



Practical practice management: When can you change the name of the Client on an Appraisal Report?

Many appraisers have received a request to “re-certify” an appraisal to another client. This is especially true in the in the real property arena where there is significant rate competition among mortgage providers. When is it appropriate for an appraiser to change the name of the client on an appraisal report? This article will answer that question and provide a few examples of how you can comply with these types of requests and still comply with USPAP. Recently, on two separate occasions appraisers have contacted me to discuss the issue. The first was in reference to the instructions in a regional VA handbook that stated:

If a Veteran decides to change mortgage lenders after the appraisal has been completed, the appraiser should be able to accommodate this change without violating USPAP (Uniform Standards of Professional Appraisal Practice) as follows:

- 1) Use the same VA case number
- 2) Create a new internal file number
- 3) Change the lender name and address on the appraisal report
- 4) Upload the report into WebLGY

In the second instance, it was a new lender taking over an FHA file and requesting that the appraiser “re-certify” the appraisal to them. The appraiser had completed a FHA compliant appraisal about 30-days prior to this request for a different lender. The new lender explained to the appraiser that based on the FHA mandate that an appraisal shall stay with the home for a period of 4 to 6 months, the FHA had told the lender they must use the “original appraisal”. Indeed, the potential new client presented the excerpt below from HUD.gov, which indicates the instances when a lender may obtain a new appraisal:

New Borrower Using an Existing Appraisal. *If the transfer is made for a new borrower to use an existing appraisal, the new lender is to collect an appraisal fee from the new borrower. The appraisal fee is sent to the original lender who, in turn, is to refund the fee to the original borrower. (Handbook 4155)*

For cases assigned on or after January 1, 2010: A 2nd appraisal may be ordered by the 2nd lender when:

1. *The 1st appraisal contains material deficiencies determined by the DE underwriter for the 2nd lender.*
2. *The appraiser performing the 1st appraisal is on the 2nd lender’s exclusionary list.*
3. *Failure of the 1st lender to provide a copy of the appraisal to the 2nd lender in a timely manner would cause a delay in closing, posing potential harm to the borrower. Potential hare include events outside of the control of the borrower such as loss of interest rate lock, purchase contract deadline, foreclosure proceedings and late fees. (Handbook 4155.2: 4.4i-j)*



The FHA statement above is a little dubious; however, one can see the logic that the new lender was using to try to convince the appraiser to “re-certify” the appraisal. An appraiser reading either one of these edicts from a federal agency might well believe that they can simply change the name of the client on an appraisal report – they cannot! The long and short of it, is that there is no such thing as “re-certification”. It is a professional sounding term based on the “appraiser’s certification” required in every report. The term is often misused in an attempt to get an appraiser to change the name of the client on a report that has already been issued. This is a violation of USPAP. Barring a jurisdictional exception (not covered here) an appraiser can NEVER, NEVER, EVER, EVER change the name of a client on a report that has been previously issued.

In general, the reason one cannot change the name of the client on a report that has been previously completed is because there is the potential for the improper consideration of all of the elements of the assignment. That is to say, at the outset of any appraisal assignment, an appraiser must consider all of the assignment elements leading to an appropriate scope of work. The scope of work the appraiser decides upon must solve the clients appraisal problem in a meaningful way, given the context of the intended use. I know that is a mouthful; another way to think about it is: The use of an assignment result is very individualistic and may vary quite a bit between one client and another. Each client may have specific needs and/or priorities that are important to them given their intended use for the appraiser’s assignment results; therefore, the plan for solving the client’s appraisal problem can only be carried out and developed/executed prior to the report being issued. USPAP states that the development of a proper scope of work requires communication with the client. Changing the name of a client on a report after the report has already been completed basically amounts to evidence that the goals and needs of the “new client” could not have been properly considered in accordance with USPAP because the new client was not identified prior to the issuance of the report. Additionally, changing the name of a client on an existing report and then releasing that report to a new client could potentially be a violation of the confidentiality portion of USPAP.

The following example covers some but certainly not all of the instances that may come up. Let’s assume an appraiser, Allison Jones, has just completed a project for “Bank A”. She has appraised 127 Maple Street, a single-family residential property. The purpose of the appraisal was to develop an opinion of current market value. The function of the assignment results was for the use in underwriting a mortgage involving a federally regulated financial institution. The definition of value was the standard one used by FNMA/FHFA and cited in the Code of Federal Regulations. The report was requested to be delivered in the format of a 1004 (URAR) appraisal form. The appraiser’s property visit took place on April 10th and on April 14th, she had completed her analysis and reconciled a value of \$100,000. The 14th was the report date and the day she communicated the report to the client. Then, on April 21st, eleven days after the effective date of the appraisal for Bank A, one of these things happens:



- The loan officer from Bank A (the client that the appraisal was just completed for) calls and states that he has relocated to Bank B and that all of the loan files are transferring with him to Bank B and he needs you to change the name of the client to Bank B, so he may complete the mortgage; or
- Bank A calls you and states that they are not able to provide financing to Joe Buyer, and they are requesting that you “re-certify” the appraisal report to Bank B. They will immediately fax you a letter of release and a letter of authorization to change the name to Bank B; or
- A loan officer (or anyone else) calls you and says because the appraisal was done for the VA/FHA/Federal Housing Finance Agency, etcetera, etcetera, and that their regulations require the original appraisal to be used even if a new lender is taking over the file; therefore, please change the name of the client to Bank B; or
- An appraisal management company calls you and states, that due to an error in their ordering process the wrong banks name was provided to you, now please change the name of the lending institution from Bank A to Bank B and send over a revised copy of the appraisal; or any one of countless other possibilities.

The simple answer to each one of these scenarios is simply: No! However, you may be surprised at how easy it is to accommodate a new client’s request, while still complying with the Uniform Standards. First, it is important to keep in mind that there is no prohibition whatsoever with an appraiser using data from accumulated work files. Indeed, in my experience, most appraisers list their own files as one of the data sources used for a valuation. When an appraiser gets a new request to value a property that he/she has already performed an analysis on, it should be treated in the same manner as any new assignment. However, in these instances, it just so happens that some or all of the data, analysis, and other work involved to develop the appropriate opinion of value may have already been completed.

Below, I continue the above example of how a new request for a previously appraised property may be handled. Keep in mind, that previous assignment results are confidential, also in this example; there are no other unusual conditions or confidentiality restrictions on the appraiser from the previous assignment that would affect future assignments. For the remainder of the example, we are going to assume that the new request has just come from Bank B, a rival firm to the client for the previous appraisal. The same scenario described in the first bullet point above:

- Bank B calls and a representative tells the appraiser that Joe Buyer, the purchaser of 127 Maple Street would like to have the appraisal changed over to Bank B’s name because Bank B will give her a much more competitive rate on



the mortgage. Joe Buyer is no longer interested in getting a mortgage from Bank A.

Step 1:

As required by Uniform Standards, the appraiser must disclose to Bank B (the prospective client) that she provided services for the subject property in the prior three years. I know this seems obvious because the potential new client is specifically citing the appraisal report that was previously done; nonetheless, the appraiser should tell Bank B that she appraised the subject property on April 10th. Additionally, she should disclose any other service she has provided for the subject over a 3-year time period. In this case, Bank B obviously knows that the previous appraisal was performed for Bank A; however, to my thinking, there are few relevant reasons to disclose the client for the previous appraisal assignments. USPAP requires that an appraiser disclose “any service” performed for the subject property over the prior 3-years. It does not require the disclosure of the identity of previous clients. That information is usually not germane to the decision process of a potential new client when considering to employ the appraiser or engage a different individual to perform the service. Furthermore, the appraiser has to be mindful of protecting the “Appraiser-client” relationship of previous clients. So, unless there is some other motivation that seems to make disclosure of the identity of a previous client important, I would advise against stating the identity of previous clients. For our example, Bank B realizes that the appraiser has provided the previous service and would like to continue to engage her to solve their appraisal problem.

Step 2:

Having resolved the notification issue, the appraiser is a step closer to a new assignment. However, some further communication with the new client (Bank B) is necessary. The appraiser determines that the function of the assignment is to develop a current market value opinion of the subject property for its use as collateral in a federally regulated lending transaction (basically the same criteria as the previous assignment for Bank A). The same definition of market value is to be used. The use of the assignment results is the same. The appraisal is to be reported on the same 1004 form and etcetera. This sounds easy so far and appears to be a standard assignment as far as our appraiser is concerned. What she is doing now through communication with the potential new client is going through the elements of the assignment. This is necessary in order to develop an appropriate scope of work. Those elements are:

- Client and intended users
- Use and function of the assignment results
- Definition of value
- Time of the appraisal (effective date)



- Property Characteristics
- Assignment Conditions

After all of this communication with the client, the appraiser learns that Bank B's use of the appraisal is virtually identical to that of Bank A and that the scope of work for solving either valuation problem is virtually the same. At this point, the appraiser realizes that much of the data and analysis from her files, particularly data from the work folder for the previous appraisal on the same property will be very useful in solving this new client's appraisal problem. After all, she did just appraise the property 11-days ago. The appraiser realizes that there must be a very clear understanding of the assignment element "time of the appraisal – effective value date". She asks Bank B if an opinion of value that is 11-days old (the effective date of the previous appraisal) would be sufficient for their use. Bank B tells the appraiser they would like the current market value to be based on an effective date of today if possible or tomorrow at the latest; whichever is the quickest time the appraiser can get out to the subject property; however, in order to save time, Bank B is willing to let the appraiser rely on her previous inspection of the interior and just "drive-by" the property for the new appraisal. "That will save some time. I think I can get out to see it today, so the effective date will be April 21st," said the appraiser. At this point, the appraiser confirms that she accepts the assignment and will proceed with the valuation under the conditions specified.

Step 3:

With the new assignment firmly in hand, the appraiser now begins a new workfile, places the order inside it and makes a mental plan to go out and look at the property later that day. The appraiser takes out the work file for the previous valuation performed for Bank A and reviews the data and analysis in it. The data and analysis in that workfile is valid up to April 10th. Now, the appraiser sets about analyzing the market data for the past 11-days, covering the time elapsed from the April 10th to today, the effective date of her new assignment. The appraiser checks all the relevant data sources, news outlets, databases and so on. Despite the analysis, she does not discover any new data that would substantially affect the previous analysis. There are no relevant new sales that are superior to the comparable sales used in the previous analysis, and there is no significant change in market conditions since the valuation, 11-days ago. "Hmmm," the appraiser thinks... "there is really nothing new for me to add to the data and analysis from the previous report! Well, that is still subject to my inspection later this afternoon, of course."

The appraiser makes a note inside the current work folder that the data and analysis, including the interior physical inspection are based on the work done and contained in the prior workfile for Bank A. The appraiser knows that according to USPAP, all the data for the new appraisal does not have to be



copied and placed in the new work file; however, if any data that was relied upon is not specifically contained in the work file, there must be a note pointing to where the data may be obtained. At this point in the process, the appraiser knows that there are no changes in the market since her last investigation and the comparable properties that were previously used for the April 10th valuation are still the best available.

Step 4:

Later that afternoon, the appraiser visits the subject property. She photographs the subject from the street and also takes a photograph of the street scene. The house and street look just the same as they did on her visit 11-days ago. The appraiser then continues to visit each of the comparable sales once again and snaps a new picture of each. By 3:30, she is back in her office, ready to type the new report and send it along. She takes a copy of an old report done on the property and removes all the irrelevant data – data that would not apply to the current valuation. She reviews the report and fills in the new data as appropriate. Recall that the Client, Bank B, stated they wanted a current market value as of the 21st; however, they were willing to rely on the interior inspection from April 10th. So, the appraiser places the new photographs of the exterior of the subject and the new photographs of the comparable sales in the report. She places the interior photos from the prior property visit on the appropriate pages and is careful to note in the caption of each photo that they were taken during the visit on April 10th. Additionally, she types a passage in the appraisal explaining that the exterior photographs are from the effective date of value on April 21st and that the interior photographs, as well as the interior condition and interior descriptions are from the previous inspection on April 10th. The appraiser makes the extraordinary assumption that the interior condition on April 21st is substantially the same as it was at her April 10th visit, and that nothing on the interior has changed to the extent that it would significantly affect the assignment results. The appraiser must take great care in iterating that the use of the extraordinary assumption may affect the assignment results. Finally, after reviewing the data and comparable sales as well as the current condition of the subject, there is nothing that has substantially changed since her last valuation. This should naturally lead the appraiser to a value conclusion of \$100,000, the same as the conclusion on April 10th.

Step 5

With the finalization of step 4, the appraiser has developed the opinion of market value as of April 21st. The appraiser makes sure all of the appropriate disclosures are in the certification, disclosures about previous services and since she also adds an additional certification explaining that the April 21st visit was an exterior visit, again reiterating her extraordinary assumption.



In the example above, the appraiser's value opinion is based on her research and analysis the same as any other appraisal that she has performed. It just so happens that part of the research and analysis was done prior to the new assignment. This is a perfectly valid and in conformance with USPAP. The scope of work that the appraiser employed for Bank B, solves that client's appraisal problem in a manner that provides an credible assignment result and is meaningful to the client, given the context of the intended use. In thinking about the two items discussed at the top of this article concerning the regional VA handbook and the new lenders instructions to an appraiser that the original FHA appraisal had to stay with a property for 4 to 6 months, even if the lender changed. One can see how a person might find these requests plausible. The advice in the regional VA handbook about creating a new "internal file" number is very similar to our overall scenario above, although, it does not iterate all of the other steps involved. Similarly, the FHA could reasonably keep an appraisal with a specific property for several months regardless of changes in the "lender-client" because the scope of work and use of the assignment results would be the same for each new assignment. Keeping in mind the that there is no such thing as a "re-certification"; an appraiser that was asked to create a new report for a different lender-client on an FHA file that the appraiser had already issued an appraisal for a few weeks before would require virtually no change. In a case like this, the appraiser is responsible to treat the assignment as a new assignment and consider all the elements of the assignment. However, they would almost always be virtually identical from client to client. If the effective date of value was not changed, there would be no new inspection; there would be no new data to analyze. The only thing that would change is the report date and the name of the specific client.

I think that government agencies such as the VA and FHA try hard to fulfill their missions. I also think they do their best to fully comply with USPAP. I do not think that any of those agencies would purposefully ask an appraiser to violate USPAP. That does not mean that from time to time there is not a misunderstanding. Of course, many of us are also familiar with less scrupulous clients that may attempt to get an appraiser to "take a short-cut".

USPAP is not here to make life difficult for appraisers. It is here to help appraisers by being a consistent source of reference and common standards, while at the same time protecting the public trust. Remember there is no such thing as a "re-certification". If someone asks you to do this, it is likely a request for a new appraisal assignment. The end result of either of the examples provided above is that the appraiser will end up with two work folders, one for each valuation. The data, analysis and scope of work performed for each assignment will have solved the client's appraisal problem in a credible manner given the context of the intended use. There will be adequate support for the appraiser's actions and the confidentiality of any prior client or assignment result will not have been breached. Appraiser's that are interested in further reading on this topic can look at Advisory Opinion #26 and #27 bound with the current USPAP publication.



About the Author

Raymond H. Krasinski, ASA, MAI is the owner of Peachtree Appraisals in southwest Florida and has been involved in valuation and consulting for 17-years. Mr. Krasinski is an active appraisal instructor and an AQB Certified USPAP Instructor. Ray holds an MBA in Finance from Colorado Technical University and is currently enrolled in the Master of Applied Statistics Program at Penn State. He can be reached for further contact at kraz2@verizon.net or (941) 426-5066.