

Appraisal Review, USPAP and Clarity

by Jack Young

Reports with Impact

Appraisers can use the guidance of classic rhetoric, in conjunction with modern research on clarity and impact, to create reports of conclusive clarity and credibility.

Jon Moon, in his book *How to Make an Impact*,¹ asserts that “Information is not power. Impact is power. Information without impact is useless – and clarity is how to give impact to your information. Strive for clarity.” Clarity is an important part of credibility— *Who trusts a report they cannot understand?* As appraisers, we can find the information we need for developing a conclusion of value. The question is, how do we present that information in a way that will have impact to powerfully and clearly support the conclusion of value? This is the question of rhetoric.

Those who have taken the older versions of ASA’s Appraisal Review classes are familiar with *logos*, *ethos*, and *nomos*. Logos and ethos – along with *kairos* and *pathos* – are the classic Modes of Persuasion described by Aristotle² in his timeless book, *Rhetoric*. The three elements of *logos*, *ethos*, and *pathos* are often grouped as the *Rhetorical Triangle*; the concept of *nomos* in Greek philosophy is most often simply translated as “law” but may best be understood as an appeal to shared cultural beliefs.³

We are interested in how these elements can be used in the appraisal review process to create reports with clarity and impact. First, look at the differences between the two major parts of USPAP: *Development* and *Reporting*. Then investigate the tools at hand, determining which ones are indispensable, which ones may be optional, and how to use the tools we have, including CRAC, which is one of several writing methods developed specifically for logical presentations.

Our review report writing tools need to be used in different ways, depending on whether we are in the process of *Development* or *Reporting*.

Lastly, analyze where *Modes of Persuasion* fit into the big picture, going all the way back to Ancient Greece.⁴ Along the way, explore the concept of *mythos*, or plot, and the five qualities that USPAP specifies as critical for appraisal credibility – completeness, accuracy, adequacy, relevance, and reasonableness – and clarify their place in the appraisal review process.

Appraisal Review: USPAP

USPAP is divided into two major parts: *Development* and *Reporting*, with respect to Appraisal Review Development in Standard 3, particularly in 3-3, and Reporting, in Standard 4.

¹ Moon, Jon, *How to Make an Impact: Influence, Inform, and Impress with your Reports, Presentations and Business Documents*, Prentice Hall, 2008

² <http://www.european-rhetoric.com/ethos-pathos-logos-modes-persuasion-aristotle/>

³ <https://studylib.net/doc/7041095/aristotle-s-persuasive-appeals-ethos--logos--pathos--and-nomos>

⁴ <https://webpace.ship.edu/cgboer/athenians.html>

Alan Blankenship, in his concise and valuable *The Appraisal Writing Handbook*, succinctly explains the difference, which clearly applies to the report writing and process of appraisal review as well as that of any appraisal.

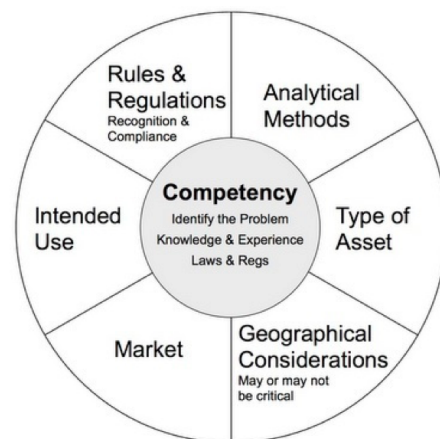
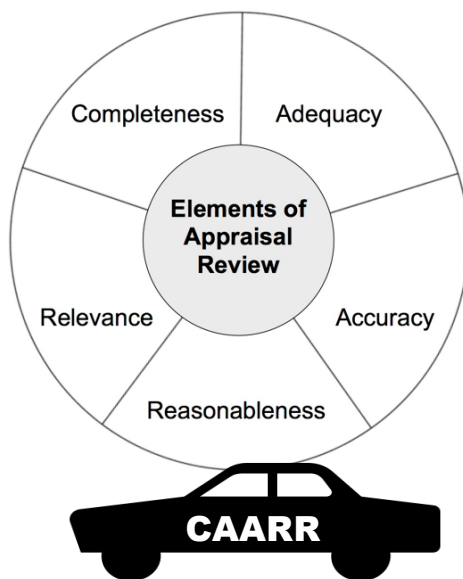
“The report writing process is quite separate from the appraisal process. In performing the valuation, the appraiser tries to discover the truth objectively and to arrive at a conclusion about value. The appraiser does not know the answer until the process is completed. The reporting process, however, begins with the answer and the appraiser’s task is to convey the value conclusion persuasively and clearly to a client, while at the same time fulfilling all professional requirements.” (p. vii)

Development

The comment on Standards Rule 3-3(a) states that “... 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.”

The comment on Standards Rule 3-3(b) is almost identical: “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.”

The ARM classes focus on these five qualities as part of the Development process, teaching techniques for analysis of these qualities using the Competency target (shown below) to guide the reviewer through the critical areas of the work under review, i.e., scope of work. USPAP Standards 3-3(a) & 3-3(b) also requires the reviewer to “Develop the reasons for any disagreement.” For this, the ARM curriculum provides instruction in using the IRAC method— Issue, Rule, Application, and Conclusion, which is a fundamental tool of analysis.



Reporting

Standard 4 addresses the reporting process.

Standards Rule 4-1 states:

Each written or oral Appraisal Review Report must be separate from the work under review and must:

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

Comment: An Appraisal Review Report communicates the results of an appraisal review, which can have as its subject another appraiser's work in an appraisal or appraisal review assignment.

The report content and level of information in the Appraisal Review Report is specific to the needs of the client, other intended users, the intended use, and requirements applicable to the assignment. The reporting requirements set forth in this Standard are the minimum for an Appraisal Review Report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraisal review is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

USPAP is clear that "Standard 4 does not dictate the form, format, or style of appraisal reviews reports. The form, format, and style of a report are functions of the needs of intended users and appraiser. The substantive content of a report determines its compliance."

So what kind of appraisal review report will we write, taking into consideration the needs of our intended user? As part of the answer, AR 201 and 204 includes writing instruction. CRAC (pronounced see-rack), an acronym for Conclusion, Rule, Application, Conclusion, is a syllogistic writing technique. A syllogism is a straightforward and logical way to present analyses using deductive reasoning, findings and conclusions – and it also dates back to Aristotle. CRAC, IRAC and its many variations, are widely taught in law schools across the country as a way of organizing and presenting a persuasive argument.

The Narrative Report

Nancy Duarte, global communication expert, explains in her book *Resonate*⁵ that all types of writing fall somewhere between the extremes of reports and stories. She explains that a report primarily conveys information and a story produces an experience. Ms. Duarte goes on to explain that narrative presentations are the middle ground between these two, containing both information and a story. They are persuasive pieces communicating information in a way that is understandable, believable and credible, which is a critical goal of credible assignment results.

⁵ http://static.duarte.com/Resonate_Sample30.pdf

Her research indicates that using a narrative style in a report helps engage the reader and makes the report more understandable. If we accept this premise, then it makes sense that providing a narrative in appraisal review report – or any appraisal report – would make that report more useful to the intended user and – yes – even more credible.

Why is credibility important? Standard 3 starts with the statement that “In developing an appraisal review, an appraiser must ... produce a credible appraisal review.” Credibility is referenced in Comments on the Competency Rule and the Scope of Work Rule, as well as numerous times throughout the Standards and Standard Rules for specific appraisal types: Real Property, Mass Appraisal, Personal Property and Business Appraisal.

“Information without impact is useless – and clarity is how to give impact to your information. Strive for clarity.”

Jon Moon

Key USPAP Points on Credibility

USPAP defines credible as “worthy of belief” and goes on to state that credible results are those that are understandable, logical, supportable and convincing:

- Understandable: capable of being comprehended, intelligible by the intended user
- Logical: to be expected given the facts presented
- Supportable: based upon facts and analysis
- Convincing: more likely true than not (burden of proof)

A credible report includes an *organized flow of facts* containing sufficient credible evidence and rational logic in a process that is repeatable and verifiable by another appraiser (reasonable person theory), leading to a persuasive conclusion. In short, a narrative containing both information (credible evidence and rational logic) and story (an organized flow of facts). Every time I write a report of any kind, I still hear Bob Podwalny reminding me that an appraisal should tell a story. To which he would always add, “Accurate analysis is necessary and so is a clear and understandable flow of facts leading the user to a clear and understandable conclusion.”

When we consider that the word “understand” appears 133 times in the 2018-2019 USPAP manual, often in the context of the intended user, and that the word “analysis” shows up 303 times, it seems reasonable to conclude that our basic job as appraisers and reviewers may be to perform credible analyses and communicate those in an understandable manner, with clarity.

A narrative report is a practical vehicle for presenting information in a way that is understandable, logical, supportable and convincing. Let’s examine more closely the relationship between credible assignment results and the *Modes of Persuasion*.

Ancient Greeks & the Philosophy of Communication

To review, ARM classes discuss *logos*, *ethos*, and *nomos*. *Logos* and *ethos* are two rhetorical modes of persuasion described by Aristotle,⁶ *kairos* (timeliness) and *pathos* (emotional appeal) being the other half. While these four Modes (or means) of Persuasion were developed in Ancient Greece, they continue to influence modern rhetoric (reporting), especially in the legal community, and of course some appraisal reviewers, as mentioned earlier.

What you're probably wondering right now is what an appraisal report has to do with the ancient art of rhetoric. Let's be clear that the following is a brief overview. Universities offer doctorates in rhetoric.⁷ This is rhetoric for appraisers.

What is Rhetoric?

Rhetoric is the study of using effective speaking and writing to persuade or convince others to agree with the presenter's ideas and positions. The methodology was developed and taught to students over 2500 years ago in ancient Greece to convince others to agree with you. It continues to be taught, practiced and argued about today. The purpose of rhetoric is to understand how language works and to become skilled in applying that understanding to your own writing and speaking. This is where CRAC and other forms of syllogistic writing fit into the big picture.

In a "Brief History of Classical Rhetoric," McKay⁸ states:

Aristotle defines rhetoric as "the faculty of observing in any given case the available means of persuasion." While Aristotle favored persuasion through reason alone, he recognized that at times, an audience would not be sophisticated enough to follow arguments based solely on scientific and logical principles. In those instances, persuasive language and techniques were necessary for truth to be taught.

In writing a report, it's desirable to rely on reason rather than persuasive techniques. While it is true that some persuasive techniques are appropriate in an objective report, it is also true that persuasion suffers from the stigma of "an often-used tool in the pursuit of personal gain, such as election campaigning, giving a sales pitch, or in trial advocacy."⁹ So let's take closer look at how persuasion fits into valuation.

Persuasion ... or Conviction?

The original use of rhetoric was to persuade someone (or a big group of someones) to DO something. But what do we, as appraisers or reviewers, want our intended user to DO?....We want them to accept the conclusion. "Persuade", therefore, is not the correct goal of our narrative report. The outcome we want is to "convince", as in convinced OF ... not persuaded TO. The traditional distinction between convince and persuade is that convincing is limited to the mind, while persuasion results in action. The intended user of your report is *convinced of* the correctness of your opinion but is not convinced to do something.

⁶ <http://www.european-rhetoric.com/ethos-pathos-logos-modes-persuasion-aristotle/>

⁷ https://www.rhetoricsociety.org/aws/RSA/pt/sp/graduate_programs

⁸ <https://www.artofmanliness.com/articles/history-of-rhetoric/>

⁹ <https://en.wikipedia.org/wiki/Persuasion>

This conviction corresponds directly to USPAP's Standards Rule 4-1, dictating that the Appraisal Review Report must:

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

A credible report will effectively inform and *convince* the intended user of “the completeness, accuracy, adequacy, relevance, and reasonableness of the report, given law, regulations, or intended user requirements applicable to that work.” A credible appraisal report will determine whether or not the work under review exhibits enough of the qualities of completeness, accuracy, adequacy, relevance, and reasonableness throughout the report to be considered credible.

It's All Greek to Me

Appraisal review can be competently and effectively performed without any understanding of Greek philosophy at all. If you are among those who depend on *nomos*, *logos* and *ethos* to guide the review process, or are interested in adding this background to your process, you may enjoy the following discussion.

Just as sales comparables must be adjusted to the subject property being appraised and not the other way around, we need to adjust *logos*, *ethos*, and *nomos* (logical thinking, competency, and standards) to direction provided in USPAP Standards 3 & 4 to effectively apply them to appraisal review. Just for fun, we'll do the same with Aristotle's additional Modes of Persuasion – *kiaros* and *pathos* – and the concept of *mythos*. Mythos, which is generally translated as “story” or “plot” is not traditionally taught as part of rhetoric but is rather part of the Aristotelian concept of Poetics, which also includes character, language, thought, spectacle, and melody. But don't worry, we're not going to suggest you dance or sing your review findings!

As we discuss these ancient concepts, remember USPAP Standards Rule 4-1 as quoted above and consider *why* mythos might be an important part of the reporting process according to the following explanation:

Aristotle goes on further to say that, “The events which are the parts of the plot [the report] must be so organized that if any one of them is displaced or taken away, the whole will be shaken and put out of joint.”¹⁰

And remember Nancy Duarte, global communication expert, who explains that using a narrative style in a report helps engage the intended user and makes the report more understandable? You'll see a similar concept at work when we discuss *kairos* later in this article. In the following quote, Ms. Duarte explains why a narrative report is more useful and credible than a collection of facts and figures. She uses the term “story” instead of mythos, “presentation” instead of “appraisal report,” and “compelling” instead of “credible” but I imagine you can read between the lines:

¹⁰ <http://www.idsa.org/sites/default/files/Fry.pdf>

Your brain loves a great story. But your brain doesn't always love a presentation because most presentations aren't based on story principles. It's totally possible though, to use story techniques in presentations to make them more compelling if you know a little bit about how stories work.¹¹

Adjusting the Modes of Persuasion to CAARR

Asking which of the Modes of Persuasion is most critical for appraisal review is a bit like asking which component of a vehicle is the most critical. A vehicle will not start without an engine, will not roll without wheels, and is useless without a chassis. In the same way, the review must ascertain that the work under review conforms to standards (nomos), provides credible evidence in a logical way (logos), and presents conclusions that are reasonable (ethos). Nomos, logos and ethos are as applicable to an appraisal review as to the work under review. In every case, however, whether developing the appraisal or the review or reporting the appraisal or the review, the ultimate benchmark is how we align with standards; USPAP, IVS, SSVS, applicable regulations, etc.

Nomos: Standards

Nomos points to the understanding that without standards, there can be no review. As Lawrence Busch wrote in *Standards, Recipe for Reality*,

Without some established specification, model, benchmark, or yardstick, there could be no way to measure quality and conformity. Compliance review would be entirely subjective. Standards provide the basis upon which the economy operates. There are established standards for professional accreditation, the environment, consumer products, animal welfare, the acceptable stress for highway bridges, healthcare, education – for almost everything. We are surrounded by a vast array of standards, many of which we take for granted but each of which has been and continues to be the subject of intense negotiation. Standards shape not only the physical world around us but also our social lives and even ourselves.”

While USPAP or alternative appraisal standards such as IVS and SSVS may be the first thing you think of when considering appraisal review, even the basic rules of spelling and grammar are all standards applicable to appraisal report writing.

When reviewing a report through the perspective of *nomos*, you should consider how each of the qualities of completeness, accuracy, adequacy, relevance, and reasonableness applies. Questions to ask could include

- *DOES the report comply with all standards?*
- *Are the standards incorporated in the report?*
- *DOES the report provide the Best Practices for understanding?*

¹¹ <https://www.duarte.com/presentation-skills-resources/move-presentation-audience-with-story-techniques-in-presentations/>

In the broadest sense, logos and ethos could also be considered standards. But they deserve their own discussion.

Logos: Evidence & Logic

Evidence and logic are the factors that determine the credibility of both an appraisal and an appraisal review. *Logos* refers to logical thinking, a system of evidence and reason, which is the basis for the scientific method and the legal system. It includes physical evidence, approved methodology, verifiable facts, and definitions. In review, we might ask such questions as:

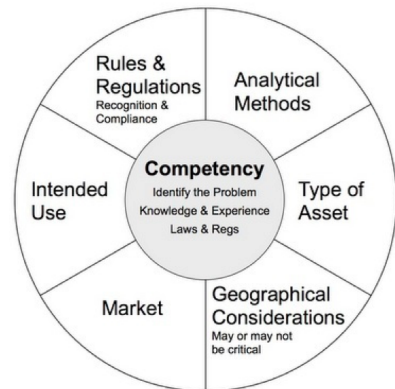
- *Is the evidence presented in the work under review complete?*
- *Is the evidence adequate?*
- *Is the evidence accurate?*
- *Is the evidence and the flow of logic relevant?*
- *Is the flow of facts logical and reasonable?*

In appraisal practice, a preponderance of evidence and clarity of logic are important gauges of competency.

Ethos: Competency

Competency encompasses how knowledge, experience, education, skill, and/or training are applied. It also includes whether the author is acting in an independent and unbiased manner.

Under USPAP, competency is determined by how the analysis is performed and how the report is prepared. It is not based upon the author's CV or statement of qualifications. 'Best Practices' can apply to much more than the relevant appraisal standards (USPAP, IVS, SSVS, etc.) and, depending upon the intended use, may also consider the relevant regulations such as the yellow book, property tax regulations, IRS rev-procs, etc.



The ARM accreditation classes use the circular graph shown to distinguish the aspects of Competency as listed in USPAP. In review, we might ask:

- *Is the explanation of analytical methods adequate for the intended user?*
- *Is the asset description accurate & adequate?*
- *Is the market relevant and reasonable given the intended use?*
- *Are the relevant rules & regulations addressed?*
- *Have the elements of competency been adequately met?*

Additional Modes of Persuasion

Kairos: Time

The definition of *kairos* seems to depend almost entirely on who you ask, although all the answers are based on a concept of the relationship between time and action, as opposed to objective, linear time (*chronos*). *Kairos* refers to the “timeliness” of information as well as the appropriateness of tone and structure. *Kairos*, according to Aristotle, asks “What will be immediately applicable, appropriate, and engaging for a particular audience?” James Kinneavy, who is largely credited with reintroducing the importance of *kairos* into the modern discipline of rhetoric and composition states that *kairos* is “the appropriateness of the discourse to the particular circumstances of the time, place, speaker, and audience involved.”¹²

This speaks directly to the quality of relevance in the context of intended use, intended user, effective date ... It speaks, one might say, to almost every aspect of competency, as well as providing a way to consider how the flow of facts is organized and presented. In review, we might ask:

- *Are the facts organized in a logical flow?*
- *Are dates of the data used relevant?*
- *Are adequate, timely data points provided?*
- *Is an effective date provided?*
- *Are market conditions accurately considered?*
- *Are analytical methods adequately explained to the intended user?*

Pathos: Emotion

Pathos suggests that an emotional appeal has power to persuade an audience. At its most basic level, then, *pathos* seems to be an inappropriate approach for an objective, non-biased, independent appraisal. It is, however, interesting to note that *pathos* is also the Greek word for “experience,” an important quality in the appraisal profession. Not just the experience that is listed in a CV, but the experience of each particular appraisal or review process. An article in *The Atlantic* about narrative, suggests that a critical part of narrative is organizing experience. To paraphrase:¹³ A report “doesn’t just say what happened, it says **why** it was important, what it means” for the intended users and what they will do with that information.

Organizing experience for simplicity and ease of processing helps our intended users understand how appraisal conclusions occur. Narrative, or *mythos*, helps support that outcome.

Mythos: Narrative

As previously noted, the human mind is a story processor more than a logic processor. We should not be surprised to learn, therefore, that when logic puzzles are integrated into stories and characters transgress social norms, 70-90% of readers are able to solve those puzzles.

¹² <https://writingcommons.org/open-text/information-literacy/rhetorical-analysis/rhetorical-appeals/595-kairos>

¹³ <https://www.theatlantic.com/health/archive/2015/08/life-stories-narrative-psychology-redemption-mental-health/400796/>

When the same logic puzzles are presented independently of a story, less than 10 percent of readers found the solution.¹⁴

If we want our intended users to follow our logic, understand our analysis, and accept our results as being worthy of belief, we must learn to use *mythos*. Providing a context to your analysis in a manner that is relevant to your intended users and their needs make an appraisal understandable—and its conclusions more credible.

At its very core, appraisal and appraisal review is about telling a story — the story of the value of an item (real, personal or intangible) in the marketplace, dependent upon the conditions, a definition of value, and an intended use of the appraisal. The appraisal story is one of complete disclosure, accurate descriptions and explanations, adequate research and analysis, relevant data and methodology, and reasonableness of the conclusion, which are stories that the human brain is wired to understand. Mythos is the vehicle that delivers the analysis and conclusions in a way that is understandable and meets the requirements of intended users.

Appraisal Review: USPAP

USPAP Standards 3 & 4 provide a reliable, flexible and coherent foundation for appraisal review. Tools such as the five qualities cited by USPAP, the Scope of Work, competency target, and IRAC/CRAC provide appropriate and applicable guidance for both development and reporting. It is in the reporting process that the ancient Greek concepts of rhetoric come into their own. Working within the structure of USPAP and rhetoric, the appraiser or reviewer can use these concepts to create a narrative that is clear. A clear narrative will engage, educate and convince the intended user of the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis and the report – thus making the conclusion of value worthy of belief.

Jack Young ASA, CPA is an Accredited Senior Appraiser of the American Society of Appraisers in Machinery & Equipment as well as Appraisal Review, and is a Certified Public Accountant. Jack is the President of NorCal Valuation Inc., a firm specializing in appraisals in the areas of litigation support, insurance disputes, estate and gift, family law and business personal property tax.



Jack is the current Chair of the Appraisal Review & Management discipline committee and a Past President of the Northern California Chapter of the ASA. He appraises machinery & equipment throughout California and the western U.S. He also co-wrote the appraisal review and machinery & equipment report writing classes currently being offered by the ASA.

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¹⁴ <https://blogs.scientificamerican.com/guest-blog/it-is-in-our-nature-to-need-stories/>