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Valuation services - what appraisers do - a refresher course - by Bill Pastuszek

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Appraisers are well-trained and well-suited to provide a wide variety of valuation and valuation-related services. Appraisers (and their clients) often underestimate appraisers' abilities and the additional services they can provide. Appraisers too often end up in the Appraisal Box, reduced to providing a commodity-like product—i.e., an appraisal. While writing appraisals is a comfortable niche, appraisers do have broad flexibility, balanced by significant responsibility.

Let's consider some USPAP concepts and definitions.

APPRAISAL: (noun) the act or process of developing an opinion of value; an opinion of value.
(adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

This is clear. Real Property Appraisals (and Appraisal Review Assignments) are subject to the requirements of STANDARDS 1 – 4 and to the RULES, PREAMBLE, and DEFINITIONS. Let's look at Appraisal Practice and Valuation Services.

The ETHICS RULE states that “An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.” How does this affect an appraiser who may be providing services for which there are no standards?

USPAP notes that “Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals and others.”

APPRAISAL PRACTICE: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal and appraisal review. Activities such as teaching, writing appraisal-related articles, measuring buildings, providing zoning analysis, and providing data are all examples. These activities don't have any Standards associated with them but require observing the requirements of the RULES, DEFINITIONS, and PREAMBLE.

“Expectation is the crucial element in determining when one is acting as an appraiser.”

What are the Appraiser’s responsibilities to Intended Users?

USPAP says that the “appraiser has a professional responsibility to recognize the capacity in which he or she is performing. The responsibility includes inquiry about, and recognition of, the intended users’ expectations.”

VALUATION SERVICES: services pertaining to aspects of property value. The comment to this definition states: Valuation services pertain to all aspects of property value and include services performed both by appraisers and by others. ADVISORY OPINION AO-21 provides guidance for appraisers in understanding the differences between appraisal practice and valuation services.

Valuation services do not include appraisals or appraisal review, but could include consulting services, brokerage, and management.

So, what are the Appraiser’s duties in performing Valuation Services? (see definition.)

When an individual’s appraisal expertise and reputation for providing services without bias induce the client or other intended users to select the individual to provide a valuation service, there is a justifiable expectation that the valuation service will be performed in compliance with USPAP.

Regarding Valuation Services, USPAP provides the following guidance: “The ETHICS RULE states that an appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.” A note of caution, then.

Understanding the differences between these various level of services gives appraisers the ability to provide a wider variety of services in compliance with USPAP and out of the sometimes-confining Appraisal Box. Do more, with care.

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