



USPAP Q&A

2020-21 USPAP Q&A

Issue Date: April 28, 2020

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 USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

2020-05: APPRAISAL DEVELOPMENT – BUSINESS APPRAISALS

Calculation Engagements

Question:

In the practice of Business Appraisals, does USPAP permit Limited Appraisals or Calculation Engagements?

Response:

Yes. While these terms have specific meanings and uses, they are both considered appraisals according to the USPAP definition. Limited Appraisals and Calculation Engagements are examples of assignments with a narrow scope of work, which are addressed in the Scope of Work Rule. Under USPAP, it is the appraiser's responsibility to determine when use of these narrower scopes of work is appropriate. For example, the scope of work must be sufficient to develop assignment results that are credible in the context of the intended use. An appraiser may perform these assignments under USPAP by complying with the RULES and STANDARDS 9 and 10.

2020-06: APPRAISAL REPORTING – PERSONAL PROPERTY APPRAISALS

Comparison of Content – Appraisal Report vs. Restricted Appraisal Report

Question:

Advisory Opinion 38 (AO-38) *Content of an Appraisal Report and Restricted Appraisal Report* contains a chart, which compares the content required in a real property Appraisal

Report to that required in a real property Restricted Appraisal Report. Is there a similar chart that compares the requirements for a personal property Appraisal Report versus the requirements for a personal property Restricted Appraisal Report?

Response:

The requirements of Standards Rule 8-2, **CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT** are similar to the requirements under Standards Rule 2-2 and are summarized in the below chart.

The comparison chart below shows the required contents of an Appraisal Report and Restricted Appraisal Report in Standards Rule 8-2. In most cases the difference is whether the information must be summarized or whether it may be stated. Bold type is used to highlight some of the differences.

| Appraisal Report | Restricted Appraisal Report |
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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; | (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; |
| (ii) state the identity of any other intended users by name or type ; | (ii) state the identity of any other intended user(s) by name ; |
| n/a | (iii) clearly and conspicuously state a restriction that limits use of the report to the client and the named intended user(s); |
| n/a | (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; |
| (iii) state the intended use of the appraisal; | (v) state the intended use of the appraisal; |
| (iv) summarize information sufficient to identify the property involved in the appraisal, including the physical and economic property characteristics relevant to the assignment; | (vi) state information sufficient to identify the property involved in the appraisal; |
| (v) state the property interest appraised; | (vii) state the property interest appraised; |
| (vi) state the type and definition of value and cite the source of the definition; | (viii) state the type of value and cite the source of its definition; |
| (vii) state the effective date of the appraisal and the date of the report; | (ix) state the effective date of the appraisal and the date of the report; |
| (viii) summarize the scope of work used to develop the appraisal; | (x) state the scope of work used to develop the appraisal; |
| (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 ; | (xi) state the extent of any significant personal property appraisal assistance; |

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| <p>(x) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:</p> <ol style="list-style-type: none"> 1. summarizing 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, 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; 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; | <p>(xii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 7 by:</p> <ol style="list-style-type: none"> 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, agreements of sale, options, and listings in accordance with Standards Rule 7-5; and 4. stating the value opinion(s) and conclusion(s); <p><i>Comment:</i> 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.</p> |
| <p>(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;</p> | <p>(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;</p> |
| <p>(xii) when, in compliance with Standards Rule 7-3, an opinion of appropriate market or market level was developed by the appraiser, state that opinion and summarize the support and rationale for that opinion;</p> | <p>(xiv) when an opinion of appropriate market or market level was developed by the appraiser, state that opinion;</p> |
| <p>(xiii) clearly and conspicuously:</p> <ul style="list-style-type: none"> • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results; and | <p>(xv) clearly and conspicuously:</p> <ul style="list-style-type: none"> • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results; and |
| <p>(xiv) include a signed certification in accordance with Standards Rule 8-3.</p> | <p>(xvi) include a signed certification in accordance with Standards Rule 8-3.</p> |

2020-07: APPRAISAL REPORTING – BUSINESS APPRAISALS
Comparison of Content – Appraisal Report vs. Restricted Appraisal Report

Question:

Advisory Opinion 38 (AO-38) *Content of an Appraisal Report and Restricted Appraisal Report* contains a chart, which compares the content required in a real property Appraisal Report to that required in a real property Restricted Appraisal Report. Is there a similar chart that compares the requirements for a business Appraisal Report versus the requirements for a business Restricted Appraisal Report?

Response:

The requirements of Standards Rule 10-2, CONTENT OF A BUSINESS APPRAISAL REPORT are similar to the requirements under Standards Rule 2-2 and are summarized in the below chart.

The comparison chart below shows the required contents of an Appraisal Report and Restricted Appraisal Report in Standards Rule 10-2. In most cases the difference is whether the information must be summarized or whether it may be stated. Bold type is used to highlight some of the other differences.

| Appraisal Report | Restricted Appraisal Report |
|--|--|
| (i) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request; | (i) state the identity of the client, or if the client requested anonymity, state that the identity is withheld at the client's request; |
| (ii) state the identity of any other intended users by name or type ; | (ii) state the identity of any other intended user(s) by name ; |
| n/a | (iii) clearly and conspicuously state a restriction that limits use of the report to the client and the named intended user(s); |
| n/a | (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; |
| (iii) state the intended use of the appraisal; | (v) state the intended use of the appraisal; |
| (iv) contain information sufficient to identify the business or intangible asset and the interest appraised, including property characteristics relevant to the type and definition of value and intended use of the appraisal; | (vi) state information sufficient to identify the business or intangible asset and the interest appraised; |
| (v) state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination; | (vii) state the extent to which the interest appraised contains elements of ownership control, including the basis for that determination; |
| (vi) state the extent to which the interest appraised lacks elements of marketability and/or liquidity, 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; |
| (vii) state the standard (type) and definition of value and the premise of value and cite the source of the definition; | (ix) state the standard (type) of value and the premise of value, and cite the source of its definition; |
| (viii) state the effective date of the appraisal and the date of the report; | (x) state the effective date of the appraisal and the date of the report; |
| (ix) summarize the scope of work used to develop the appraisal; | (xi) state the scope of work used to develop the appraisal; |
| (x) when any portion of the work involves significant business and/or intangible asset appraisal assistance, summarize the extent of that assistance; | (xii) state the extent of any significant business and/or intangible asset appraisal assistance; |

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| <p>(xi) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 9 by:</p> <ol style="list-style-type: none"> 1. summarizing 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; 3. stating the value opinions and conclusions; and 4. summarizing the information analyzed and the reasoning that supports the analyses, opinions, and conclusions, including reconciliation of the data and approaches; | <p>(xiii) provide sufficient information to indicate that the appraiser complied with the requirements of STANDARD 9 by:</p> <ol style="list-style-type: none"> 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; <p><u>Comment:</u> 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.</p> |
| <p>(xii) clearly and conspicuously:</p> <ul style="list-style-type: none"> • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results; and | <p>(xiv) clearly and conspicuously:</p> <ul style="list-style-type: none"> • state all extraordinary assumptions and hypothetical conditions; and • state that their use might have affected the assignment results; and |
| <p>(xiii) include a signed certification in accordance with Standards Rule 10-3.</p> | <p>(xv) include a signed certification in accordance with Standards Rule 10-3.</p> |

The USPAP Q&A is posted on The Appraisal Foundation website (www.appraisalfoundation.org). The ASB compiles the USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the [“Foundation Store” page](#) on The Appraisal Foundation website.

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