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Uniform Standards of Professional Appraisal Practice changes 2014: What and why

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Back in the day, changes to the Uniform Standards of Professional Appraisal Practice (USPAP) used to take place every year. This event created much year-round excitement for those for whom standards was a full contact sport. As much as I am a fan of USPAP, dealing with changes only every two years is much more rational and allows a more orderly transition. It also allows for more considered and better vetted changes.

For those of you who don't follow USPAP with a high degree of passion, a brief summary of key proposed changes for 2014 follows. For those of you follow with more heat, please also read on. The changes are, well, changes, and will have ramifications for all appraisers and those who use our professional services.

Of particular interest are changes in the reporting options. The three report options now become two. The three options came out of the real estate crises of the early 1990's, and, together with the Departure Rule (retired, finally, with great relief, in 2006), was an outcome of the serious issues the financial system was dealing with during those times. While departure is long gone, the reporting options, with all their imperfections, stayed with us. With the essential merging of the self-contained and summary reporting options, confusion is reduced. The business appraisal world always had but two options. So with the change made to two options for real property and personal property appraisals, there will be great uniformity in USPAP.

The elimination of the self-contained report and summary appraisal report options in standards 2 and 8 are replaced with an appraisal report option. The "2013 Summary of Actions" states the requirements are "very similar" to the current summary appraisal report. This change is long overdue as there was massive confusion about the precise differences between the "old" options resulting in nearly everyone having their own opinions and applications of them.

There still will be room for varying interpretations. In the appraisal report option, USPAP leaves it the appraiser to decide as "this report option establishes a minimum level of information" for "an assignment that has any intended user(s) in addition to the client." Therefore, it is the responsibility of the appraiser to determine if additional detail or explanation is required, given the intended use and intended users of the report. The publication goes on to say that additional information may be required for assignments "in which the client may need to understand the appraiser's rationale, or the client may not have specialized knowledge about the subject property."

The currently named restricted use appraisal report is renamed to a restricted appraisal report. The restriction is that this report option can only be used when the client is the only intended user of the report. The profession is less behind this change and some users believe the restriction should not be to a single intended user but to a small, defined, circle of users.

Other changes are made in definitions, the preamble, among others. Another major change is the

elimination from USPAP of standards 4 & 5-which deal with real property appraisal consulting-from USPAP. These portions of the document were a source of great irritation to many. I am of the opinion that not many will mourn the demise of this part of USPAP.

To conclude, know that the earth will continue to turn (and, also, to orbit around the sun) despite the changes to USPAP 2014-15. And for those of you who can't curb your enthusiasm about the pending publication, think carefully about what color highlighter you will use this year to hit the high points!

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