

Appraisal Review: Applying the Standards

Presented by: Barry J Shea, ASA, IFA, ARM-RP

Webinar Objectives

- Upon completion you should be able to:
 - Identify applicable appraisal review standards
 - Define the appraisal review problem to be resolved
 - Develop an appropriate scope of work
 - Perform a more relevant appraisal review, and
 - Communicate results more effectively

This Webinar is not:

- A replacement for the ARM POV classes
- A comprehensive how-to course on performing an appraisal review
- An alternative to the USPAP Update Course

What is an appraisal review?

- Per USPAP –
 - the act or process of developing an opinion about the quality of another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of these), that was performed as part of an appraisal or appraisal review assignment ... [See USPAP for complete definition]

What is an appraisal review?

- Per IVS –
 - Not specifically defined, but implied through the definition of Valuation Reviewer
 - Valuation Reviewer – A valuer engaged to review the work of another valuer [Paraphrased - See IVS for complete and specific definition]

Which Standards Apply?

- USPAP
 - The Rules (The ETHICS RULE, the COMPETENCY RULE, etc.)
 - STANDARD 3 – Appraisal Review: Development
 - STANDARD 4 – Appraisal Review: Reporting
 - If assignment includes reviewer's opinion of value – parts of the discipline specific standards (1 & 2, 7 & 8, or 9 & 10) apply

Which Standards Apply?

- IVS
 - Framework
 - Parts of IVS 101, IVS 102, and IVS 103

Note:

- The next several sections of this Webinar are presented in terms of USPAP
 - *All references are based on the 2020-2021 edition*
- Later in the presentation, the Webinar briefly addresses some similarities and differences between IVS and USPAP

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Assignment Elements (per Standards Rule 3-2(a) through (f)
 - Scope of work is determined after the reviewer has identified the assignment elements
 - What does USPAP mean by “identify?”

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Assignment Elements
 - Client and other intended users. if any (SR 3-2(a))
 - Intended use of the reviewer's opinions and conclusions (SR 3-2(b))

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Assignment Elements
 - Purpose of the review assignment (SR 3-2(c))
 - Does the assignment include the reviewer's own opinion of value?

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Assignment Elements
 - Difference between “Purpose” and “Intended Use”
 - Intended Use = Why do they need an appraisal review?
 - Purpose = What is the objective of the assignment? Or, what does the client need to know to achieve the intended use?

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Examples of Intended Use
 - To determine the suitability of the work under review for mortgage lending
 - To assist the client in litigation

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Examples of Purpose
 - To develop an opinion regarding the work under review's compliance with USPAP and applicable government regulations
 - To develop an opinion regarding the credibility of the results stated in the work under review

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Assignment Elements
 - Work under review and its relevant characteristics (SR 3-2(d))
 - Reviewer's extraordinary assumptions (SR 3-2(e))

Scope of Work in an Appraisal Review Assignment Subject to USPAP

- Assignment Elements
 - Reviewer's hypothetical conditions (SR 3-2(f))
- Then ...
 - Determine the scope of work (SR 3-2(g))

Common misconceptions re: Appraisal Review and USPAP

- All appraisal reviews have a similar scope of work
 - *Not true in appraisal; especially not true in appraisal review*
- Reviewer must always either agree or disagree with the results in the work under review
 - *That crosses over into appraisal review with reviewer's opinion of value*

Common misconceptions re: Appraisal Review and USPAP

- Reviewer must be competent to have performed the appraisal
 - *Depends on the purpose of the appraisal review and the scope of work (See FAQ #336)*
- When reviewer's value opinion is included, a separate certification is required.
 - *See FAQ #357*

Common misconceptions re: Appraisal Review and USPAP

- When assignment includes reviewer's opinion of value, the scope of work must be at least what was done in the work under review
 - See *FAQ #349*
- A complaint filed with regulatory agency or a professional association is an appraisal review and must comply with STANDARDS 3 and 4.
 - See *FAQ #354*

Common misconceptions re: Appraisal Review and USPAP

- Reviewer should try to apply USPAP such that the work under review is presented in the best light.
 - *Reviewer must perform without bias (See FAQ #360)*
- When reviewer opines that an adjustment in the work under review is unreasonable, the review must provide better or alternative adjustment.
 - *See FAQ #362*

Common misconceptions re: Appraisal Review and USPAP

- Reviewer may opine only on the report and or workfile under review, not on the development process.
 - *Report may include evidence of non-compliance with the applicable development standard. (See FAQ #363)*

Common Deficiencies in Appraisal Review

- Reviewer disagrees with the value opinion in the work under review but does not comply with applicable development and reporting standards.
 - *A report or workfile may include evidence of non-compliance with the applicable development standard. (See SR 3-3(c)) and (SR 4-2(j))*

Common Deficiencies in Appraisal Review

- Work is performed that includes an opinion of another appraiser's work for a client but is not properly identified as an appraisal review
 - *Calling an appraisal review report by a different name (e.g., Consulting Report or Analysis of the Appraisal Report) does not make it not an appraisal review report*

Common Deficiencies in Appraisal Review

- Work is performed with bias
 - *As mentioned before; presenting work in the best light*
 - *Review influenced by the reputation of the appraiser whose work is under review*

Common Deficiencies in Appraisal Review

- Appraisal review report contains many references to what the original appraiser did
 - *Review report should address the work under review, not the person who performed the work!*

Litigation Example

- Your appraisal report and the opposite party's appraisal report present very different conclusions
 - *Compare and contrast; what are the key differences?*
 - *Support your work; why did you do what you did?*

Communication with Your Client

- The purpose of appraisal review assignment may vary from assignment to assignment
 - *Identify the intended use; what does the client plan to do with the appraisal review results?*
 - *Based on intended use and perhaps additional communication, what is the objective or purpose of the appraisal review?*

Avoid Inappropriate Boilerplate

- Be careful when using a template
 - *Appraisal review assignments can vary greatly*
 - *Appraisal review report must address all relevant information and analyses – it must be assignment specific*
 - *Avoid “if” statements (i.e., If the assignment includes X, then ...)*

Follow the Process

- Standards Rule 3-2(a) through (f)
 - *Identify the problem to be solved!*
 - *Go through the identifications in sequence*
 - *These steps will logically lead you to Standards Rule 3-2(g);*

Scope of Work Decision

- Standards Rule 3-2(g):

... the reviewer must: (g) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.

Note: The Comments: to this and other Standards Rules set forth important criteria and context to be heeded in applying the Rule.

A Bridge From USPAP to IVS 2018

- Decision regarding IVS compliance must be made prior to beginning the assignment
- Scope of work concept is very different:
 - USPAP: the research and analyses performed
 - » Appraiser is responsible for scope of work decision
 - IVS: Terms of the engagement to perform the assignment
 - » Scope of work requires client's prior agreement
 - » If scope of work must change, client agreement is required

A Bridge From USPAP to IVS 2018

- The Bridge document is based on 2018-2019 USPAP and IVS 2018
- Both IVS and USPAP have been revised since then
- Revisions may have had an impact on the bridging.
- Document is available at the Appraisal Foundation website (appraisalfoundation.org)

And now, it's your turn!



What questions do you have?

Thank you!

My contact info:

Barry J. Shea, ASA, IRA, ARM-RP

Email: barry@bshea.com

For a complete listing of ASA's upcoming educational offerings, visit www.appraisers.org

Upcoming ASA Education

For a complete listing of ASA's upcoming educational offerings, visit www.appraisers.org

Let's Connect!



Facebook.com/ASAAppraisers



@ASAAppraisers



Linkedin.com/company/american-society-of-appraisers



Youtube.com/ASAAppraisers



Appraisersnewsroom.org

Thank you for joining us!