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There are now two reporting options: Appraisal Report and Restricted Report

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I made a 2014 resolution to not write excessively about USPAP. And I (mostly!) haven't. However, given some recent experiences and rumblings from the marketplace, I must.

Appraisal reporting is near and dear to appraisers. Mess with an appraiser's manner of report and you will get some pushback. But appraisal reporting is in a state of flux, a combination of "The Age of Too Much Information" and 2014 changes to USPAP. Change we all must. In 1994, USPAP was changed to include three reporting options. This change was made for a number of reasons but most importantly to give appraisers and financial institutions some alternatives to the FDIC required compendiums that were the fashion during the real estate crises of the early 1990's. The departure rule was an outcome of the serious issues the financial system was dealing with during those times. It was retired, finally, with great relief, in 2006. Similar, but unsuccessful, efforts were attempted over succeeding years to revamp reporting requirements criteria. The most recent change, which gives a more than passing nod to existing business reporting requirements, garnered support and now represents the rules of the road for real property and personal property appraisal reporting. There are now two options each: Appraisal Report and Restricted Report. Ideally this will bring greater consistency to USPAP, or at least that is what the deep thinkers among us hope.

With the essential merging of the self-contained and summary reporting options into the appraisal report, confusion is reduced and flexibility enhanced. Pre-2014, wholesale agreement of the differences between the two reporting options never existed. Nearly everyone had their own opinions - some truly unique and creative - about the differences. The ASB noted that new requirements are "very similar" to the reporting option formerly known as the Summary Appraisal Report. While not incorrect, this characterization has caused some confusion and some appraisers therefore believe that detail beyond that required in the 20123 Summary Report is required. This is not the case. Clearly, opportunities for more flexibility within the requirements exists. In the appraisal report option, USPAP leaves it to 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 and 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."

A restricted report still is limited to situations where the client is the only intended user and contains prominent use restrictions. The utility of this reporting option is better explained in 2014 USPAP. Understanding the implications of these requirements is crucial to understanding appraisal reporting under USPAP in 2014. Where does intended use drive reporting? In a "simple" lending transaction -

Is there still such a thing? - a level of detail similar to the 2012-2013 Summary would be appropriate. For an appraisal prepared for a complex property or assignment, a much higher level of detail would be indicated. For certain transactions governed by specific reporting requirements - intended use applies here - those requirements would become part of Standard 2 compliance. In every case, the appraiser is always responsible for clearly explaining the methodology employed, and providing analysis and rationale for the analysis in every section of the report.

Report labels are another source of confusion. Standard 2 tells us that an "appraiser may use any other label in addition to, but not in place of [my emphasis], the label set forth in this Standard," Examples noted in the real world include (a) Appraisal Report- Summary Report in accordance with USPAP 2012-2013; (b) Appraisal Report - "Comprehensive Format" as further defined. (c.) Appraisal Report - Narrative Format. (d.) Restricted Appraisal Report - Expanded Format. USPAP provides flexibility; as long as one of the two labels is used and is clearly and prominently noted.

The changes to USPAP were made to create a more logical space in which to create reports that are useful and meaningful. There are some who take this change to mean the end of orderly appraising as we know it. Not true. The demise of the self-contained and summary reporting options should not be lamented. The implications of the changes have not entirely sunk in but many (present company included) believe that greater flexibility will result ultimately in reporting that is better suited to the intended use and users. And intended use is fundamental to how appraisers approach assignments.

Supportive information in USPAP in the Advisory Opinions 11 & 12 and the USPAP FAQs provide much assistance in understanding how the reporting options and labels work. It's up to the marketplace to find what is appropriate for specific practice areas and particular intended uses.

The 2014 changes make it clear that a reporting format is dependent on the intended users and intended use. USPAP provides guidance in terms of minimum levels of reporting. Appraisers and clients need to work out the ever troublesome details in order to meet USPAP and the requirements of the intended use. There are some clients and appraisers out there who don't seem to want to go to all that trouble. But there's only trouble if the requirements are not properly thought out. Don't ask for trouble, give some thought to reporting!

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