

What You Must Teach Your Expert About USPAP

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IAAO ANNUAL
LEGAL 
SEMINAR
NAVIGATING CHANGE





**Who's
Here?**

What is your role?

- Attorney
- Assessor Office
- Fee appraiser
- Other





Is USPAP Mandatory in your jurisdiction?

- Yes
- No
- Maybe
- Don't Know

Learning Objectives

- **This presentation is designed to help you**
 - **Identify** and navigate the Uniform Standards of Professional Appraisal Practice
 - **Discuss** legal and practical appraisal assignment conditions with real estate appraisers
 - **Define** the effective date of value and applicable jurisdictional assignment conditions
 - **Specify** the appropriate scope of work for the appraisal report and the appraiser's workfile
 - **Utilize** a report review checklist to assist in determining a report's compliance with USPAP Standards

#1

Identify and navigate the
Uniform Standards of
Professional Appraisal
Practice

**Uniform
Standards of
Professional
Appraisal
Practice**

The image features the iconic 'JEOPARDY!' logo in a bold, yellow, 3D block font with a black outline. The logo is centered against a vibrant, multi-colored background that transitions from purple and blue on the left to orange and yellow on the right. In the center of the background is a glowing digital globe composed of a grid of small, bright points, with a bright light source behind it creating a lens flare effect.

JEOPARDY!

USPAP Edition!

USPAP was adopted in 1987
following this crisis.

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following this crisis.

What is the S&L Bailout Crisis?

True or False: All states require mandatory compliance with USPAP.

True or False: All states require mandatory compliance with USPAP.

What is FALSE?

“An appraiser must comply with USPAP when either the service or the appraiser is required by law, regulation, or agreement with the client.”

This board “develops, interprets, and amends USPAP on behalf of appraisers and users of appraisal services.”

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**Who is the Appraisal Standard Board (ASB)
of the Appraisal Foundation?**

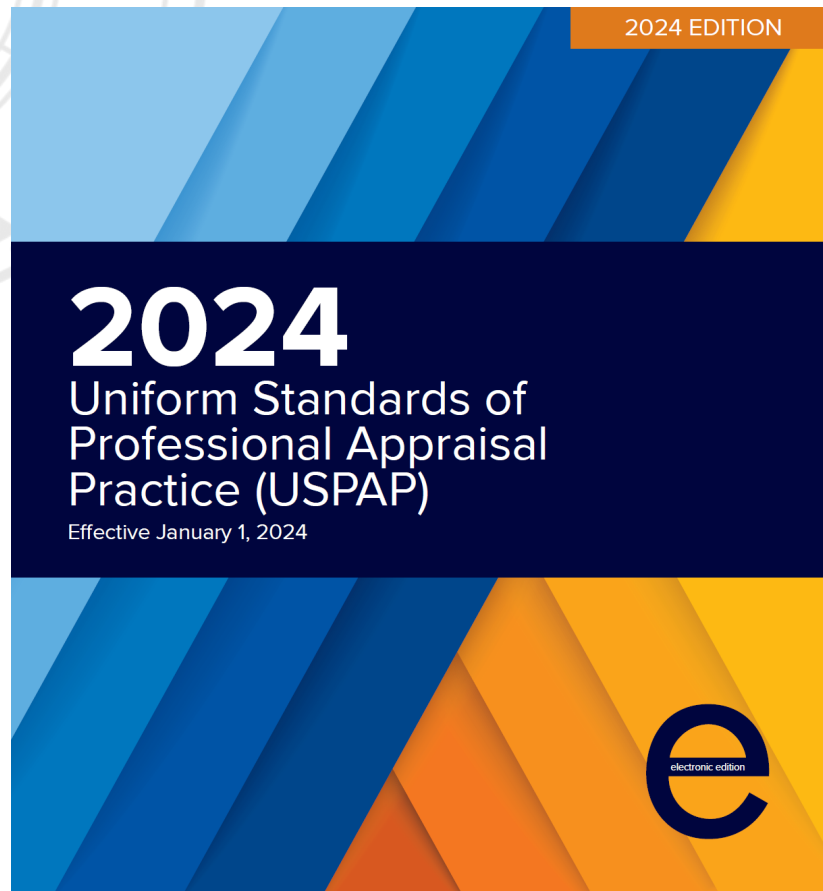
USPAP is updated every _____ number of years.

USPAP is updated every _____ number of years.

TRICK QUESTION 😊

“As the standards have evolved and matured in the last 35 years, the need of standards to be updated on a regular basis has decreased, leaving the standards unchanged for longer periods of time.” Because of this, “the 2024 edition of USPAP has an effective start date, but no end date.”

Current Version, Two Books

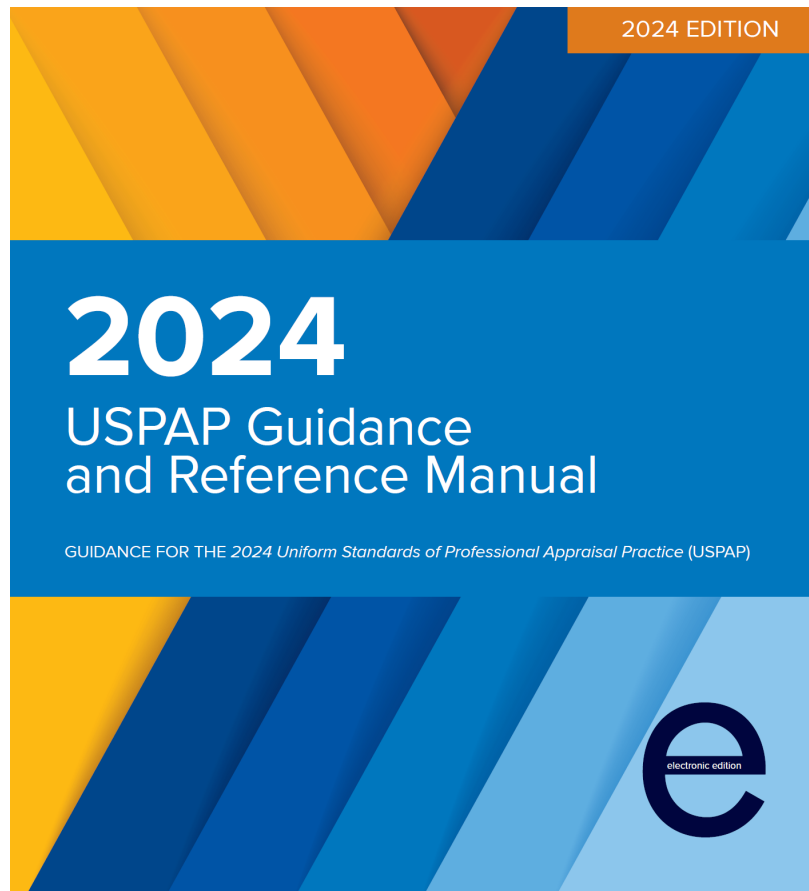


Contains USPAP Standards 1 through 10

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



APPRAISAL STANDARDS BOARD



Companion volume to 2024 USPAP.

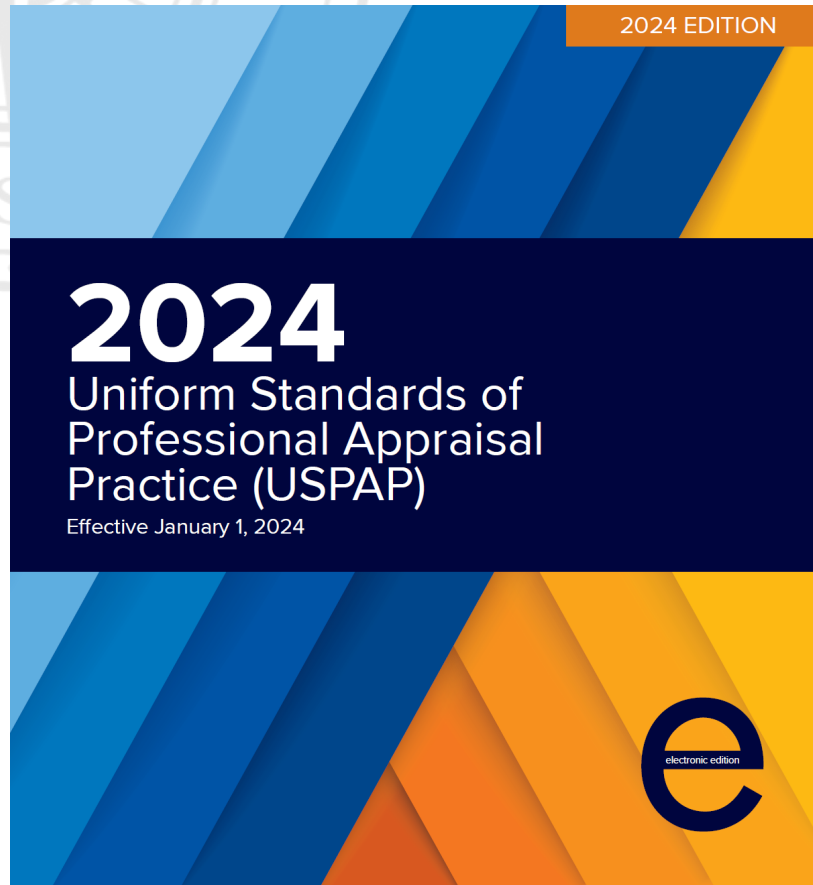
Includes Advisory Opinions,
Frequently Asked Questions,
and the Reference Index.



APPRAISAL STANDARDS BOARD



USPAP, the little book



- Includes required elements
- Just the facts
- No advice, no commentary

Contains USPAP Standards 1 through 10

*Guidance and USPAP Reference Manual
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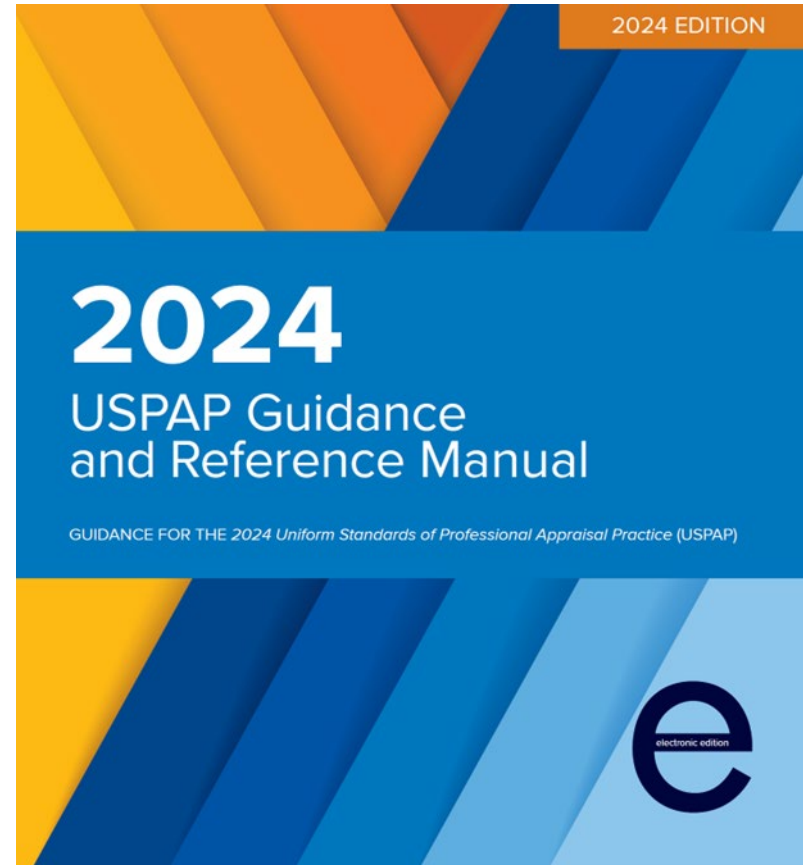
USPAP, the bigger book

Advisory Opinions

- “A form of guidance”
- “Not part of USPAP”
- “Advice for resolution of appraisal issues”

Frequently Asked Questions

- “A form of guidance”
- “Not part of USPAP”
- “Illustrate applicability of USPAP in specific situations”



Companion volume to 2024 USPAP.

Includes Advisory Opinions,
Frequently Asked Questions,
and the Reference Index.

2024 PDF DIGITAL USPAP®(NOTE:Guidance sold separately) - \$35



Note: This is a PDF document.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 recognizes USPAP as the generally accepted real property appraisal standards and requires USPAP compliance for appraisers in federally related transactions.

USPAP (now a stand-alone publication; guidance sold separately) contains standards for all types of appraisal services, including real estate, personal property, business, and mass appraisal... [Details](#)

2024 USPAP® (PRINT) (Note: guidance sold separately) - \$35



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USPAP contains standards for all types of appraisal services, including real estate, personal property, business and mass appraisal. Federal, state, and local agencies, appraisal services, and many professional appraisal organizations require... [Details](#)

2024 USPAP® Guidance and Reference Manual (PDF) - \$75



Note: This is a PDF document.

Introducing the USPAP Guidance and Reference Manual (NOTE: stand-alone USPAP publication now sold separately). This new publication combines the guidance developed by the Appraisal Standards Board to accompany USPAP including Advisory Opinions and Frequently Asked Questions with the Reference Index (formerly the Reference Manual), which helps you find answers to your USPAP questions. PLEASE NOTE: both USPAP and the USPAP Guidance and... [Details](#)

2024 USPAP® Guidance and Reference Manual (PRINT) - \$75



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2024 USPAP® Print & PDF COMBO(Guidance sold separately)- \$50



Purchase both the spiral bound hard copy and the downloadable electronic PDF copy of USPAP.

The hard copy will be shipped to your street address within 7-10 business days. The electronic copy will be available in your account to download after you have completed your purchase.

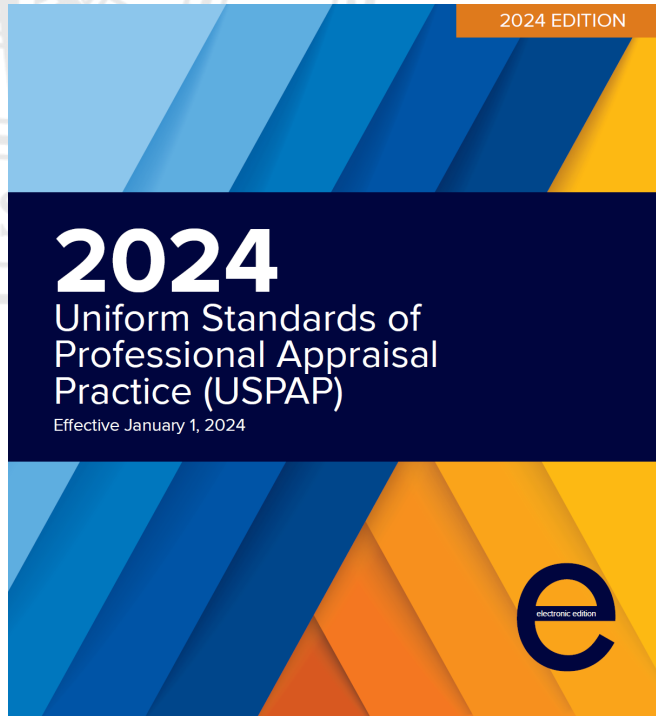
The Financial Institutions Reform, Recovery and Enforcement Act of 1989 recognizes USPAP as the generally accepted real property appraisal standards and requires USPAP compliance for... [Details](#)

Purchase Both at:

AppraisalFoundation.org

**USPAP , the little book:
hard copy or PDF - \$35**

Anatomy of USPAP



Contains USPAP Standards 1 through 10

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



62 pages



Foreword



Preamble



Definitions



Rules



Standards and Standards Rules

What is Covered?

Real Property Appraisal

Standard **1**:
Development

Standard **2**:
Reporting

Appraisal Reviews

Standard **3**:
Development

Standard **4**:
Reporting

Mass Appraisal

Standard **5**:
Development

Standard **6**:
Reporting

Personal Property Appraisal

Standard **7**:
Development

Standard **8**:
Reporting

Business / Intangible Asset Appraisal

Standard **9**:
Development

Standard **10**:
Reporting

What is Covered? 10 Standards + 5 Rules

Real Property Appraisal

Standard 1:
Development

Standard 2:
Reporting

Appraisal Reviews

Standard 3:
Development

Standard 4:
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Mass Appraisal

Standard 5:
Development

Standard 6:
Reporting

Personal Property Appraisal

Standard 7:
Development

Standard 8:
Reporting

Business / Intangible Asset Appraisal

Standard 9:
Development

Standard 10:
Reporting

Rules:

Ethics

Record Keeping

Competency

Scope of Work

Jurisdictional Exception



#2

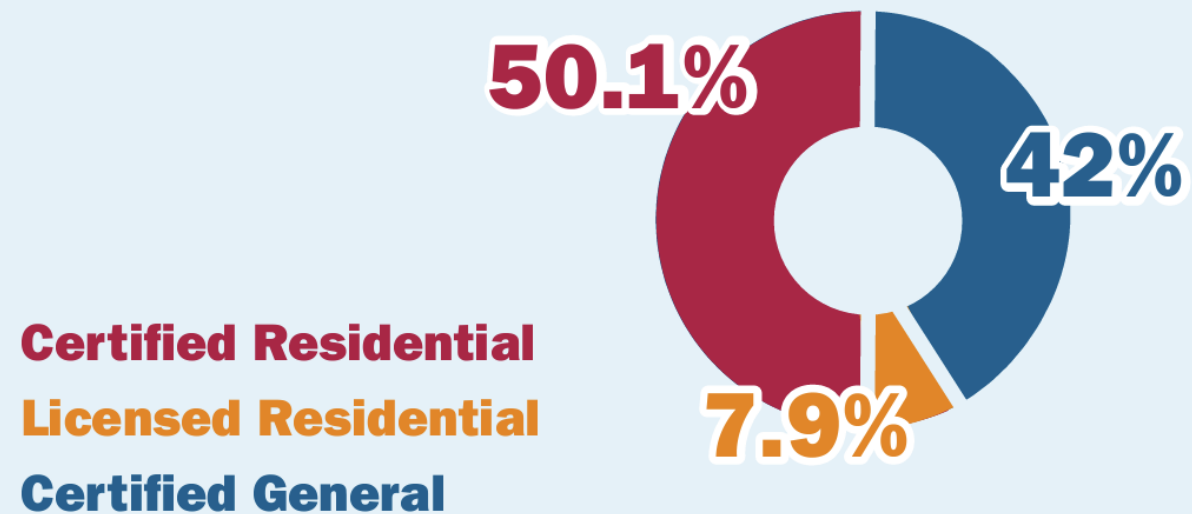
Discuss legal and practical appraisal assignment conditions with real estate appraisers

Appraisers Overview

- Credentials are administered and enforced by states
- Certified vs. Licensed
- General vs. Residential
- Designations

TOTAL U.S. APPRAISERS AND NUMBERS OF LICENSES/CERTIFICATIONS

As of December 2022 there were 93,665 active licenses held by an estimated 70,000 licensed or certified real estate appraisers in the U.S. The composition of active licenses were:



What Do Most Appraisers Know About USPAP?

■ **For Certification:**

take a 15-hour USPAP course

■ **For Re-Certification:**

take a 7-hour USPAP update course



What Do Most Appraisers Know About USPAP?



- Most appraisals are for financing purposes
- USPAP for financing purposes is very “vanilla”
- **Therefore, most appraisers have learned basic or “vanilla” USPAP**

USPAP, vanilla flavor

- **Intended use:** Somebody needs a loan
- **Intended user:** The Bank
- **Effective date:** “Now”
- **Scope of Work:** Whatever the bank requires in their special handbook (if applicable)
- **Workfile:** Minimal, seldom requested
- Appraisal report is often formally reviewed



Appraisals for Tax Appeals

- **Intended user:** The client, but many people will read the report
- **Intended Use:** May ultimately be to support sworn testimony
- **Effective date:** Sometime in the past
- **Workfile:** Important part of the value opinion and is discoverable
- **Scope of work:** Infinitely variable
- Jurisdictional requirements and case law may affect Scope of Work
- Formal appraisal review not usually performed



What's the Difference?

Element of the Appraisal	“Vanilla” / Cookie Cutter Appraisals	Appraisals for Tax Appeals / Litigation
USPAP	Utilize the same parts of USPAP each time	Involve parts of USPAP that the typical appraiser isn't accustomed to utilizing
Review		
Workfile		
Scope of Work		

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Workfile		
Scope of Work		

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Review	Formal review process typically required	Reports receive greater scrutiny with less formal review process
Workfile	Workfile is limited as it is seldom requested	Level of required support in workfile is heightened
Scope of Work		

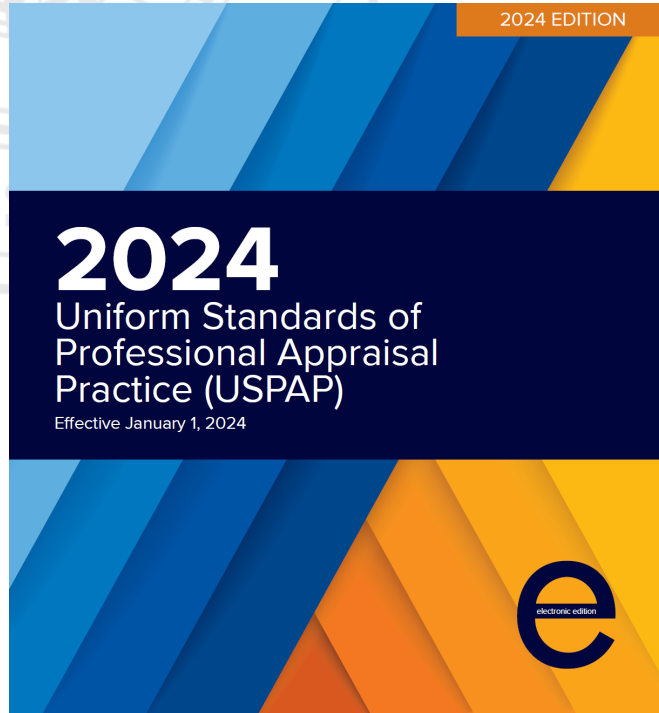
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Review	Formal review process typically required	Reports receive greater scrutiny with less formal review process
Workfile	Workfile is limited as it is seldom requested	Level of required support in workfile is heightened
Scope of Work	Determined largely by bank requirements / procedures	Client and appraiser determine Scope of Work, thus needing to discuss USPAP often

#3

Specify the appropriate scope of work for the appraisal report and the appraiser's workfile

What You Need to Teach Your Expert



Contains USPAP Standards 1 through 10

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



13 pages



Ethics Rule



Record Keeping Rule



Scope of Work Rule



Standard 1



Standard 2

Ethics Rule

- Four Sections
- Nondiscrimination
- Conduct
 - No Fraud or Bias
 - Must not knowingly violate the Record Keeping Rule
- Management
 - No contingent compensation
 - Confidentiality



Record Keeping Rule

- Appraiser must prepare a workfile for every assignment
- Must be in existence prior to report or communication
- Must Include a true copy of all written reports



Record Keeping Rule

- Workfile must include:
 - All other data, information, and documentation necessary to:
 - Support the appraiser's opinions and conclusions
 - Show compliance with USPAP



Scope of Work Rule

- For each appraisal and 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
 3. Disclose the scope of work in the report

Who Sets the Scope of Work?

- “Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work”
- “Communication with the client is required”

Scope of Work Includes

“The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.”

Standard 1 - Development

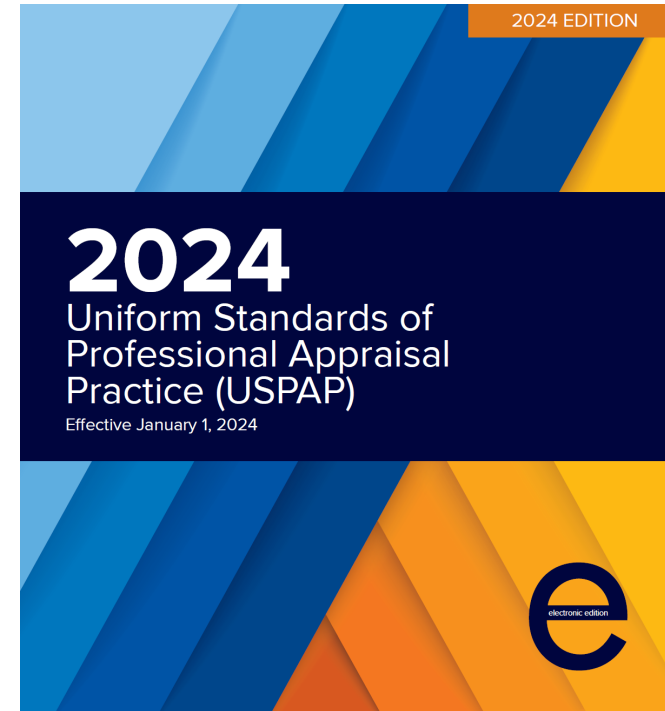
“In developing a real property appraisal, an appraiser must

- 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.”

(repeats the scope of work rule)

Standards Rules 1-1 through 1-5

- 1-1 General
- 1-2 Problem Identification
- 1-3 Market Analysis and Highest and Best Use
- 1-4 Approaches to Value
- 1-5 Subject Property – Sales History, Listings
- 1-6 Reconciliation



Contains USPAP Standards 1 through 10

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 **The Appraisal
FOUNDATION**
Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications
APPRAISAL STANDARDS BOARD

4 pages

Standard 2 - Reporting

“In developing a real property appraisal, an appraiser must:

Communicate each

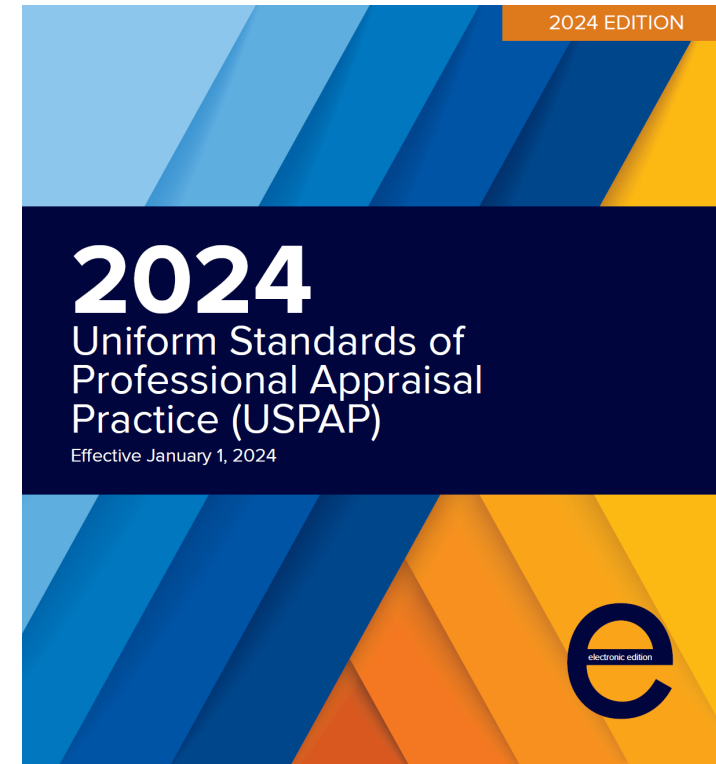
- analysis,
- opinion, and
- conclusion

In a manner that is not misleading.”



Standards Rules 2-1 through 2-4

- 2-1 General Reporting Requirements
- 2-2 Content
 - 2-2 (a) Appraisal Report
 - 2-2 (b) Restricted Appraisal Report
- 2-3 Certification
- 2-4 Oral Appraisal Report



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5 pages

#4

Define the effective date of value, scope of work, and applicable jurisdictional assignment conditions

Elements of the Assignment

- Determine analyses which are necessary
 - Three approaches to value? Or less?
 - Formal market analysis or highest and best use analysis required?
 - Special studies needed?



Jurisdictional Considerations

- Statutes and jurisdictional rules
- Market value and its definition
- H&B use? Or something else?
- Case law or other legal interpretations
- Will report be introduced into evidence?



EXPRESS

SAFARI CARWASH

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1004 CENTER POINT PL, FRANKLIN TN

MENU

SUPER CLEAN

(INTERIOR + EXTERIOR)

- EVERYTHING IN BEST PACKAGE
- VACUUM & COMPRESSED AIR
- WINDOW DRESSING
- RIMS & TIRES
- INTERIOR WIPE DOWN

SINGLE WASH

~~\$49~~ \$45

UNLIMITED WASHES

~~\$69~~ \$36

50% OFF FOR THE FIRST MONTH ONLY

BEST

(EXTERIOR ONLY)

- INCLUDES THE BETTER WASH PLUS
- CERAMIC-INFUSED WAX
- UNDER CARRIAGE BLAST
- CERAMIC SHIELD PROTECTANT

SINGLE WASH

~~\$30~~ \$20

UNLIMITED WASHES

~~\$48~~ \$24

50% OFF FOR THE FIRST MONTH ONLY

BETTER

(EXTERIOR ONLY)

- INCLUDES THE GOOD WASH PLUS
- TIRE SHINE
- RAIN ARCH RINSE
- TRIPLE FOAM CERAMIC SEALANT

SINGLE WASH

~~\$25~~ \$15

UNLIMITED WASHES

~~\$36~~ \$18

50% OFF FOR THE FIRST MONTH ONLY

GOOD

(EXTERIOR ONLY)

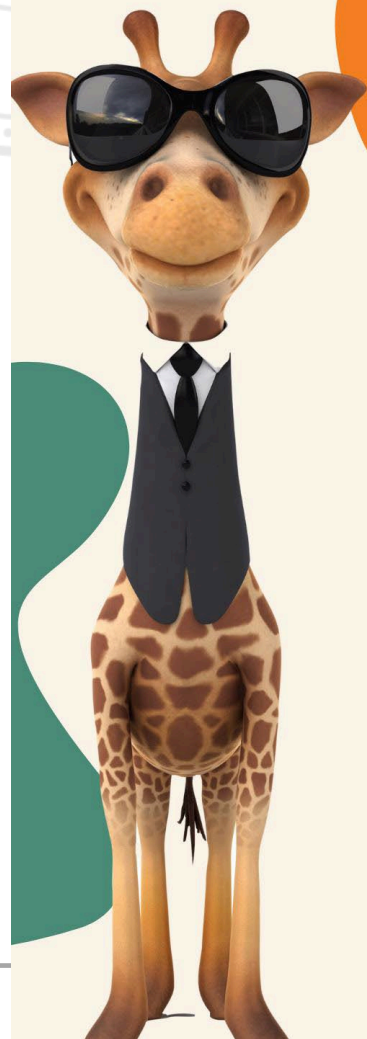
- TIRE CLEANER
- SUPER WHEEL BLAST
- SUPER FOAM
- SPOT FREE RINSE

SINGLE WASH

~~\$15~~ \$10

ADD ONS

- RIMS & TIRES - \$5
- WINDOW DRESSING - \$5
- INTERIOR VACUUM - \$15



How much detail does your case merit?

Do you need an extra level of complexity?

Budget concerns: More work = higher cost



#5

Utilize a report review checklist to assist in determining a report's compliance with USPAP Standards

Review: by You!

- Read the **entire** report
- Ensure USPAP compliance using reliable checklist
- Request workfile, compare to your inventory



Review: by You!

Things to inventory:

- Which approaches to value were used?

Which were NOT used?

- Identify the comparable data for comparison to workfile:
 - Land Comparable Sales, how many?
 - Improved Comparable Sales, how many?
 - Comparable Rentals, how many?
 - Identify adjustment categories and if % or \$ amount



Review: by You!

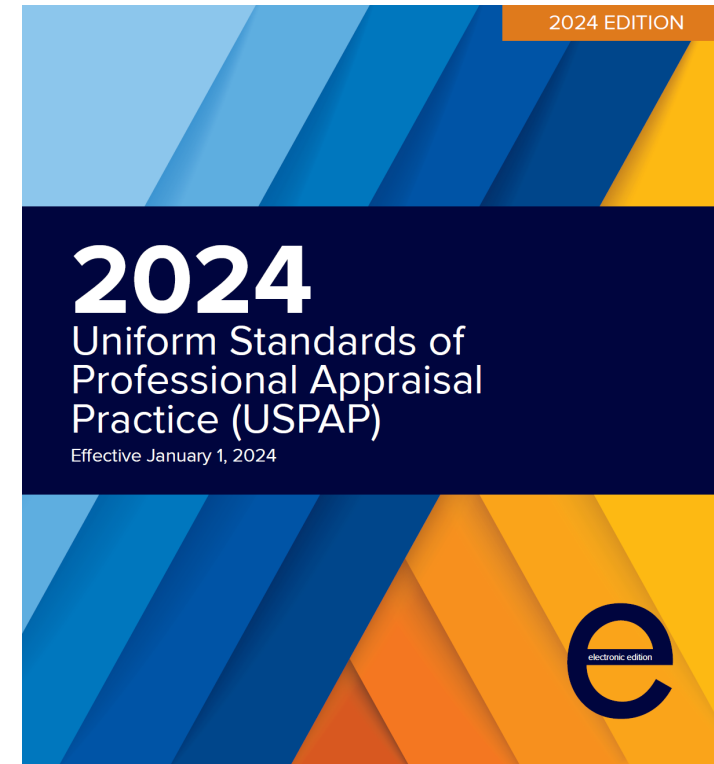
Things to inventory cont.

- Identify other data for comparison to workfile
- Replacement Cost New – cost service?
- Operating expense resources
- Capitalization rate resources



Reliable USPAP Checklist

- Standard 2-2(a) i - xiv
- Summarized on the next three slides
- 2024 USPAP pages 22-24



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3 pages

2-2(a) Appraisal Report i - ix

- State Identity of Client
- State Identity of Other Intended User
- State the Intended Use
- Identify the Real Estate Appraised
- State the Real Property Interest Appraised
- State Type and Definition of Value and State the Source
- State the Effective Date of Value and the Date of Report
- Summarize the Scope of Work
- Summarize Significant Assistance from Others



2-2(a) x 1 - 5

- Provide sufficient information to indicate that the appraiser complied with the requirements of Standard 1 by
- Summarizing appraisal methods and techniques employed
- Stating the reasons for excluding one of the three approaches to value
- Summarizing the analysis of subject history - prior sale(s) and listings
- Stating the value opinion and conclusion
- Summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches

2-2(a) xi - xiv

- State the use of the real estate existing as of the effective date
- State the use of the real estate reflected in the appraisal
- State the highest and best use opinion
- Summarize the support and rationale for the opinion of highest and best use
- State all assumptions and hypotheticals
- State that use of same might have affected the assignment results
- Include a signed certification



Key Words for the Report



State



Summarize



Any Questions?

IAAO ANNUAL
LEGAL SEMINAR
NAVIGATING CHANGE



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Extra scope of work slides if time permits

Appraisal Options List

- Extent of inspection for subject
- Level of complexity for economic and geographic analysis?
- Level of complexity for highest and best use analysis?
- How many approaches to value?
- Analyze information from property owner?
- Comparable Data Search is Local? Regional? Nationwide?
- Extent of inspection for the comparable sales
- Extent of research and analysis for comps
- Extent of verification for comps
- Level of support for adjustments to comps
- Extent of support for Income Approach (cap rates, expense ratios)
- Extent of support for Cost Approach (depreciation analysis, soft costs, profit)
- Level of detail expected in the workfile



Example of GOOD

- Straightforward highest and best use analysis
- Cost Approach with well-supported land value
- Improved comparable sales from local area
- CoStar sales leads with minimal analysis and verification
- Check all deeds to insure that sales are arms length and legal descriptions match CoStar
- No Income Approach
- Narrative report
- Workfile sufficient to satisfy USPAP minimum standards



Example of *SUPER CLEAN*

- Extensive market analysis
- Comprehensive highest and best use analysis
 - As Vacant
 - As Improved
- Detailed Cost Approach
- Bulletproof land value
- Detailed research for cost new and depreciation
- Improved comparable sales with research, analysis and verification for each sale
- Income Approach with market rent research, analysis and verification for each comp
 - Full analysis and support for expense estimate and capitalization rate
- Detailed reconciliation of valuation approaches
- Narrative report
- Comprehensive workfile with verification notes and support for all adjustments



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