

Appraisal review: The role will continue to gain importance in all areas of appraisal

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Soon after the first appraisal was done, presumably either in a cave in southern France or on a mountain in the Middle East, the first review appraisal was performed. Review opinions about appraisers' work and value conclusions abound and range from those of the relatively unschooled to those with a high degree of skill and requisite discernment to make judgments on the quality and adequacy of another's work.

Together with an incredibly diverse and accomplished group of classmates, I recently completed a review appraising course which will lead to a review appraiser certification to navigate this growing area of appraisal practice. This was a very useful course and introduced and expanded concepts related to review work that always lay just beneath the surface but never clearly articulated. It was also a great opportunity to network with peers.

In essence, STANDARD 3 of USPAP defines review appraising as developing a credible opinion about the adequacy of another appraiser's work and governs the conduct of appraisers acting as reviewers and In this context, an appraiser acting as a reviewer must be and act competently and perform objectively, independently, impartially, without bias or accommodation of personal interests. As regulators have all but forced financial institutions to have their appraisals reviewed systematically, reviewers turn up everywhere. I predict (only half-jokingly) that by 2017, there should be 10-15 reviewers, per appraiser with the ratio increasing as fewer appraisers get into the business.

Certainly the review process provides important checks and balances on the appraisal development and reporting process. Appraisal reviews give clients who may not be very knowledgeable about today's complex appraisals, or who may not have the ability or resources to work them, opinions of the quality, context, reasoning processes, and conclusions of the work appraisers present. Appraisal reviews also check for conformity of appraisal reports to various federal, state, and industry requirements and standards for report writing and presentation.

There is a wide variety of reviews, as befits the wide variety of appraisal practice areas. Reviewer skills vary widely and range from in-house "checklist" processors to highly experienced individuals who have years of reviewing experience and are able to conduct review appraisal in a highly efficient and competent fashion.

Somewhere in the middle of the pack there are individuals who (a) don't know enough about USPAP, FIRREA, and reviewing to be competent but enough to be dangerous; (b) who lack interpersonal skills required to communicate with appraisers and their clients; (c) seem to think that clients want them to find fault with every appraisal; (d) who seem to lack balance in terms of what is a significant problem in an appraisal report and what is not; and, (e) have a poor or defective understanding of either the appraisal or review process, or both.

Handling review issues effectively and sensitively is a major part of being an effective reviewer. Insensitive, if not outright boorish, behavior in the review process can alienate both appraisers and clients. This misses the point of reviewing, which is not necessarily to be right, but to ensure that an appraisal and report meet applicable requirements. Outside of adversarial litigation situations, the aim of reviews in the financial services world and in many other practice areas.

The role of reviewers in almost all areas of appraisal practice will continue to gain importance. Not only does the review process identify areas of weakness in an appraisal and enable them to be, but the review process also lends further credence to areas of strength in an appraisal.

Given greater focus on the competency of reviewers and the adequacy of their review process and meaningful communication of the results of the review, the review process will continue to evolve and practitioners will continue to refine their skill set. The best reviewers are educators who take their dual role, interacting with clients and appraisers, as a serious and important endeavor. Reviewers will always be needed and as assignments require ever higher levels of sophistication and complexity, will continue to play a fundamental role in the appraisal process. To this end, reviewers always need to be mindful of the analytical, educational, and human interfaces they represent and the public trust they serve.

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