



CELEBRATING
65 YEARS

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President's message: Discipline of appraisal review

June 11, 2015 - Appraisal & Consulting

To carry forward last month's theme of Quality Control and Quality Assurance this month's installment will focus on the discipline of Appraisal Review.

Users of appraisal services are often required, by regulations, or sound risk management practices, to review and accept results of appraisal services. Whether within a financial institution, private equity, or other governmental or quasi-governmental entity, appraisal reviews are required on a transactional level to ensure the appraisal is completed in accordance with all applicable standards and provides sufficient information and proper application of methodology to enter into the transaction.

The Appraisal Institute has been at the forefront of developing appraisal review specific theory and applications. In 2010, Richard C. Sorenson's *Appraisal the Appraisal: The Art of Appraisal Review*, second edition was published by the Appraisal Institute.

In the introduction to Chapter 1, Sorenson cites "In virtually every trade and profession, certain persons review, critique, inspect, examine, cross-check, retest, question, judge, or comment on the work of others. The essence of appraisal review is to investigate, analyze, and verify the logic and procedures used in appraisals and to ensure the preparation of competent and thorough reports that result in sound value opinions."

On the subject of Appraisals and Appraisal Reports, Sorenson notes: "Reviewers should understand the distinction between developing an opinion of value and reporting that opinion. The purpose of the valuation process is to solve a problem-that is, to develop an opinion of market value or some other type of value or to reach another conclusion concerning real estate. The appraisal report communicates the premises, data, reasoning, and opinions that are part of the valuation process. Reports do not appraise; appraisers appraise, and reports present the conclusions of appraisers. Similarly, reviewers do not strictly review appraisal reports. A review can be of an entire appraisal report, a portion of a report, a workfile, or any combination of these. A review can also be of an oral report."

In 2013 the Appraisal Institute embarked on a process of developing new designations for appraisal review. The AI-GRS designation is a new designation program aimed at providing professional general reviewers with the knowledge and skills needed to satisfy issues related to due diligence and risk management often requested by their employers and clients. The AI-RRS designation is a new designation program aimed at providing professional residential reviewers with the knowledge and skills needed to satisfy issues related to due diligence and risk management often requested by their employers and clients.

Like other designations within AI, path requirements include fulfillment of both educational, experience and application requirements. Locally, 8 members have achieved the new Appraisal Review Designations.

Learn more about these designations at the Appraisal Institute website at www.appraisalinstitute.org

Upcoming events/offerings:

June 18 and 19 - Real Estate Finance Statistics and Valuation Modeling.

June 23 and 24 - Uniform Appraisal Standards for Federal Land Acquisitions.

June 25 - 7 Hour National USPAP Update Course.

July 15 - 18 - General Appraiser Market Analysis and Highest and Best Use.

Wishing you all a safe and enjoyable summer!

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