, which was introduced in late 2021, and is now referred to as the Reference Index.

USPAP continues to comprise five sections: PREAMBLE, DEFINITIONS, Rules, Standards (including Standards Rules), and Statements on Appraisal Standards (there are currently no active Statements).

It is important that individuals understand and adhere to changes when they are adopted into a new version of USPAP. Various authorities, such as state and federal regulatory agencies or major appraisal organizations, enforce the content of the current or applicable edition of USPAP.

HISTORY OF USPAP

These Standards are based on the original *Uniform Standards of Professional Appraisal Practice* developed in 1986–87 by the Ad Hoc Committee on Uniform Standards and copyrighted in 1987 by The Appraisal Foundation. The effective date of the original Uniform Standards was April 27, 1987. Prior to the establishment of the ASB in 1989, USPAP had been adopted by major appraisal organizations in North America. USPAP represents the generally accepted and recognized standards of appraisal practice in the United States.

At its organizational meeting on January 30, 1989, the Appraisal Standards Board unanimously approved and adopted the original USPAP as the initial appraisal standards promulgated by the ASB. Portions of USPAP may be amended, interpreted, supplemented, or retired by the ASB after exposure to the appraisal profession, users of appraisal services, and the public in accordance with established rules of procedure.

CHANGES TO USPAP

Over the years, USPAP has evolved in response to changes in appraisal practice. The ASB has developed a process for developing both Standards and guidance based, in part, on written comments submitted in response to exposure drafts and oral testimony presented at public meetings.

GUIDANCE NOW PUBLISHED SEPARATELY

The ASB issues the AOs, FAQs, and periodic USPAP Q&As as guidance. These do not establish new Standards or interpret existing Standards and are not part of USPAP. They illustrate the applicability of Standards in specific situations and offer advice from the ASB for the resolution of specific appraisal issues and problems. As stated above, this guidance is now part of a separate publication.

INTERACTING WITH THE APPRAISAL STANDARDS BOARD

The ASB invites questions about USPAP, USPAP guidance, and proposed changes to USPAP from all interested parties, including appraisers, state enforcement agencies, users of appraisal services, and the public. The ASB is composed of five to nine members who are appointed by the Board of Trustees (BOT) and may serve up to eight years. Activities of the ASB are directed by the chair, who is appointed by the BOT for a one-year term. The current ASB consists of members who specialize in residential, commercial, personal, and mass property appraisal and business valuation work. The process for becoming an ASB member is competitive and transparent. The ASB issues Exposure Drafts on proposed changes to USPAP and obtains feedback at public meetings throughout the year in a virtual setting. To attend their meetings, please check the Foundation's [Events](#) page for a list of upcoming public meetings. Additionally, the ASB participates in [speaking engagements on request](#) and conducts live webinars. Please check the [Webinars](#) page on the Foundation's website to watch the recorded webinars, which are also posted on the Foundation's YouTube channel.

If you have any comments, questions, or suggestions regarding USPAP, please contact the ASB.

Appraisal Standards Board

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The 2024 USPAP was adopted by the 2023 Appraisal Standards Board on May 5, 2023.

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Uniform Standards of Professional Appraisal Practice (USPAP)

**2024
EDITION**

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 addresses the ethical and performance obligations of appraisers through DEFINITIONS, Rules, Standards, Standards Rules, and Statements (there are currently no active 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 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 Standards establish the requirements for appraisal and appraisal review and the manner in which each is communicated.
 - STANDARDS 1 and 2 establish requirements for the development and communication of a real property appraisal.
 - STANDARDS 3 and 4 establish requirements for the development and communication of an appraisal review.
 - STANDARDS 5 and 6 establish 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.
- There are currently no active Statements on Appraisal Standards.
- 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. 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.
- An appraiser must maintain the data, information and analysis necessary to support his or her 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 also comply with the SCOPE OF WORK RULE, the RECORD KEEPING RULE, the applicable development and reporting Standards and applicable Statements (there are currently no active 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 also comply with the SCOPE OF WORK RULE, the RECORD KEEPING RULE, applicable portions of STANDARDS 3 and 4, and applicable Statements (there are currently no active 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 (there are currently no active Statements), and the remaining component of the assignment must comply with the ETHICS RULE, the COMPETENCY RULE, and the JURISDICTIONAL EXCEPTION RULE.

DEFINITIONS

Defined terms are intended to clarify the meaning of words or phrases in USPAP that differ from or are not found in popular English dictionaries and, in a few instances, to indicate which popular dictionary definition is meant to be used if there are multiple definitions.	58 59 60
For the purpose of the <i>Uniform Standards of Professional Appraisal Practice</i> (USPAP), the following definitions apply:	61
APPRAISAL: (noun) the act or process of developing an opinion of value; an opinion of value.	62
(adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.	63
<u>Comment:</u> An appraisal is numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value).	64 65 66
APPRAISAL PRACTICE: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review.	67 68
<u>Comment:</u> <i>Appraisal practice</i> is provided only by appraisers, while <i>valuation services</i> are provided by a variety of professionals and others. ¹ The terms <i>appraisal</i> and <i>appraisal review</i> are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review assignment.	69 70 71
APPRAISAL REVIEW: (noun) the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment; (adjective) of or pertaining to an opinion about the quality of another appraiser's work that was performed as part of an appraisal or appraisal review assignment.	72 73 74 75
APPRAISER: one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective. ²	76 77
<u>Comment:</u> Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply.	78 79 80
APPRAISER'S PEERS: other appraisers who have expertise and competency in a similar type of assignment. ³	81
ASSIGNMENT: a valuation service that is provided by an appraiser as a consequence of an agreement with a client.	82
ASSIGNMENT CONDITIONS: Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.	83 84
ASSIGNMENT RESULTS: An appraiser's opinions or conclusions, not limited to value, that were developed when performing an appraisal assignment, an appraisal review assignment, or a valuation service other than an appraisal or appraisal review.	85 86 87
<u>Comment:</u> Physical characteristics are not assignment results.	88
BIAS: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.	89 90
BUSINESS ENTERPRISE: an entity pursuing an economic activity.	91

1 In *USPAP Guidance and Reference Manual* (USPAP GRM), see Advisory Opinion 21, *USPAP Compliance*.

2 See [PREAMBLE](#) and in USPAP GRM, see Advisory Opinion 21, *USPAP Compliance*.

3 In USPAP GRM, see Advisory Opinion 29, *An Acceptable Scope of Work*.

92 **BUSINESS EQUITY:** the interests, benefits, and rights inherent in the ownership of a business enterprise
93 or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests,
94 cooperatives, sole proprietorships, options, and warrants).

95 **CLIENT:** the party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or
96 contract in a specific assignment, whether directly or through an agent.

97 **CONFIDENTIAL INFORMATION:** information that is either:

- 98 • identified by the client as confidential when providing it to an appraiser and that is not available from any
99 other source;⁴ or
- 100 • classified as confidential or private by applicable law or regulation.⁵

101 **COST:** the actual or estimated amount required to create, reproduce, replace, or obtain a property.

102 **CREDIBLE:** worthy of belief.

103 Comment: Credible assignment results require support, by relevant evidence and logic, to the degree
104 necessary for the intended use.

105 **EFFECTIVE DATE:** the date to which an appraiser's analyses, opinions, and conclusions apply; also referred to
106 as date of value.

107 **EXPOSURE TIME:** an opinion, based on supporting market data, of the length of time that the property interest
108 being appraised would have been offered on the market prior to the hypothetical consummation of a sale at
109 market value on the effective date of the appraisal.⁶

110 **EXTRAORDINARY ASSUMPTION:** an assignment-specific assumption as of the effective date regarding uncertain
111 information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

112 Comment: Uncertain information might include physical, legal, or economic characteristics of the subject
113 property; or conditions external to the property, such as market conditions or trends; or the integrity of
114 data used in an analysis.

115 **FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavor.

116 **HYPOTHETICAL CONDITION:** a condition, directly related to a specific assignment, which is contrary to what
117 is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose
118 of analysis.

119 Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic
120 characteristics of the subject property; or about conditions external to the property, such as market
121 conditions or trends; or about the integrity of data used in an analysis.

122 **INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** nonphysical assets, including but not limited to franchises,
123 trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical
124 assets such as facilities and equipment.

4 See [Confidentiality section of the ETHICS RULE](#).

5 For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." See GLB-Privacy. The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See GLB-Safeguards-Rule. Significant liability exists for appraisers should they fail to comply with these FTC rules.

6 In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

INTENDED USE: the use(s) of an appraiser’s reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment. ⁷	125 126
INTENDED USER: the client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. ⁸	127 128
JURISDICTIONAL EXCEPTION: an assignment condition established by applicable law or regulation, which precludes an appraiser from complying with a part of USPAP.	129 130
MARKET VALUE: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the value definition that is identified by the appraiser as applicable in an appraisal. ⁹	131 132 133
<u>Comment:</u> Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value.	134 135
MASS APPRAISAL: the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing.	136 137
MASS APPRAISAL MODEL: a mathematical expression of how supply and demand factors interact in a market.	138
PERSONAL INSPECTION: (for an appraisal assignment) the appraiser’s in-person observation of the subject property performed as part of the scope of work; (for an appraisal review assignment) the reviewer’s in-person observation of the subject of the work under review, performed as part of the scope of work.	139 140 141
<u>Comment:</u> An appraiser’s personal inspection is typically limited to those things readily observable without the use of special testing or equipment. Appraisals of some types of property, such as gems and jewelry, may require the use of specialized equipment. A personal inspection is not the equivalent of an inspection by an inspection professional (e.g., a structural engineer, home inspector, or art conservator). ¹⁰	142 143 144 145
PERSONAL PROPERTY: any tangible or intangible article that is subject to ownership and not classified as real property, including identifiable tangible objects that are considered by the general public as being “personal,” such as furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; and intangible property that is created and stored electronically such as plans for installation art, choreography, emails, or designs for digital tokens.	146 147 148 149 150
PHYSICAL CHARACTERISTICS: attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.	151 152
PRICE: the amount asked, offered, or paid for a property.	153
<u>Comment:</u> Once stated, <i>price</i> is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the <i>value</i> that might be ascribed to that property by others.	154 155 156
REAL ESTATE: an identified parcel or tract of land, including improvements, if any.	157
REAL PROPERTY: the interests, benefits, and rights inherent in the ownership of real estate.	158

7 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

8 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

9 In USPAP GRM, see General Comment on Market Value Definitions in Advisory Opinion 22, *Scope of Work in Market Value Appraisal Assignments for Real Property*.

10 In USPAP GRM, see Advisory Opinion 2, *Inspection of Subject Property*.

- 159 **REPORT:** any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client
160 or a party authorized by the client upon completion of an assignment.
- 161 **SCOPE OF WORK:** the type and extent of research and analyses in an appraisal or appraisal review assignment.¹¹
- 162 **SIGNATURE:** personalized evidence indicating authentication of the work performed by the appraiser and the
163 acceptance of the responsibility for content, analyses, and the conclusions in the report.
- 164 **VALUATION SERVICE:** a service pertaining to an aspect of property value, regardless of the type of service
165 and whether it is performed by appraisers or by others.
- 166 **VALUE:** the monetary relationship between properties and those who buy, sell, or use those properties,
167 expressed as an opinion of the worth of a property at a given time.
- 168 Comment: In appraisal practice, value will always be qualified - for example, market value, liquidation
169 value, or investment value.
- 170 **WORKFILE:** documentation necessary to support an appraiser's analyses, opinions, and conclusions.¹²

11 See [SCOPE OF WORK RULE](#).

12 See [RECORD KEEPING RULE](#).

ETHICS RULE

An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.	171
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An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the client or intended users. In addition to these requirements, an individual should comply any time that individual represents that he or she is performing the service as an appraiser.	173
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<u>Comment:</u> This Rule specifies the personal obligations and responsibilities of the individual appraiser. An individual appraiser employed by a group or organization that conducts itself in a manner that does not conform to USPAP should take steps that are appropriate under the circumstances to ensure compliance with USPAP.	176
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This ETHICS RULE is divided into four sections: <u>Nondiscrimination</u> , <u>Conduct</u> , <u>Management</u> , and <u>Confidentiality</u> , which apply to all appraisal practice.	180
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<u>NONDISCRIMINATION:</u>	182
An appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local antidiscrimination laws or regulations.¹³ This includes the Fair Housing Act (FHAAct), the Equal Credit Opportunity Act (ECOA), and the Civil Rights Act of 1866.	183
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An appraiser must have knowledge of antidiscrimination laws and regulations and when those laws or regulations apply to the appraiser or to the assignment. An appraiser must complete an assignment in full compliance with applicable laws and regulations.	186
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1. An appraiser, when completing a residential real property assignment, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, disability, or familial status.	189
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<u>Comment:</u> The FHAAct prohibits discrimination in residential real estate appraisals on the basis of race, color, religion, national origin, sex, disability, or familial status. Under the FHAAct, an appraiser may not use or rely upon information relating to these protected characteristics, with limited exceptions.	191
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The FHAAct can be violated through disparate treatment (treating individuals of one protected group differently from and less favorably than others not in that protected group) and disparate impact (employing neutral policies or practices that disproportionately harm members of a protected group, except when those policies or practices are justified and there are no less disproportionate policies or practices that could be used instead).	194
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Section 1981 of the federal Civil Rights Act of 1866 prohibits many forms of discrimination with respect to the making and enforcement of contracts, and Section 1982 of the same law prohibits discrimination with respect to the purchasing, leasing, selling, holding, and conveyance of real and personal property. The Civil Rights Act of 1866 applies to real property appraisals, in addition to personal property and other appraisals.	199
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13 In *USPAP Guidance and Reference Manual* (USPAP GRM), see Advisory Opinion 39, *Antidiscrimination Laws and Nondiscrimination*.

- 2. An appraiser, when completing an assignment where the intended use is in connection with a credit transaction, not limited to credit secured by real property, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, marital status, age, source of income, or the good-faith exercise of rights under the Consumer Credit Protection Act.**

Comment: ECOA prohibits discrimination in any aspect of a credit transaction on the basis of race, color, religion, national origin, sex, marital status, age, source of income, or the good-faith exercise of any right under the Consumer Credit Protection Act in any aspect of a credit transaction, with limited exceptions. An appraisal used in connection with a credit transaction is an aspect of the credit transaction.

- 3. An appraiser must not violate any state or local antidiscrimination laws or regulations applicable to the appraiser or to their assignment.**

Comment: State and local laws may expand upon federal antidiscrimination requirements to protect additional characteristics and/or prohibit additional practices. The specific laws and regulations that are applicable to an appraiser or an assignment will vary.

Whether or not any antidiscrimination law or regulation applies:

- 1. An appraiser must not develop and/or report an opinion of value that, in whole or in part, is based on the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).**

Comment: Within the context of the Nondiscrimination section of the ETHICS RULE, “person(s)” includes but is not limited to:

- a property or asset owner;
- a purchaser or potential purchaser of a property or an asset;
- an individual who might derive benefit from or use a property or an asset;
- a client, representative or agent of a client, or any other intended user;
- or the inhabitants of a geographic area.

- 2. An appraiser must not base an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal.¹⁴**

- 3. An appraiser must not perform an assignment with bias with respect to the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).**

- 4. An appraiser must not use or rely upon another characteristic as a pretext to conceal the use of or reliance upon race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), when performing an assignment.**

Comment: Where an antidiscrimination law or regulation applies to the appraiser or the appraiser’s assignment, the practices described in 1-4 immediately above may also be prohibited by applicable antidiscrimination law, including the FHAct, ECOA, and the Civil Rights Act of 1866. Any practice prohibited by an applicable antidiscrimination law or regulation is also prohibited by the preceding requirements of the Nondiscrimination section.

¹⁴ In USPAP GRM, see Advisory Opinion 40, *Antidiscrimination and the Research, Analysis, and Reporting of Location Data, including Demographics, for Residential Real Property Appraisal Assignments*.

If an assignment does not involve residential real property and the intended use is not in connection with a credit transaction, the FHAct and ECOA do not apply. If the FHAct and ECOA do not apply, and no other law or regulation prohibits the use of or reliance upon a protected characteristic,¹⁵ then the use of or reliance upon that characteristic is permitted only to the extent that it is essential to the assignment and necessary for credible assignment results.

Comment: Where the FHAct, ECOA, or another antidiscrimination law or regulation applies, any use of or reliance upon a protected characteristic must be expressly permitted by applicable laws or regulations.

CONDUCT:

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- must not agree to perform an assignment that includes the reporting of predetermined opinions and conclusions;
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;¹⁶
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent;
- must not engage in criminal conduct;
- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and
- must not perform an assignment in a grossly negligent manner.

Comment: Development standards (1-1, 3-1, 5-1, 7-1 and 9-1) address the requirement that “an appraiser must not render appraisal services in a careless or negligent manner.” The above requirement deals with an appraiser being grossly negligent in performing an assignment which would be a violation of the Conduct section of the ETHICS RULE.

If known prior to agreeing to perform an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in 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, as an appraiser or in any other capacity, within the three-year period immediately preceding the agreement to perform the assignment.

¹⁵ For purposes of this exception, “protected characteristic” means race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), or any other characteristic protected by applicable antidiscrimination laws or regulations.

¹⁶ In USPAP GRM, see Advisory Opinion 21, *USPAP Compliance*.

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 agreements to perform assignments that fall within the three-year period.

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

MANAGEMENT:

An appraiser must disclose that he or she paid a fee or commission, or gave a thing of value in connection with the procurement of an assignment.

Comment: The disclosure must appear in the certification and in any transmittal letter in which conclusions are stated; however, disclosure of the amount paid is not required. In groups or organizations engaged in appraisal practice, intra-company payments to employees for business development do not require disclosure.

An appraiser must not agree to perform an assignment, or have a compensation arrangement for an assignment, that is contingent on any of the following:

- 1. the reporting of a predetermined result (e.g., opinion of value);**
- 2. a direction in assignment results that favors the cause of the client;**
- 3. the amount of a value opinion;**
- 4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced); or**
- 5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.**

An appraiser must not advertise for or solicit assignments in a manner that is false, misleading, or exaggerated.

An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment (see Standards Rules 2-3, 4-3, 6-3, 8-3, and 10-3). An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.

An appraiser must not affix the signature of another appraiser without his or her consent.

Comment: An appraiser must exercise due care to prevent unauthorized use of his or her signature. An appraiser exercising such care is not responsible for unauthorized use of his or her signature.

CONFIDENTIALITY:

An appraiser must protect the confidential nature of the appraiser-client relationship.¹⁷	307
An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.	308
An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.¹⁸	309
An appraiser must not disclose: (1) confidential information; or (2) assignment results to anyone other than:	310
• the client;	311
• parties specifically authorized by the client;	312
• state appraiser regulatory agencies;	313
• third parties as may be authorized by due process of law; or	314
• a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.	315
An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form.	316
An appraiser must ensure that employees, co-workers, sub-contractors, or others who may have access to confidential information or assignment results, are aware of the prohibitions on disclosure of such information or results.	317
A member of a duly authorized professional peer review committee must not disclose confidential information presented to the committee.	318
<u>Comment:</u> When all confidential elements of confidential information, and assignment results are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.	319

¹⁷ In USPAP GRM, see Advisory Opinion 27, *Appraising the Same Property for a New Client*.

¹⁸ For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." See GLB-Privacy. The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See GLB-Safeguards-Rule. Significant liability exists for appraisers should they fail to comply with these FTC rules.

RECORD KEEPING RULE

330 **An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must**
331 **be in existence prior to the issuance of any report or other communication of assignment results. A written**
332 **summary of an oral report must be added to the workfile within a reasonable time after the issuance of the**
333 **oral report.**

334 **The workfile must include:**

- 335 • **the name of the client and the identity, by name or type, of any other intended users;**
- 336 • **true copies of all written reports, documented on any type of media. (A true copy is a replica of the**
337 **report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to**
338 **the client satisfies the requirement of a true copy.);**
- 339 • **summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's**
340 **signed and dated certification; and**
- 341 • **all other data, information, and documentation necessary to support the appraiser's opinions and**
342 **conclusions and to show compliance with USPAP, or references to the location(s) of such other data,**
343 **information, and documentation.**

344 **A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for**
345 **the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report**
346 **must be sufficient for the appraiser to produce an Appraisal Review Report.**

347 **An appraiser must retain the workfile for a period of at least five years after preparation or at least two**
348 **years after final disposition of any judicial proceeding in which the appraiser provided testimony related**
349 **to the assignment, whichever period expires last.**

350 **An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval**
351 **arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in**
352 **a medium that is retrievable by the appraiser throughout the prescribed record retention period.**

353 **An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to**
354 **an assignment appropriate access and retrieval for the purpose of:**

- 355 • **submission to state appraiser regulatory agencies;**
- 356 • **compliance with due process of law;**
- 357 • **submission to a duly authorized professional peer review committee; or**
- 358 • **compliance with retrieval arrangements.**

359 Comment: A workfile must be made available by the appraiser when required by a state appraiser
360 regulatory agency or due process of law.

361 **An appraiser who willfully or knowingly fails to comply with the obligations of this RECORD KEEPING RULE**
362 **is in violation of the ETHICS RULE.**

COMPETENCY RULE

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

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

BEING COMPETENT

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

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

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

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

ACQUIRING COMPETENCY

If an appraiser determines he or she is not competent prior to agreeing to perform an assignment, the appraiser must:

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

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

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

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

- 400 **1. notify the client;**
401 **2. take all steps necessary or appropriate to complete the assignment competently; and**
402 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken to complete the**
403 **assignment competently.**

404 **LACK OF COMPETENCY**

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

SCOPE OF WORK RULE¹⁹

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

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

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

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

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

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment.

Credible assignment results require support by relevant evidence and logic. The credibility of assignment results is always measured in the context of the intended use.

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal or appraisal review problem to be solved.

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

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

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

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

¹⁹ In *USPAP Guidance and Reference Manual* (USPAP GRM), see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

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

SCOPE OF WORK ACCEPTABILITY²⁰

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

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

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

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

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

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

Comment: If relevant information is not available because of assignment conditions that limit research opportunities (such as conditions that place limitations on inspection or information gathering), an appraiser must withdraw from the assignment unless the appraiser can:

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

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

DISCLOSURE OBLIGATIONS

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

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

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

²⁰ In USPAP GRM, see Advisory Opinion 29, *An Acceptable Scope of Work*.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. 474
475

Comment: When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. 476
477

In an assignment involving a jurisdictional exception, an appraiser must: 478

- 1. identify the law or regulation that precludes compliance with USPAP;** 479
- 2. comply with that law or regulation;** 480
- 3. clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and** 481
482
- 4. cite in the report the law or regulation requiring this exception to USPAP compliance.** 483

Comment: The JURISDICTIONAL EXCEPTION RULE provides a saving or severability clause intended to preserve the balance of USPAP if compliance with one or more of its parts is precluded by the law or regulation of a jurisdiction. When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP. 484
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Law includes constitutions, legislative and court-made law, and administrative rules and ordinances. 488
Regulations include rules or orders having legal force, issued by an administrative agency. Instructions from a client or attorney do not establish a jurisdictional exception. 489
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STANDARD 1: REAL PROPERTY APPRAISAL, DEVELOPMENT

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

494 Comment: The requirements set forth in STANDARD 1 follow the appraisal development process in the order
495 of topics addressed and can be used by appraisers and the users of appraisal services as a checklist.

496 **STANDARDS RULE 1-1, GENERAL DEVELOPMENT REQUIREMENTS**

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

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

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

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

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

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

518 **STANDARDS RULE 1-2, PROBLEM IDENTIFICATION**

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

520 **(a) identify the client and other intended users;²¹**

521 **(b) identify the intended use of the appraiser's opinions and conclusions;²²**

522 Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to cause
523 the assignment results to be biased.²³

21 In USPAP Guidance and Reference Manual (USPAP GRM), see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

22 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

23 In USPAP GRM, see Advisory Opinion 19, *Unacceptable Assignment Conditions in Real Property Appraisal Assignments*.

(c) identify the type and definition of value, and ascertain whether the value is to be the most probable price:	524
(i) in terms of cash; or	525
(ii) in terms of financial arrangements equivalent to cash; or	526
(iii) in other precisely defined terms; and	527
(iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, identify the terms of such financing and any influences on value;	528
Comment: When reasonable exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion. ²⁴	529
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	531
	532
(d) identify the effective date of the appraiser's opinions and conclusions;²⁵	533
(e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal,²⁶ including:	534
(i) its location and physical, legal, and economic characteristics;	535
(ii) the real property interest to be valued;	536
(iii) any personal property, trade fixtures, or intangible assets that are not real property but are included in the appraisal;	537
(iv) any known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature; and	538
(v) whether the subject property is a fractional interest, physical segment, or partial holding;	539
Comment on (i)–(v): An appraiser may use any combination of a property inspection, documents, such as a legal description, address, map reference, copy of a survey or map, property sketch, photographs, or other information to identify the relevant characteristics of the subject property.	540
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	545
When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements. ²⁷	546
	547
	548
Identification of the real property interest appraised can be based on a review of copies or summaries of title descriptions or other documents that set forth any known encumbrances.	549
	550
An appraiser is not required to value the whole when the subject of the appraisal is a fractional interest, a physical segment, or a partial holding.	551
	552
(f) identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an assignment only if:	553
(i) the extraordinary assumption is required to properly develop credible opinions and conclusions;	554
(ii) the appraiser has a reasonable basis for the extraordinary assumption; and	555
(iii) use of the extraordinary assumption results in a credible analysis;	556
	557

24 In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

25 In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

26 In USPAP GRM, 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*.

27 In USPAP GRM, see Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*.

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

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

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

(h) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.²⁸

STANDARDS RULE 1-3, MARKET ANALYSIS, AND HIGHEST AND BEST USE

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

(a) identify and analyze the effect on use and value of:

(i) existing land use regulations;

(ii) reasonably probable modifications of such land use regulations;

(iii) economic supply and demand;

(iv) the physical adaptability of the real estate; and

(v) market area trends; and

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

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

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

STANDARDS RULE 1-4, APPROACHES TO VALUE

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

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

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

(i) develop an opinion of site value by an appropriate appraisal method or technique;

(ii) analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and

(iii) analyze such comparable data as are available to estimate the difference between the cost new and the present worth of the improvements (depreciation).

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

(i) analyze such comparable rental data as are available and/or the potential earnings capacity of the property to estimate the gross income potential of the property;

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

²⁸ In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

(iii) analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount;	594
	595
(iv) base projections of future rent and/or income potential and expenses on reasonably clear and appropriate evidence; ²⁹ and	596
	597
(v) weigh historical information and trends, current supply and demand factors affecting such trends, and anticipated events such as competition from developments under construction, when developing income and expense statements and cash flow projections.	598
	599
	600
(d) When developing an opinion of the value of a leased fee estate or a leasehold estate, an appraiser must analyze the effect on value, if any, of the terms and conditions of the lease(s).	601
	602
(e) When analyzing the assemblage of the various estates or component parts of a property, an appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the whole solely by adding together the individual values of the various estates or component parts.	603
	604
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<u>Comment:</u> Although the value of the whole may be equal to the sum of the separate estates or parts, it also may be greater than or less than the sum of such estates or parts.	607
	608
(f) When analyzing anticipated public or private improvements, located on or off the site, an appraiser must analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions. ³⁰	609
	610
	611
(g) When personal property, trade fixtures, or intangible assets are included in the appraisal, the appraiser must analyze the effect on value of such non-real property assets.	612
	613
<u>Comment:</u> When the scope of work includes an appraisal of personal property, trade fixtures, or intangible assets, competency in personal property appraisal (see STANDARD 7) or business appraisal (see STANDARD 9) is required.	614
	615
	616

STANDARDS RULE 1-5, SUBJECT SALES AND OTHER TRANSFERS, SALE AGREEMENTS, OPTIONS, AND LISTINGS

	617
	618
When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business: ³¹	619
	620
(a) analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal; and	621
	622
(b) analyze all sales and other transfers of the subject property that occurred within the three (3) years prior to the effective date of the appraisal. ³²	623
	624

STANDARDS RULE 1-6, RECONCILIATION

In developing a real property appraisal, an appraiser must:	625
	626
(a) reconcile the quality and quantity of data available and analyzed within the approaches used; and	627
(b) reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s).	628
	629

29 In USPAP GRM, see Advisory Opinion 33, *Discounted Cash Flow Analysis*.

30 In USPAP GRM, see Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*.

31 In USPAP GRM, see Advisory Opinion 24, *Normal Course of Business*.

32 In USPAP GRM, see Advisory Opinion 1, *Sales History*.

STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING

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

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

STANDARD 2 does not dictate the form, format, or style of real property appraisal reports. The substantive content of a report determines its compliance.

STANDARDS RULE 2-1, GENERAL REPORTING REQUIREMENTS

Each written or oral real property appraisal report must:

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

STANDARDS RULE 2-2, CONTENT OF A REAL PROPERTY APPRAISAL REPORT

Each written real property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.³³

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

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

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

- (i) state the identity of the client; or if the client requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile;³⁴**

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

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

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

³³ In USPAP Guidance and Reference Manual (USPAP GRM), see Advisory Opinion 38, *Content of an Appraisal Report and Restricted Appraisal Report*.

³⁴ In USPAP GRM, see Advisory Opinion 25, *Clarification of the Client in a Federally Related Transaction*, and Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(iii)	state the intended use of the appraisal;	663
(iv)	contain information, documents, and/or exhibits sufficient to identify the real estate involved in the appraisal, including the physical, legal, and economic property characteristics relevant to the assignment; ³⁵	664 665 666
(v)	state the real property interest appraised;	667
(vi)	state the type and definition of value and cite the source of the definition;	668
	<u>Comment:</u> Stating the definition of value also requires any comments needed to clearly indicate to the intended users how the definition is being applied.	669 670
	When reporting an opinion of value, state whether the opinion is:	671
	• in terms of cash or of financing terms equivalent to cash; or	672
	• based on non-market financing or financing with unusual conditions or incentives.	673
	When an opinion of value is based on non-market financing terms or financing with unusual conditions or incentives, summarize the terms of such financing and explain any influences on value.	674 675
	When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 1-2(c), the opinion must be stated in the report. ³⁶	676 677
(vii)	state the effective date of the appraisal and the date of the report; ³⁷	678
(viii)	summarize the scope of work used to develop the appraisal; ³⁸	679
	<u>Comment:</u> Summarizing the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.	680 681
(ix)	summarize the extent of any significant real property appraisal assistance;	682
(x)	provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 by:	683 684
	(1) summarizing the appraisal methods and techniques employed;	685
	(2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;	686 687
	(3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings in accordance with Standards Rule 1-5; ³⁹	688 689
	<u>Comment:</u> If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.	690 691 692
	(4) stating the value opinion(s) and conclusion(s); and	693
	(5) summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches;	694 695
(xi)	state the use of the real estate existing as of the effective date and the use of the real estate reflected in the appraisal;	696 697

35 In USPAP GRM, 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*.

36 In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

37 In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

38 In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

39 In USPAP GRM, see Advisory Opinion 1, *Sales History*.

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

(xiii) clearly and conspicuously:

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

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

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

(i) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile;⁴⁰

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

(ii) state the identity of any other intended user(s) by name;⁴¹

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

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

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

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

(v) state the intended use of the appraisal;

(vi) state information sufficient to identify the real estate involved in the appraisal;

(vii) state the real property interest appraised;

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

Comment: When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 1-2(c), the opinion must be stated in the report.⁴²

(ix) state the effective date of the appraisal and the date of the report;⁴³

(x) state the scope of work used to develop the appraisal;⁴⁴

Comment: Stating the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(xi) state the extent of any significant real property appraisal assistance;⁴⁵

40 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

41 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

42 In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*.

43 In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value*.

44 In USPAP GRM, see Advisory Opinions 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

45 In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

- (xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 by:
- (1) stating the appraisal methods and techniques employed;
 - (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;
 - (3) summarizing the results of analyzing the subject sales and other transfers, agreements of sale, options, and listings in accordance with Standards Rule 1-5;⁴⁶ and
- Comment: If such information is unobtainable, a statement on the efforts undertaken by the appraiser to obtain the information is required. If such information is irrelevant, a statement acknowledging the existence of the information and citing its lack of relevance is required.
- (4) stating the value opinion(s) and conclusion(s);
- Comment: An appraiser must maintain a workfile that includes sufficient information to indicate that the appraiser complied with the requirements of STANDARD 1 and for the appraiser to produce an Appraisal Report.
- (xiii) state the use of the real estate existing as of the effective date and the use of the real estate reflected in the appraisal;
- (xiv) when an opinion of highest and best use was developed by the appraiser, state that opinion;
- (xv) clearly and conspicuously:
- state all extraordinary assumptions and hypothetical conditions; and
 - state that their use might have affected the assignment results; and
- (xvi) include a signed certification in accordance with Standards Rule 2-3.

STANDARDS RULE 2-3, CERTIFICATION

A signed certification is an integral part of the appraisal report.

- (a) The wording of a certification does not have to match the following verbatim, but each of the elements must be addressed:
- I certify that, to the best of my knowledge and belief:
- the statements of fact contained in this report are true and correct.
 - the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
 - I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
 - I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
 - I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
 - my engagement in this assignment was not contingent upon developing or reporting predetermined results.

⁴⁶ In USPAP GRM, see Advisory Opinion 1, *Sales History*.

- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)⁴⁷
- no one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property appraisal assistance must be stated.)⁴⁸

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

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

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

- (i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**
- (ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

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

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

STANDARDS RULE 2-4, ORAL APPRAISAL REPORT

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

Comment: See the RECORD KEEPING RULE for corresponding requirements.

⁴⁷ In USPAP GRM, see Advisory Opinion 2, *Inspection of Subject Property*.

⁴⁸ In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT

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

Comment: The requirements set forth in STANDARD 3 generally follow the appraisal review development process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a checklist.

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

STANDARDS RULE 3-1, GENERAL DEVELOPMENT REQUIREMENTS

In developing an appraisal review, the reviewer must:

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

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

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

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

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

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

STANDARDS RULE 3-2, PROBLEM IDENTIFICATION

In developing an appraisal review, the reviewer must:

- (a) identify the client and other intended users;⁴⁹**

- (b) identify the intended use of the reviewer’s opinions and conclusions;⁵⁰**

Comment: A reviewer must not allow the intended use of an assignment or a client’s objectives to cause the assignment results to be biased. A reviewer must not advocate for a client’s objectives.

The intended use refers to the use of the reviewer’s opinions and conclusions by the client and other intended users; examples include, without limitation, quality control, audit, qualification, or confirmation.

49 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

50 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

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

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

In the review of an appraisal assignment, the reviewer may provide an opinion of value for the property that is the subject of the work under review.⁵¹

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

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

- (i) any ownership interest in the property that is the subject of the work under review;**
- (ii) the date of the work under review and the effective date of the opinions or conclusions in the work under review;**
- (iii) the appraiser(s) who completed the work under review, unless the identity is withheld by the client; and**
- (iv) the physical, legal, and economic characteristics of the property, properties, property type(s), or market area in the work under review;**

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

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

- (i) the extraordinary assumption is required to properly develop credible opinions and conclusions;**
- (ii) the reviewer has a reasonable basis for the extraordinary assumption; and**
- (iii) use of the extraordinary assumption results in a credible analysis;**

(f) identify any hypothetical conditions necessary in the review assignment. A hypothetical condition may be used in an assignment only if:

- (i) use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and**
- (ii) use of the hypothetical condition results in a credible analysis; and**

(g) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.⁵²

⁵¹ In USPAP GRM, see Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

⁵² In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

Comment: Reviewers have broad flexibility and significant responsibility in determining the appropriate scope of work in an appraisal review assignment. 875
876

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. 877
878

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. 879
880
881

STANDARDS RULE 3-3, APPRAISAL REVIEW METHODS 882

In developing an appraisal review, a reviewer must apply the appraisal review methods and techniques that are necessary for credible assignment results. 883
884

(a) When necessary for credible assignment results in the review of analyses, opinions, and conclusions, the reviewer must: 885
886

- (i) develop an opinion as to whether the analyses are appropriate within the context of the requirements applicable to that work;** 887
888
- (ii) develop an opinion as to whether the opinions and conclusions are credible within the context of the requirements applicable to that work; and** 889
890
- (iii) develop the reasons for any disagreement.** 891

Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review, given law, regulations, or intended user requirements applicable to the work under review. 892
893
894
895

(b) When necessary for credible assignment results in the review of a report, the reviewer must: 896

- (i) develop an opinion as to whether the report is appropriate and not misleading within the context of the requirements applicable to that work; and** 897
898
- (ii) develop the reasons for any disagreement.** 899

Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the report, given law, regulations, or intended user requirements applicable to that work. 900
901
902

(c) When the assignment includes the reviewer developing his or her own opinion of value or review opinion, the following apply:⁵³ 903
904

- (i) The requirements of STANDARDS 1, 5, 7, or 9 apply to the reviewer's opinion of value for the property that is the subject of the appraisal review assignment.** 905
906
- (ii) The requirements of STANDARD 3 apply to the reviewer's opinion of quality for the work that is the subject of the appraisal review assignment.** 907
908

Comment: These requirements apply to: 909

- The reviewer's own opinion of value when the subject of the review is the product of an appraisal assignment; or 910
911
- The reviewer's own opinion regarding the work reviewed by another when the subject of the review is the product of an appraisal review assignment. 912
913

53 In USPAP GRM, see Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

- 914 These requirements apply whether the reviewer's own opinion:
- 915 • concurs with the opinions and conclusions in the work under review; or
- 916 • differs from the opinions and conclusions in the work under review.
- 917 When the assignment includes the reviewer developing his or her own opinion of value or review
- 918 opinion, the following apply:
- 919 • The reviewer's scope of work in developing his or her own opinion of value or review opinion
- 920 may be different from that of the work under review.
- 921 • The effective date of the reviewer's opinion of value may be the same or different from the
- 922 effective date of the work under review.
- 923 • The reviewer is not required to replicate the steps completed by the original appraiser. Those
- 924 items in the work under review that the reviewer concludes are credible can be extended to the
- 925 reviewer's development process on the basis of an extraordinary assumption. Those items not
- 926 deemed to be credible must be replaced with information or analysis developed in conformance
- 927 with STANDARD 1, 3, 5, 7, or 9, as applicable, to produce credible assignment results.

STANDARD 4: APPRAISAL REVIEW, REPORTING

In reporting the results of an appraisal review, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading. 928
929

Comment: STANDARD 4 addresses the content and level of information required in a report that 930
communicates the results of an appraisal review. STANDARD 4 does not dictate the form, format, or style of 931
appraisal review reports. The substantive content of an appraisal review report determines its compliance. 932

STANDARDS RULE 4-1, GENERAL REPORTING REQUIREMENTS 933

Each written or oral appraisal review report must be separate from the work under review and must: 934

- (a) clearly and accurately set forth the appraisal review in a manner that will not be misleading;** 935
- (b) contain sufficient information to enable the intended user(s) of the appraisal review to understand the report properly; and** 936
937
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.** 938
939

STANDARDS RULE 4-2, CONTENT OF AN APPRAISAL REVIEW REPORT 940

The content of an appraisal review report must be appropriate for the intended use of the appraisal review and, at a minimum: 941
942

- (a) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile; state the identity of any intended user(s) by name or type;⁵⁴** 943
944
945

Comment: Because the client is an intended user, they must be identified in the review report as such. 946
However, if the client has requested anonymity the reviewer must use care when identifying the client to 947
avoid violations of the Confidentiality section of the ETHICS RULE. 948

- (b) state the intended use of the appraisal review;** 949
- (c) state the purpose of the appraisal review;** 950
- (d) state information sufficient to identify:** 951
 - (i) the work under review, including any ownership interest in the property that is the subject of the work under review;** 952
953
 - (ii) the date of the work under review;** 954
 - (iii) the effective date of the opinions or conclusions in the work under review; and** 955
 - (iv) the appraiser(s) who completed the work under review, or if the client has withheld their identity, state that the identity of the appraiser(s) has been withheld by the client;** 956
957
- (e) state the date of the appraisal review report;** 958
- (f) clearly and conspicuously:** 959
 - state all extraordinary assumptions and hypothetical conditions; and** 960
 - state that their use might have affected the assignment results.** 961

54 In *USPAP Guidance and Reference Manual* (USPAP GRM), see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(g) state the scope of work used to develop the appraisal review;⁵⁵

Comment: Stating the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(h) when any portion of the work involves significant appraisal or appraisal review assistance, state the extent of that assistance;⁵⁶**(i) state the reviewer's opinions and conclusions about the work under review, including the reasons for any disagreement;**

Comment: The report must provide sufficient information to enable the client and intended users to understand the rationale for the reviewer's opinions and conclusions.

(j) when the scope of work includes the reviewer's development of an opinion of value or review opinion related to the work under review, the reviewer must:⁵⁷

(i) state which information, analyses, opinions, and conclusions in the work under review that the reviewer accepted as credible and used in developing the reviewer's opinions and conclusions;

(ii) if applicable, state the effective date of the reviewer's opinion of value;

(iii) at a minimum, summarize any additional information relied on and the reasoning for the reviewer's opinion of value or review opinion related to the work under review; and

Comment: The reviewer may include his or her own opinion of value or review opinion related to the work under review within the appraisal review report itself without preparing a separate report. However, data and analyses provided by the reviewer to support a different opinion or conclusion must match, at a minimum, except for the certification requirements, the reporting requirements for an:

- Appraisal Report for a real property appraisal (Standards Rule 2-2(a));
- Appraisal Report for a personal property appraisal (Standards Rule 8-2(a));
- Appraisal Review Report for an appraisal review (Standards Rule 4-2);
- Mass Appraisal Report for mass appraisal (Standards Rule 6-2); and
- Appraisal Report for business appraisal (Standards Rule 10-2(a)).

(k) include a signed certification in accordance with Standards Rule 4-3.**STANDARDS RULE 4-3, CERTIFICATION**

A signed certification is an integral part of the appraisal review report.

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

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

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

⁵⁵ In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁵⁶ In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁵⁷ In USPAP GRM, see Advisory Opinion 20, *An Appraisal Review Assignment That Includes the Reviewer's Own Opinion of Value*.

— I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding the agreement to perform this assignment.	999 1000 1001
— I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.	1002 1003
— my engagement in this assignment was not contingent upon developing or reporting predetermined results.	1004 1005
— my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.	1006 1007
— my compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.	1008 1009 1010 1011
— my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the <i>Uniform Standards of Professional Appraisal Practice</i> .	1012 1013
— I have (or have not) made a personal inspection of the subject of the work under review. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the subject of the work under review.) (For reviews of a business or intangible asset appraisal assignment, the inspection portion of the certification is not applicable.) ⁵⁸	1014 1015 1016 1017 1018
— no one provided significant appraisal or appraisal review assistance to the person signing this certification. (If there are exceptions, the name of each individual providing appraisal or appraisal review assistance must be stated.) ⁵⁹	1019 1020 1021
(b) A reviewer who signs any part of the appraisal review report, including a letter of transmittal, must also sign a certification.	1022 1023
<i>Comment:</i> Any reviewer who signs a certification accepts responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal review report.	1024 1025
Appraisal review is distinctly different from the cosigning activity addressed in Standards Rules 2-3, 6-3, 8-3, and 10-3. To avoid confusion between these activities, a reviewer performing an appraisal review must not sign the work under review unless he or she intends to accept responsibility as a cosigner of that work.	1026 1027 1028
(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.	1029 1030
(i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and	1031 1032
(ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.	1033
<i>Comment:</i> Although a certification must contain the names of individuals providing significant appraisal or appraisal review assistance, it is not required that the description of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.	1034 1035 1036

58 In USPAP GRM, see Advisory Opinion 2, *Inspection of Subject Property*.

59 In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

1037 (d) If the assignment requires the use of a certification that does not include all of the certification
1038 elements in this Standards Rule, the appraisal review report must contain a supplemental
1039 certification, which includes the remaining required certification elements.

1040 **STANDARDS RULE 4-4, ORAL APPRAISAL REVIEW REPORT**

1041 To the extent that it is both possible and appropriate, an oral appraisal review report must address the
1042 substantive matters set forth in Standards Rule 4-2.

1043 Comment: See the RECORD KEEPING RULE for corresponding requirements.

STANDARD 5: MASS APPRAISAL, DEVELOPMENT

In developing a mass appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible mass appraisal. 1044
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Comment: STANDARD 5 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals.⁶⁰ The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes. 1047
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A mass appraisal includes: 1050

- 1) identifying properties to be appraised; 1051
- 2) defining market area of consistent behavior that applies to properties; 1052
- 3) identifying characteristics (supply and demand) that affect the creation of value in that market area; 1053
- 4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area; 1054
1055
- 5) calibrating the model structure to determine the contribution of the individual characteristics affecting value; 1056
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- 6) applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and 1058
1059
- 7) reviewing the mass appraisal results. 1060

The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD 5 because ad valorem tax administration is subject to various state, county, and municipal laws. 1061
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STANDARDS RULE 5-1, GENERAL DEVELOPMENT REQUIREMENTS 1063

In developing a mass appraisal, an appraiser must: 1064

- (a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal;** 1065
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Comment: Mass appraisal provides for a systematic approach and uniform application of appraisal methods and techniques to obtain estimates of value that allow for statistical review and analysis of results. 1067
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This requirement recognizes that the principle of change continues to affect the manner in which appraisers perform mass appraisals. Changes and developments in the real property and personal property fields have a substantial impact on the appraisal profession. 1069
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To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in mass appraisal. 1072
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60 In *USPAP Guidance and Reference Manual* (USPAP GRM), see Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

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

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

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

STANDARDS RULE 5-2, PROBLEM IDENTIFICATION

In developing a mass appraisal, an appraiser must:

(a) identify the client and other intended users;⁶¹

Comment: In ad valorem mass appraisal, the assessor, or party responsible for certification of the assessment or tax roll is required to apply the relevant law or statute and identify the clients and other intended users (if any).

(b) identify the intended use of the appraisal;⁶²

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

(c) identify the type and definition of value, and ascertain whether the value is to be the most probable price:

(i) in terms of cash; or

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

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

(iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, identify the terms of such financing and any influences on value;

(d) identify the effective date of the appraisal;

(e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the properties that are relevant to the type and definition of value and intended use,⁶³ including:

(i) the group with which a property is identified according to similar market influence;

(ii) the appropriate market area and time frame relative to the property being valued; and

(iii) their location and physical, legal, and economic characteristics;

Comment: The properties must be identified in general terms, and each individual property in the universe must be identified, with the information on its identity stored or referenced in its property record.

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.⁶⁴

Ordinarily, proposed improvements are not appraised for ad valorem tax purposes. Appraisers, however, are sometimes asked to provide opinions of value of proposed improvements so that developers can estimate future property tax burdens. Sometimes units in condominiums and planned unit developments are sold with an interest in un-built community property, the pro rata value of which, if any, must be considered in the analysis of sales data.

⁶¹ In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁶² In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁶³ In USPAP GRM, see Advisory Opinion 23, *Identifying Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.

⁶⁴ In USPAP GRM, see Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

(f) identify the characteristics of the market that are relevant to the purpose and intended use of the mass appraisal including:	1113
	1114
(i) location of the market area;	1115
(ii) physical, legal, and economic characteristics;	1116
(iii) time frame of market activity; and	1117
(iv) property interests reflected in the market;	1118
(g) in appraising real property or personal property:	1119
(i) identify the appropriate market area and time frame relative to the property being valued;	1120
(ii) when the subject is real property, identify and consider any personal property, trade fixtures, or intangible assets that are not real property but are included in the appraisal;	1121
	1122
(iii) when the subject is personal property, identify and consider any real property or intangible assets that are not personal property but are included in the appraisal;	1123
	1124
(iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature; and	1125
	1126
(v) identify and analyze whether an appraised fractional interest, physical segment or partial holding contributes pro rata to the value of the whole;	1127
	1128
Comment: The above requirements do not obligate the appraiser to value the whole when the subject of the appraisal is a fractional interest, physical segment, or a partial holding. However, if the value of the whole is not identified, the appraisal must clearly reflect that the value of the property being appraised cannot be used to develop the value opinion of the whole by mathematical extension.	1129
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(h) analyze the relevant economic conditions at the time of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity;	1133
	1134
(i) identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an assignment only if:	1135
	1136
(i) the extraordinary assumption is required to properly develop credible opinions and conclusions;	1137
(ii) the appraiser has a reasonable basis for the extraordinary assumption; and	1138
(iii) use of the extraordinary assumption results in a credible analysis;	1139
(j) identify any hypothetical conditions necessary in the assignment. A hypothetical condition may be used in an assignment only if:	1140
	1141
(i) use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and	1142
	1143
(ii) use of the hypothetical condition results in a credible analysis; and	1144
(k) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.⁶⁵	1145
	1146

65 In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

STANDARDS RULE 5-3, PROPERTY'S USE AND APPROPRIATE MARKET

When necessary for credible assignment results, an appraiser must:

(a) in appraising real property, identify and analyze the effect on use and value of the following factors:

- (i) existing land use regulations;**
- (ii) reasonably probable modifications of such regulations;**
- (iii) economic supply and demand;**
- (iv) the physical adaptability of the real estate;**
- (v) neighborhood trends; and**
- (vi) highest and best use of the real estate; and**

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

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

STANDARDS RULE 5-4, APPRAISAL METHODS

In developing a mass appraisal, an appraiser must:

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

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

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

Comment: The formal development of a model in a statement or equation is called model specification. Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. The specification format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Appropriate approaches must be used in appraising a class of properties. The concept of recognized techniques applies to both real and personal property valuation models.

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

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

STANDARDS RULE 5-5, APPROACHES TO VALUE

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

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

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

Comment: This Standards Rule requires appraisers engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible mass appraisals.

(b) base estimates of capitalization rates and projections of future rental rates and/or potential earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate evidence;⁶⁶

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

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

(d) identify the need for and extent of any physical inspection.⁶⁷

STANDARDS RULE 5-6, CALIBRATED MASS APPRAISAL MODEL APPLICATION

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

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

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

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

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

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

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

66 In USPAP GRM, see Advisory Opinion 33, *Discounted Cash Flow Analysis*.

67 In USPAP GRM, see Advisory Opinion 2, *Inspection of Subject Property*.

- 1224 (e) when analyzing anticipated public or private improvements, located on or off the site, analyze the effect
1225 on value, if any, of such anticipated improvements to the extent they are reflected in market actions.

1226 **STANDARDS RULE 5-7, RECONCILIATION**

1227 In developing a mass appraisal an appraiser must:

- 1228 (a) reconcile the quality and quantity of data available and analyzed within the approaches used and
1229 the applicability and relevance of the approaches, methods and techniques used; and
1230 (b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of
1231 accuracy are maintained.

1232 Comment: It is implicit in mass appraisal that, even when properly specified and calibrated mass
1233 appraisal models are used, some individual value conclusions will not meet standards of reasonableness,
1234 consistency, and accuracy. However, appraisers engaged in mass appraisal have a professional
1235 responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable
1236 standards of accuracy. This responsibility requires appraisers to evaluate the performance of models,
1237 using techniques that may include but are not limited to, goodness-of-fit statistics, and model performance
1238 statistics such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of residuals.

STANDARD 6: MASS APPRAISAL, REPORTING

In reporting the results of a mass appraisal, an appraiser must communicate each analysis, opinion, and conclusion in writing and in a manner that is not misleading. 1239
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Comment: STANDARD 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal. 1241
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STANDARD 6 does not dictate the form, format, or style of mass appraisal reports. The substantive content of a report determines its compliance. 1243
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STANDARDS RULE 6-1, GENERAL REPORTING REQUIREMENTS 1245

Each written report of a mass appraisal must: 1246

(a) clearly and accurately set forth the appraisal in a manner that will not be misleading; 1247

(b) contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly; and 1248
1249

Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and documentation, (4) market studies, (5) model building documentation, (6) regulations, (7) statutes, and (8) other acceptable forms. 1250
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(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment. 1253
1254

STANDARDS RULE 6-2, CONTENT OF A MASS APPRAISAL REPORT 1255

The content of a mass appraisal report must be appropriate for the intended use of the appraisal and, at a minimum: 1256
1257

(a) state the identity of the client, or if the client has requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile; state the identity of any intended user(s) by name or type;⁶⁸ 1258
1259
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Comment: Because the client is an intended user, they must be identified in the report as such. However, if the client has requested anonymity the appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. 1261
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(b) state the intended use of the appraisal;⁶⁹ 1264

(c) disclose any assumptions or limiting conditions that result in deviation from recognized methods and techniques or that affect analyses, opinions, and conclusions; 1265
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(d) state the effective date of the appraisal and the date of the report; 1267

Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law. If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is presumed to be contemporaneous with the data and appraisal conclusions.⁷⁰ 1268
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68 In USPAP Guidance and Reference Manual (USPAP GRM), see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

69 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

70 In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

1271 **(e) state the type and definition of value and cite the source of the definition;**

1272 Comment: Stating the type and definition of value also requires any comments needed to clearly indicate
1273 to intended users how the definition is being applied.

1274 When reporting an opinion of value, state whether the opinion is:

- 1275 • In terms of cash or of financing terms equivalent to cash; or
- 1276 • Based on non-market financing with unusual conditions or incentives.

1277 When an opinion of value is based on non-market financing terms or financing with unusual conditions or
1278 incentives, summarize the terms of such financing and any influences on value.

1279 **(f) state the properties appraised including the property rights; and, when the property rights to be**
1280 **appraised are specified in a statute or court ruling, reference the law;**

1281 Comment: The report documents the sources for location, describing and listing the property. When
1282 applicable, include references to legal descriptions, addresses, parcel identifiers, photos, and building
1283 sketches. In mass appraisal this information is often included in property records.

1284 **(g) summarize the scope of work used to develop the appraisal,⁷¹ and explain the exclusion of the sales**
1285 **comparison approach, cost approach, or income approach;**

1286 Comment: Summarizing the scope of work includes disclosure of research and analyses performed and
1287 might also include disclosure of research and analyses not performed.

1288 **(h) when any portion of the work involves significant mass appraisal assistance, summarize the extent of**
1289 **that assistance;⁷²**

1290 **(i) summarize and support the model specification(s) considered, data requirements, and the model(s)**
1291 **chosen; provide sufficient information to enable the client and intended users to have confidence**
1292 **that the process and procedures used conform to accepted methods and result in credible value**
1293 **conclusions; and include a summary of the rationale for each model, the calibration techniques to be**
1294 **used, and the performance measures to be used;**

1295 Comment: In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the
1296 credibility of value opinions.

1297 **(j) summarize the procedure for collecting, validating, and reporting data; and summarize the sources**
1298 **of data and the data collection and validation processes;**

1299 Comment: Reference to detailed data collection manuals or electronic records must be made, as
1300 appropriate, including where they may be found for inspection.

1301 **(k) summarize calibration methods considered and chosen, including the mathematical form of the final**
1302 **model(s); summarize how value conclusions were reviewed; and, if necessary, state the availability**
1303 **and location of individual value conclusions;**

1304 **(l) when an opinion of highest and best use, or the appropriate market or market level was developed,**
1305 **summarize how that opinion was determined, and reference case law, statute, or public policy that**
1306 **describes highest and best use requirements;**

1307 Comment: When actual use is the requirement, the report must summarize how use-value opinions were
1308 developed. The appraiser's reasoning in support of the highest and best use opinion must be provided in
1309 the depth and detail required by its significance to the appraisal.

71 In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

72 In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

- (m) identify the appraisal performance tests used and the performance measures attained; 1310
- (n) summarize the reconciliation performed, in accordance with Standards Rule 5-7; and 1311
- (o) include a signed certification in accordance with Standards Rule 6-3. 1312

STANDARDS RULE 6-3, CERTIFICATION 1313

A signed certification is an integral part of the appraisal report. 1314

- (a) The wording of a certification does not have to match the following verbatim, but each of the elements must be addressed: 1315

I certify that, to the best of my knowledge and belief: 1317

- the statements of fact contained in this report are true and correct. 1318
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions. 1319
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved. 1321
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment. 1322
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment. 1323
- my engagement in this assignment was not contingent upon developing or reporting predetermined results. 1324
- my compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. 1325
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*. 1326
- I have (or have not) made a personal inspection of the properties that are the subject of this report. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)⁷³ 1327
- no one provided significant mass appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant mass appraisal assistance must be stated.)⁷⁴ 1328

Comment: The above certification is not intended to disturb an elected or appointed assessor's work plans or oaths of office. 1329

- (b) An appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign a certification. 1343

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

73 In USPAP GRM, see Advisory Opinion 2, *Inspection of Subject Property*.

74 In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

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

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

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

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

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

STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT

In developing a personal property appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal. 1365
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Comment: The requirements set forth in STANDARD 7 follow the appraisal development process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a checklist. 1368
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STANDARDS RULE 7-1, GENERAL DEVELOPMENT REQUIREMENTS 1370

In developing a personal property appraisal, an appraiser must: 1371

- (a) be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal;** 1372
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Comment: This Standards Rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in personal property practice have a substantial impact on the appraisal profession. Important changes in the cost and manner of acquiring, producing, and marketing personal property and changes in the legal framework in which appraisers perform their assignments result in the need for corresponding changes in personal property appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. The appraisal profession responds to changing circumstances with revised and new appraisal methods and techniques. Therefore, it is not sufficient for appraisers to maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must improve and update his or her skills and knowledge to remain proficient in the appraisal of personal property. 1374
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- (b) not commit a substantial error of omission or commission that significantly affects an appraisal; and** 1384

Comment: An appraiser must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results. 1385
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- (c) not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results.** 1388
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STANDARDS RULE 7-2, PROBLEM IDENTIFICATION 1391

In developing a personal property appraisal, an appraiser must: 1392

- (a) identify the client and other intended users;⁷⁵** 1393

- (b) identify the intended use of the appraiser's opinions and conclusions;** 1394

Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. 1395
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- (c) identify the type and definition of value; and ascertain whether the value is to be:** 1397

(i) in terms of cash; or 1398

(ii) in terms of financial arrangements equivalent to cash; or 1399

(iii) in other precisely defined terms; and 1400

⁷⁵ In *USPAP Guidance and Reference Manual* (USPAP GRM), see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

- (iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, identify the terms of such financing and any influences on value;**

Comment: When reasonable exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion.⁷⁶

- (d) identify the effective date of the appraiser's opinions and conclusions;⁷⁷**

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

- (i) sufficient characteristics to establish the identity of the item including the method of identification;**
- (ii) sufficient characteristics to establish the relative quality of the item (and its component parts, where applicable) within its type;**
- (iii) all other physical and economic characteristics with a material effect on value;**

Comment: Some examples of physical and economic characteristics include condition, style, size, quality, manufacturer, author, materials, origin, age, provenance, alterations, restorations, and obsolescence. The type of property, the type and definition of value, and intended use of the appraisal determine which characteristics have a material effect on value.

- (iv) the ownership interest to be valued;**
- (v) any known restrictions, encumbrances, leases, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature if relevant to the assignment; and**
- (vi) any real property or intangible assets that are not personal property but which are included in the appraisal;**

Comment on (i)–(vi): An appraiser may use any combination of a property inspection, documents, or other information to identify the relevant characteristics of the subject property.

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

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

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

- (i) the extraordinary assumption is required to properly develop credible opinions and conclusions;**
- (ii) the appraiser has a reasonable basis for the extraordinary assumption; and**
- (iii) use of the extraordinary assumption results in a credible analysis;**

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

- (i) use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and**
- (ii) use of the hypothetical condition results in a credible analysis; and**

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

⁷⁶ In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real Property and Personal Property Opinions of Value*.

⁷⁷ In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value*.

STANDARD RULE 7-3, PROPERTY'S USE, MARKET, AND RELEVANT ECONOMIC CONDITIONS

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

- (a) analyze the property's current use and alternative uses as relevant to the type and definition of value and intended use of the appraisal;

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

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

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

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

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

STANDARDS RULE 7-4, APPROACHES TO VALUE

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

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

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

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

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

- (i) analyze such comparable data as are available to estimate the market income of the property;
- (ii) analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
- (iii) analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
- (iv) base projections of future income and expenses on reasonably clear and appropriate evidence.

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

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

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

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

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

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

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

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

Comment: When the scope of work includes an appraisal of real property or intangible assets, competency in real property appraisal (see STANDARD 1) or business appraisal (see STANDARD 9) is required. In addition, competency in other types of personal property outside of the appraiser's specialty area may be necessary (see the COMPETENCY RULE).

STANDARDS RULE 7-5, SUBJECT SALES AND OTHER TRANSFERS, SALE AGREEMENTS, OPTIONS, AND LISTINGS

When necessary for credible assignment results, an appraiser must, if such information is available to the appraiser in the normal course of business:⁷⁸

- (a) analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings of the subject property current as of the effective date of the appraisal if warranted by the intended use of the appraisal; and**
- (b) analyze all prior sales and other transfers of the subject property that occurred within a reasonable and applicable time period if relevant given the intended use of the appraisal and property type.**

STANDARDS RULE 7-6, RECONCILIATION

In developing a personal property appraisal, an appraiser must:

- (a) reconcile the quality and quantity of data available and analyzed within the approach or approaches used; and**
- (b) reconcile the applicability and relevance of the approach or approaches, methods and techniques used to arrive at the value conclusion(s).**

⁷⁸ In USPAP GRM, see Advisory Opinion 24, *Normal Course of Business*.

STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING

In reporting the results of a personal property appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading. 1509
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Comment: STANDARD 8 addresses the content and level of information required in a report that communicates the results of a personal property appraisal. 1511
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STANDARD 8 does not dictate the form, format, or style of personal property appraisal reports. The substantive content of a report determines its compliance. 1513
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STANDARDS RULE 8-1, GENERAL REPORTING REQUIREMENTS 1515

Each written or oral personal property appraisal report must: 1516

- (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;** 1517
- (b) contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly; and** 1518
1519
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.** 1520
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STANDARDS RULE 8-2, CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT 1522

Each written personal property appraisal report must be prepared under one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.⁷⁹ 1523
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An appraiser may use any other label in addition to, but not in place of, the labels set forth in this Standards Rule for the type of report provided. The use of additional labels such as analysis, consultation, evaluation, study, or valuation does not exempt an appraiser from adherence to USPAP. 1525
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The report content and level of information requirements in this Standards Rule are minimums for each type of report. 1528
1529

- (a) The content of an Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:** 1530
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- (i) state the identity of the client, or if the client requested anonymity, state that the client's identity is withheld at the client's request but is retained in the appraiser's workfile;⁸⁰** 1532
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Comment: Because the client is an intended user, they must be identified in the report as such. 1534
However, if the client has requested anonymity the appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. 1535
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- (ii) state the identity of any other intended user(s) by name or type;** 1537

Comment: A party receiving a copy of an Appraisal Report in order to satisfy disclosure requirements does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment. 1538
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- (iii) state the intended use of the appraisal;** 1541

79 In USPAP Guidance and Reference Manual (USPAP GRM), see Advisory Opinion 38, *Content of an Appraisal Report and Restricted Appraisal Report*.

80 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(iv) summarize information sufficient to identify the property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment;

(v) state the property interest appraised;

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

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

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

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

When an opinion of value is based on non-market financing terms or financing with unusual conditions or incentives, summarize the terms of such financing and any influences on value.

When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 7-2(c), the opinion must be stated in the report.⁸¹

(vii) state the effective date of the appraisal and the date of the report;⁸²

(viii) summarize the scope of work used to develop the appraisal;⁸³

Comment: Summarizing the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(ix) summarize the extent of any significant personal property appraisal assistance and, in an assignment involving appraisers with expertise in different specialties (e.g., antiques, fine art, or machinery and equipment), disclose the role of each appraiser signing the certification;⁸⁴

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

- (1) summarizing the appraisal methods or techniques employed;**
- (2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;**
- (3) summarizing the results of analyzing the subject property's sales and other transfers, agreements of sale, options, and listings when, in accordance with Standards Rule 7-5, it was necessary for credible assignment results and if such information was available to the appraiser in the normal course of business;⁸⁵**

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

(4) stating the value opinion(s) and conclusion(s); and

(5) summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches;

⁸¹ In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

⁸² In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

⁸³ In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁸⁴ In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

⁸⁵ In USPAP GRM, see Advisory Opinion 24, *Normal Course of Business*.

(xi)	state, as appropriate to the class of personal property involved, the use of the property existing as of the effective date and the use of the property reflected in the appraisal;	1577 1578
	<u>Comment:</u> In the context of personal property, value can be a function of the current and alternative use of the subject property, the choice of the appropriate market or market level for the type of item, the type and definition of value, and intended use of the report.	1579 1580 1581
(xii)	when, in compliance with Standards Rule 7-3, an opinion of the appropriate market or market level was developed by the appraiser, state that opinion and summarize the support and rationale for that opinion;	1582 1583 1584
(xiii)	clearly and conspicuously:	1585
	• state all extraordinary assumptions and hypothetical conditions; and	1586
	• state that their use might have affected the assignment results; and	1587
(xiv)	include a signed certification in accordance with Standards Rule 8-3.	1588
(b)	The content of a Restricted Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:	1589 1590
(i)	state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile; ⁸⁶	1591 1592
	<u>Comment:</u> Because the client is an intended user, they must be identified in the report as such. However, if the client has requested anonymity the appraiser must use care when identifying the client to avoid violations of the <u>Confidentiality</u> section of the ETHICS RULE.	1593 1594 1595
(ii)	state the identity of any other intended user(s) by name; ⁸⁷	1596
	<u>Comment:</u> A Restricted Appraisal Report may be provided when the client is the only intended user; or, when additional intended users are identified by name.	1597 1598
	A party receiving a copy of a Restricted Appraisal Report in order to satisfy disclosure requirements does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment.	1599 1600 1601
(iii)	clearly and conspicuously state a restriction that limits use of the report to the client and the named intended user(s);	1602 1603
(iv)	clearly and conspicuously warn that the report may not contain supporting rationale for all of the opinions and conclusions set forth in the report;	1604 1605
(v)	state the intended use of the appraisal;	1606
(vi)	state information sufficient to identify the property involved in the appraisal;	1607
(vii)	state the property interest appraised;	1608
(viii)	state the type of value and cite the source of its definition;	1609
	<u>Comment:</u> When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 7-2(c), the opinion must be stated in the report. ⁸⁸	1610 1611
(ix)	state the effective date of the appraisal and the date of the report; ⁸⁹	1612

86 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

87 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

88 In USPAP GRM, see Advisory Opinion 35, *Reasonable Exposure Time in Real and Personal Property Opinions of Value*.

89 In USPAP GRM, see Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.

(x) state the scope of work used to develop the appraisal;⁹⁰

Comment: Stating the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(xi) state the extent of any significant personal property appraisal assistance;⁹¹**(xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:****(1) stating the appraisal methods and techniques employed;****(2) stating the reasons for excluding the sales comparison, cost, or income approach(es) if any have not been developed;****(3) summarizing the results of analyzing the subject property's sales and other transfers, agreements of sale, options, and listings when, in accordance with Standards Rule 7-5, it was necessary for credible assignment results and if such information was available to the appraiser in the normal course of business; and**

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

(4) stating the value opinion(s) and conclusion(s);

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

(xiii) state, as appropriate to the class of personal property involved, the use of the property existing as of the effective date and the use of the property reflected in the appraisal;

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

(xiv) when an opinion of the appropriate market or market level was developed by the appraiser, state that opinion;**(xv) clearly and conspicuously:**

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

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

⁹⁰ In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

⁹¹ In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More Than One Appraiser*.

STANDARDS RULE 8-3, CERTIFICATION

A signed certification is an integral part of the appraisal report.

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

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)⁹²
- no one provided significant personal property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant personal property appraisal assistance must be stated.)⁹³

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

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

In an assignment that includes real property, business or intangible asset assignment results not developed by the personal property appraiser(s), any personal property appraiser who signs a certification

92 In USPAP GRM, see Advisory Opinion 2, *Inspection of Subject Property*.

93 In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

1685 accepts full responsibility for the personal property elements of the certification, for the personal property
1686 assignment results, and for the personal property contents of the appraisal report.

1687 **(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the**
1688 **certification, the signing appraiser is responsible for the decision to rely on their work.**

1689 **(i) The signing appraiser is required to have a reasonable basis for believing that those individuals**
1690 **performing the work are competent; and**

1691 **(ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

1692 Comment: Although a certification must contain the names of individuals providing significant
1693 personal property appraisal assistance, it is not required that the description of the extent of their
1694 assistance be located in a certification. This disclosure may be in any part(s) of the report.

1695 **STANDARDS RULE 8-4, ORAL APPRAISAL REPORT**

1696 **To the extent that it is both possible and appropriate, an oral personal property appraisal report must**
1697 **address the substantive matters set forth in Standards Rule 8-2(a).**

1698 Comment: See the RECORD KEEPING RULE for corresponding requirements.

STANDARD 9: BUSINESS APPRAISAL, DEVELOPMENT

In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete the research and analyses necessary to produce a credible appraisal. 1699
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STANDARDS RULE 9-1, GENERAL DEVELOPMENT REQUIREMENTS 1702

In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must: 1703

- (a) be aware of, understand, and correctly employ those recognized approaches, methods and procedures that are necessary to produce a credible appraisal; 1704
1705

Comment: Changes and developments in the economy and in investment theory have a substantial impact on the business and intangible asset appraisal profession. Important changes in the financial arena, securities regulation, financial reporting requirements, and law may result in corresponding changes in appraisal theory and practice. 1706
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- (b) not commit a substantial error of omission or commission that significantly affects an appraisal; and 1710

Comment: An appraiser must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results. 1711
1712
1713

- (c) not render appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results. 1714
1715
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STANDARDS RULE 9-2, PROBLEM IDENTIFICATION 1717

In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must: 1718

- (a) identify the client and other intended users;⁹⁴ 1719

- (b) identify the intended use of the appraiser's opinions and conclusions;⁹⁵ 1720

Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. 1721
1722

- (c) identify the standard (type) and definition of value and the premise of value; 1723

- (d) identify the effective date of the appraisal; 1724

- (e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the subject property that are relevant to the standard (type) and definition of value and intended use of the appraisal, including: 1725
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1727

- (i) the subject business enterprise or intangible asset, if applicable; 1728

- (ii) the interest in the business enterprise, equity, asset, or liability to be valued; and the attributes of the interest being appraised, including the rights and benefits of ownership; 1729
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Comment: The interest to be valued may represent all ownership rights or a subset of those rights, such as a specific right to use the asset. 1731
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94 In USPAP Guidance and Reference Manual (USPAP GRM), see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

95 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(iii) all buy-sell and option agreements, investment letter stock restrictions, restrictive corporate charter or partnership agreement clauses, and similar features or factors that may have an influence on value;

(iv) the extent to which the interest contains elements of ownership control; and

Comment: The elements of control in a given situation may be affected by law, distribution of ownership interests, contractual relationships, and many other factors.

(v) the extent to which the interest is marketable and/or liquid;

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

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

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

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

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

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

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

(h) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.⁹⁶

STANDARDS RULE 9-3, PREMISE OF VALUE

In developing an appraisal of an interest in a business enterprise with the ability to cause liquidation, an appraiser must investigate the possibility that the business enterprise may have a higher value by liquidation of all or part of the enterprise than by continued operation as is. If liquidation of all or part of the enterprise is the indicated premise of value, an appraisal of any real property or personal property to be liquidated may be appropriate.

Comment: This Standards Rule requires the appraiser to recognize that continued operation of a business is not always the best premise of value because liquidation of all or part of the enterprise may result in a higher value. However, this typically applies only when the business interest being appraised is in a position to cause liquidation. If liquidation of all or part of the enterprise is the appropriate premise of value, the scope of work may include an appraisal of real property or personal property. If so, competency in real property appraisal (STANDARD 1) or personal property appraisal (STANDARD 7) is required.

⁹⁶ In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

STANDARDS RULE 9-4, APPROACHES TO VALUE

In developing an appraisal of an interest in a business enterprise or intangible asset, an appraiser must collect and analyze all information necessary for credible assignment results.

(a) An appraiser must develop value opinion(s) and conclusion(s) by use of one or more approaches that are necessary for credible assignment results.

(b) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of:

- (i) the nature and history of the business enterprise or intangible asset;
- (ii) financial and economic conditions affecting the business enterprise or intangible asset, its industry, and the general economy;
- (iii) past results, current operations, and future prospects of the business enterprise;
- (iv) past sales and other transfers of capital stock or other ownership interests in the business enterprise or intangible asset being appraised;
- (v) sales and other transfers of capital stock or other ownership interests in similar business enterprises;
- (vi) prices, terms, and conditions affecting past sales and other transfers of similar ownership interests in the asset being appraised or a similar asset; and
- (vii) economic benefit of tangible and intangible assets.

Comment on (i)-(vii): This Standards Rule directs the appraiser to study the prospective and retrospective aspects of the business enterprise in terms of the economic and industry environment within which it operates.

(c) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of buy-sell and option agreements, investment letter stock restrictions, restrictive corporate charter or partnership agreement clauses, and similar features or factors that may influence value.

(d) An appraiser must, when necessary for credible assignment results, analyze the effect on value, if any, of the extent to which the interest appraised contains elements of ownership control and is marketable and/or liquid. An appraiser must analyze factors such as holding period, interim benefits, and the difficulty of marketing the subject interest.

Comment: Equity interests in a business enterprise are not necessarily worth the pro rata share of the business enterprise interest value as a whole. Also, the value of the business enterprise is not necessarily a direct mathematical extension of the value of the fractional interests. The degree of control, marketability and/or liquidity or lack thereof depends on a broad variety of facts and circumstances that must be analyzed when applicable.

STANDARDS RULE 9-5, RECONCILIATION

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

(a) reconcile the quality and quantity of data available and analyzed within the approaches, methods, and procedures used; and

(b) reconcile the applicability and relevance of the approaches, methods and procedures used to arrive at the value conclusion(s)

STANDARD 10: BUSINESS APPRAISAL, REPORTING

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

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

STANDARD 10 does not dictate the form, format, or style of business or intangible asset appraisal reports. The substantive content of a report determines its compliance.

STANDARDS RULE 10-1, GENERAL REPORTING REQUIREMENTS

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

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

STANDARDS RULE 10-2, CONTENT OF A BUSINESS APPRAISAL REPORT

Each written appraisal report for an interest in a business enterprise or intangible asset must be prepared in accordance with one of the following options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.⁹⁷

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

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

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

- (i) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile;⁹⁸**

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

- (ii) state the identity of any other intended user(s) by name or type;⁹⁹**

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

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

⁹⁷ In USPAP Guidance and Reference Manual (USPAP GRM), see Advisory Opinion 38, *Content of an Appraisal Report and Restricted Appraisal Report*.

⁹⁸ In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

⁹⁹ In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(iv)	contain information sufficient to identify the business or intangible asset and the interest ¹⁰⁰ appraised, including property characteristics relevant to the type and definition of value and intended use of the appraisal;	1835 1836 1837
(v)	state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination;	1838 1839
(vi)	state the extent to which the interest appraised lacks elements of marketability and/or liquidity, including the basis for that determination;	1840 1841
(vii)	state the standard (type) and definition of value and the premise of value and cite the source of the definition;	1842 1843
	<u>Comment:</u> Stating the definition of value also requires any comments needed to clearly indicate to the intended users how the definition is being applied.	1844 1845
(viii)	state the effective date of the appraisal and the date of the report;	1846
(ix)	summarize the scope of work used to develop the appraisal; ¹⁰¹	1847
	<u>Comment:</u> Summarizing the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.	1848 1849
(x)	when any portion of the work involves significant business and/or intangible asset appraisal assistance, summarize the extent of that assistance; ¹⁰²	1850 1851
(xi)	provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 9 by:	1852 1853
	(1) summarizing the appraisal procedures followed;	1854
	(2) stating the reason(s) for excluding the market, asset-based (cost), or income approach(es) if any have not been developed;	1855 1856
	(3) stating the value opinions and conclusions; and	1857
	(4) summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches;	1858 1859
(xii)	clearly and conspicuously:	1860
	• state all extraordinary assumptions and hypothetical conditions; and	1861
	• state that their use might have affected the assignment results; and	1862
(xiii)	include a signed certification in accordance with Standards Rule 10-3.	1863
(b)	The content of a Restricted Appraisal Report must be appropriate for the intended use of the appraisal and, at a minimum:	1864 1865
(i)	state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile; ¹⁰³	1866 1867
	<u>Comment:</u> Because the client is an intended user, they must be identified in the report as such. However, if the client has requested anonymity the appraiser must use care when identifying the client to avoid violations of the <u>Confidentiality</u> section of the ETHICS RULE.	1868 1869 1870

100 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

101 In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

102 In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

103 In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

(ii) state the identity of any other intended user(s) by name;¹⁰⁴

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

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

(iii) clearly and conspicuously state a restriction that limits use of the report to the client and the named intended user(s);**(iv) clearly and conspicuously warn that the report may not contain supporting rationale for all of the opinions and conclusions set forth in the report;****(v) state the intended use of the appraisal;****(vi) state information sufficient to identify the business or intangible asset and the interest appraised;****(vii) state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination;****(viii) state the extent to which the interest appraised lacks elements of marketability and/or liquidity, including the basis for that determination;****(ix) state the standard (type) of value and the premise of value, and cite the source of its definition;****(x) state the effective date of the appraisal and the date of the report;****(xi) state the scope of work used to develop the appraisal;¹⁰⁵**

Comment: Stating the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(xii) state the extent of any significant business and/or intangible asset appraisal assistance;**(xiii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 9 by:****(1) stating the appraisal procedures followed;****(2) stating the reason(s) for excluding the market, asset-based (cost), or income approach(es) if any have not been developed; and****(3) stating the value opinions and conclusions;**

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

(xiv) clearly and conspicuously:

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

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

¹⁰⁴ In USPAP GRM, see Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users*.

¹⁰⁵ In USPAP GRM, see Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure*, and Advisory Opinion 29, *An Acceptable Scope of Work*.

STANDARDS RULE 10-3, CERTIFICATION

A signed certification is an integral part of the appraisal report.

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

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

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- no one provided significant business and/or intangible asset appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant business and/or intangible asset appraisal assistance must be stated.)¹⁰⁶

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

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

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

- (i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and**
- (ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.**

¹⁰⁶ In USPAP GRM, see Advisory Opinion 31, *Assignments Involving More than One Appraiser*.

1947 Comment: Although a certification must contain the names of individuals providing significant business
1948 and/or intangible asset appraisal assistance, it is not required that the description of the extent of their
1949 assistance be located in a certification. This disclosure may be in any part(s) of the report.

1950 **STANDARDS RULE 10-4, ORAL APPRAISAL REPORT**

1951 **To the extent that it is both possible and appropriate, an oral appraisal report for an interest in a business**
1952 **enterprise or intangible asset must address the substantive matters set forth in Standards Rule 10-2(a).**

1953 Comment: See the RECORD KEEPING RULE for corresponding requirements.



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