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USPAP reporting options: bridge too far? - by Bill Pastuszek

March 08, 2019 - Appraisal & Consulting

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I really try not to write excessively about USPAP. But sometimes I have to! And this is one of those times!

Proposed changes to USPAP for the 2020-2021 edition are in their 4th Exposure Draft. It is now March 2020. For 2018, changes were approved at the ASB's February 2017 meeting, which is the typical lead time for finalizing changes and getting USPAP into production for late 2019 distribution. That time period also allows for creation and production of educational materials, including the all-important USPAP Update that is required every recertification cycle for credentialed appraisers. The new edition of USPAP also needs to be digested by affected interest groups (e.g., bankers, appraisal organizations) and regulators.

Appraisal reporting is near and dear to appraisers. Mess with an appraiser's reporting and you will get push-back. But appraisal reporting is in a state of flux, due to evolving client needs and the consequence of "The Age of Too Much Information."

In making changes to the reporting standards, ASB has tried to respond to marketplace needs. Four exposure drafts later, are we better off?

Back in 1994, as a response to appraisers and financial institutions needing more reporting clarity, USPAP was changed to include three reporting options.

In 2014, USPAP essentially merged the self-contained and summary reporting options into the appraisal report with the intent of reducing confusion in the difference between the two report types, which differences everyone sort of understood but could quite codify which created enforcement issues. The new options seemed to be workable, though there were many who wouldn't have minded the three options and in fact adopted those legacy options in policy and engagements.

The current set of Exposure Drafts have followed a curious orbit. The initial concept was to eliminate the two labels and allow clients and appraisers to arrive at workable solutions within the context of the requirements of Standard 2, whose core concepts were largely unchanged. In addition to the

huge changes required in all the reporting standards, a number of other changes were put forward. A very large amount of changes for a USPAP cycle!

Now, following several additional exposure drafts, in a somewhat mystifying reversal, the proposed changes go back to the appraisal and restricted report options. The most obvious change now allows multiple users in a restricted report as long as they are specifically identified.

Current USPAP provides flexibility for users and appraisers, as long as one of the two labels is used. The proposed changes to USPAP are an effort to create a more flexible space for more relevant and useful report writing. But, in this case, even the USPAP geeks among us are a bit confused after so many iterations.

A previous version of the Standards Board attempted to make fundamental changes to reporting and communication. After a series of Exposure Drafts and much feedback from interested parties, the changes did not go forward. Given the lack of clarity in terms of direction from users, maybe the current arrangement, while far from perfect, should stay in place until the marketplace shows signs of a clear trend towards either more direction, or, rather, less direction.

Whatever the ASB decides to do, users are going to have to live with the changes, so they should not be taken lightly. There has been a lot of tinkering with USPAP recently. The changes suggested for 2020 do not appear to have gained strong support from constituent groups.

Reporting continues to be a source of disagreement among users and appraisers. The final result is not clear and further delay may jeopardize the USPAP phase-in for 2020. This current set of advances and then retreats has the effect of eroding confidence in the process. A hasty last-minute fix may be the last thing the profession needs at a time of flux. Stay tuned for further developments.

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