What’s New in USPAP 2018 - 2019
Speakers

- R. Lee Robinette, ASA
  - Machinery & Technical Specialties

- Patricia H. Atwood, ASA
  - Antiques & Decorative Arts and Clocks
What’s New in 2018-2019 USPAP – particularly for MTS appraisers
Webinar Outline

- Overview of Appraisal Standards Board
- Short List of USPAP Changes
- New Features in Digital Edition
- Detailed Review of USPAP Changes
- Other updates: FAQs, Index
- Resources from The Appraisal Foundation
- Brief Reminder about New Personal Property Qualification Criteria
- Current Exposure Draft
- Questions
Appraisal Standards Board (ASB)

- CFPB Consumer Financial Protection Bureau
- FHFA Federal Housing Finance Agency
- FRB Board of Governors of the Federal Reserve
- HUD US Dept. of Housing and Urban Development
- OCC Office of the Comptroller of the Currency
- NCUA National Credit Union Admin.

The Appraisal Foundation
Sets minimum appraiser qualifications and standards

Appraiser Qualifications Board
Sets minimum appraiser qualifications

Appraisal Standards Board
Sets minimum appraisal standards

US States and Territories
Licenses & certifies real property appraisers and enforces USPAP compliance

Appraisal Subcommittee
Provides oversight, funding & services to ensure compliance with Title XI of FIRREA
ASB Members – 2018

- Margaret A. Hambleton, Chair  Columbus, OH
- Wayne R. Miller, Vice-Chair  Tampa, FL
- Patricia H. Atwood  Rockford, IL
- Steven H. Berg  Portsmouth, NH
- Michelle Czekalski Bradley  Natrona Heights, PA
- Lisa Desmarais  Broomfield, CO
- R. Lee Robinette  Charlotte, NC
Timeline for 2018-2019 Edition

- January 15, 2016 – Discussion Draft
- Identifying Potential Areas of Change
- April 13, 2016 – First Exposure Draft
- August 12, 2016 – Second Exposure Draft
- December 7, 2016 – Third Exposure Draft
- February 3, 2017 – Changes Adopted
- February 23, 2017 – Summary of Actions published
- October 1, 2017 – new edition of USPAP available
List of Changes

- Revising the Definition of Report and Edits to the ETHICS and RECORD KEEPING RULES
- Creating a Definition of Assignment Conditions, Revising the Definitions of Assignment, Intended Use and Intended User, and Related Edits to the COMPETENCY RULE
- Removing the Definition of Assumption and Revising the Definition of Extraordinary Assumption
- Revising the Definition of Appraisal Review, and Dividing STANDARD 3, Appraisal Review, into STANDARD 3, Appraisal Review, Development and STANDARD 4, Appraisal Review, Reporting
List of Changes – continued

- Dividing STANDARD 6, Mass Appraisal, into STANDARD 5, Mass Appraisal, Development and STANDARD 6, Mass Appraisal, Reporting
- Removing the term “Market Value” from STANDARDS 7 and 8
- Revision to the Personal Property Certification Requirements in Standards Rule 8-3
- Revisions to Advisory Opinions
- Revision to Illustration in Advisory Opinion 21, USPAP Compliance
- Creation of Advisory Opinion 37, Computer Assisted Valuation Tools
- Revisions to Advisory Opinion 31, Assignments Involving More than One Appraiser
- Revisions to Advisory Opinion 1, Sales History
- Revisions to Advisory Opinion 32, Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments
Clickable Footnotes
Revising the DEFINITION of Report and Edits to the ETHICS and RECORD KEEPING RULES
Definition of “Report”

**REPORT:** any communication, written or oral, of an appraisal or appraisal review that is transmitted to the client or a party authorized by the client upon completion of an assignment.

**Comment:** Most reports are written and most clients mandate written reports. Oral report requirements (see the RECORD KEEPING RULE) are included to cover court testimony and other oral communications of an appraisal or appraisal review.
What is the reason for editing the DEFINITION of “Report”?  

- DEFINITION change is a clarification that reflects current practice.  
- A “report” is not limited to the communication of an appraisal or appraisal review to a client.  
- It can also be delivered to an attorney or other party “authorized by the client.”
Adopted Changes for 2018-19 USPAP

Ethics Rule

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- must not accept 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;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report that is assignment results known by the appraiser to be misleading or fraudulent;
Adopted Changes for 2018-19 USPAP

Ethics Rule

- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
Why were edits made to the ETHICS RULE?

- The edits clarify that ethical requirements are not limited to the communication of “reports.”
- Ethical requirements also apply to assignment results that are communicated in advance or in lieu of reports.
- Communications must not be misleading or fraudulent.
RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.
If there is no report, when must a workfile be in existence?

- Prior to the issuance of any communication of assignment results
RECORD KEEPING RULE

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

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

A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report.
Are there new requirements for the development of appraisals or appraisal reviews that are reported orally?

- No
- Requirements for the development of appraisals and appraisal reviews are unchanged.
Are there new workfile requirements for appraisals or appraisal reviews that are reported orally?

- No
- Workfile requirements are also unchanged – except that they are stated more explicitly.
Review of workfile requirements (not changed)

- “The workfile must include:
  - the name of the client and the identity, by name or type, of any other intended users;
  - true copies of all written reports, documented on any type of media. …
  - summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser’s signed and dated certification; and
  - all other data, information, and documentation necessary to support the appraiser’s opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.”
2. Definition of “Assignment Conditions”

Revising Definitions of “Assignment,” “Intended Use” and “Intended User”

Related edits to COMPETENCY RULE
Adopted Changes for 2018-19 USPAP

DEFINITION

ASSIGNMENT: 1) An agreement between an appraiser and a client to provide a valuation service; 2) the a valuation service that is provided by an appraiser as a consequence of an agreement with a client such an agreement.
What is an “assignment”?

- A valuation service provided by an appraiser
Definition of Assignment Conditions

**ASSIGNMENT CONDITIONS:** Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.

Comment: 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.
Has there been any change to the concept of “Assignment Conditions”?

- No
- It was (and remains) in the Scope of Work Rule and has now been added verbatim to the DEFINITIONS.
- There is no change in meaning.
Adopted Changes for 2018-19 USPAP

DEFINITION

Definition of *Intended Use*

**INTENDED USE:** the use(s) or uses of an appraiser’s reported appraisal or appraisal review assignment results, opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.
Adopted Changes for 2018-19 USPAP

DEFINITION

Definition of *Intended User*

**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 the basis of communication with the client at the time of the assignment.
What time period is meant by the phrase, “at the time of the assignment”? 

- During (not after) the valuation service provided by an appraiser
When must the intended use and intended user(s) be identified?

- “At the time of” i.e., during (not after) the valuation service
Adopted Changes for 2018-19 USPAP

COMPETENCY RULE

Edits to the COMPETENCY RULE

An appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently.
Adopted Changes for 2018-19 USPAP

- COMPETENCY RULE
- The edits improve clarity and grammatical consistency with the new, simplified definition of “assignment.”
When must appraisers determine that they can perform an assignment competently?

- Prior to agreeing to perform the valuation service ("assignment")
3. DEFINITIONS
Removing the Definition of “Assumption”
Revising the Definition of “Extraordinary Assumption”
Adopted Changes for 2018-19 USPAP

DEFINITION

Definition of Assumption

ASSUMPTION: that which is taken to be true.
Why remove a definition?

- If a word is used in the common dictionary sense, it does not need to have a USPAP definition.
DEFINITION

EXTRAORDINARY ASSUMPTION: an assignment-specific assumption, directly related to a specific assignment, as of the effective date regarding uncertain information used in the analysis of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about might include physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.
An appraiser makes an “extraordinary assumption” when there is atypical uncertainty.

- An “extraordinary assumption” is specific to a particular assignment.
- The revised definition emphasizes the word, “uncertain.”
4. Revising Definition of Appraisal Review and Dividing STANDARD 3 into STANDARD 3 and STANDARD 4
DEFINITION

**APPRAISAL REVIEW**: (noun) the act or process of developing and communicating an opinion about the quality of another appraiser’s work 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.

Comment: The subject of an appraisal review assignment may be all or part of a report, workfile, or a combination of these.
Division of STANDARD 3 into
Development (3) and Reporting (4)

STANDARD 3, Appraisal Review, Development & Reporting

STANDARD 3, Appraisal Review, Development
STANDARD 4, Appraisal Review, Reporting
5. Dividing Mass Appraisal
STANDARD 6 into
STANDARD 5 AND STANDARD 6
Adopted Changes for 2018-19 USPAP

- Division of STANDARD 6 into
  Development (5) and Reporting (6)
Each appraisal discipline now has two Standards: one for Development and one for Reporting

- Old STANDARD 3 now divided into 3 and 4
- Appraisal Review Development
- Appraisal Review Reporting
- Old STANDARD 4 now divided into 5 and 6
- Mass Appraisal Development
- Mass Appraisal Reporting
6a. Removing the Term “Market Value” from STANDARDS 7 & 8
STANDARDS 7 & 8 require that personal property appraisers 
ascertain and state in every appraisal (not just “market value” appraisals) whether the opinion of value is in terms of cash or of financing terms equivalent to cash or if it is based on non-market financing or financing with unusual conditions or incentives.

Further, STANDARD 8 requires that when an opinion of value is not in terms of cash or based on financing terms equivalent to cash, the appraiser must summarize the terms of such financing and explain their contributions to or negative influence on value in the report.
Understanding the 1st New Requirement

- Ascertain

In developing a personal property appraisal, an appraiser must:

(a) identify the client and other intended users;

(b) identify the intended use of the appraiser’s opinions and conclusions;

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 if the value opinion to be developed is market value, 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 other precisely defined terms; and
(iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser’s opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;
When reporting an opinion of market value, state whether the opinion of value 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 market value is not in terms of cash or based on financing terms equivalent to cash, summarize the terms of such financing and explain their contributions to or negative influence on value.
STANDARDS 7 and 8 require that personal property appraisers *ascertain and state* whether the opinion of value (not just "market value") is in terms of cash or of financing terms equivalent to cash or if it is based on non-market financing or financing with unusual conditions or incentives.
When an opinion of value (not just “market value”) is not in terms of cash or based on financing terms equivalent to cash, the appraiser must summarize the terms of such financing and explain their contributions to or negative influence on value.
Does this mean that GJ, MTS and PP appraisers are prohibited from performing market value appraisals?

- No
- USPAP neither prohibits nor prescribes the use of any particular type of value.
- The change was made in order to clarify that certain requirements are not limited to market value assignments but are required whenever necessary for credible assignment results.
Most opinions of value are in terms of cash so what, if anything, do appraisers need to do differently?

- This requirement will be met if the appraisal includes a definition of value that clearly specifies the terms.
If an appraiser already uses a defined type of value that clearly specifies the terms, is anything else needed to comply with the new requirement?

- Example: orderly liquidation value is defined by the ASA MTS Committee, as follows: “An opinion of the gross amount, expressed in terms of money, that typically could be realized from a liquidation sale, given a reasonable period of time to find a purchaser (or purchasers), with the seller being compelled to sell on an as-is, where-is basis, as of a specific date.” (Underline added for emphasis.)

- In this example, the definition specifies “in terms of money,” so ascertaining that these terms indeed apply and stating the definition in the report is all that is needed to fulfill the new requirement.
What if the valuation is not based upon cash?

- If the valuation (no longer just for “market value”) is based upon non-market financing or financing with unusual conditions or incentives, the appraiser must clearly identify the terms and analyze their effect.

- In the report the appraisal must summarize the terms of such financing and explain their contributions to or negative influence on value.
Understanding the 2\textsuperscript{nd} New Requirement

- Analyze

\textbf{Standards Rule 7-5}

When \textit{necessary for credible assignment results} developing an opinion of market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

(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 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.

\textit{Comment:} The data needed for the required analyses in Standards Rule 7-5(a) and 7-5(b) may not be available or relevant in all assignments. See the \textit{Comments} to Standards Rules 8-2(a)(viii) and 8-2(b)(viii) for corresponding reporting requirements.
Report a summary of the results of the analysis

When reporting an opinion of market value, a summary of the results of the analysis of the subject sales, offers, options, and listings in accordance with Standards Rule 7-5 is necessary. When the appraiser has developed an analysis of agreements of sale, validated offers or third-party offers to sell, options, listings or prior sales of the subject property in accordance with Standards Rule 7-5, the appraiser must report a summary of the results of the analysis. If such information was 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
STANDARDS 7 now requires – when necessary for credible assignment results (not just when developing an opinion of “market value”) and if the information is available to the appraiser in the normal course of business that an appraiser analyze prior sales, agreements of sale, validated offers or third-party offers to sell, options, and listings of the subject property.
STANDARD 8 requires that if it is necessary for credible assignment results (not just when developing an opinion of market value) that this analysis be performed, that the appraiser perform it and also include a summary of the analysis in the report.
When must prior sales of the subject property be analyzed and reported?

- When necessary for credible assignment results, and
- if available to the appraiser in the normal course of business
Which prior sales must be analyzed and reported?

- Those that occurred "within a reasonable and applicable time period, if relevant given the intended use and property type."
7. Edits to the Personal Property Certification Requirements in Standards Rule 8-3
Personal Property Certification Requirements

- This change allows personal property appraisers, in assignments involving different types of specialties, to sign the certification without making them accountable for the assignment results of items which they did not appraise.
Understanding the Change to Personal Property Certification Requirements

- Standards Rule 8-3

Comment: A signed certification is an integral part of the appraisal report. An appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign this certification. In an assignment that includes only assignment results developed by the personal property appraiser(s) from the same personal property specialty, any appraiser(s) 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 the 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 the certification must be disclosed in the report.
Revisions to Advisory Opinions
List of Revisions to Advisory Opinions

1. Revisions to Advisory Opinion 1, *Sales History*
2. Revision to Advisory Opinion 21, *USPAP Compliance*
3. Revisions to Advisory Opinion 31, *Assignments Involving More than One Appraiser*
5. Creation of Advisory Opinion 37, *Computer Assisted Valuation Tools*
Contact Us

Communicating with the Foundation and its Boards is easy:

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