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Competency: 2023 Version - by Bill Pastuszek

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Let's have a look at the concept of competency. No, no, keep reading, even though many of you are saying, "he's going to start talk about USPAP and all those Appraisal Standards and all that boring, obtuse, useless stuff." It won't be boring or useless.

Competency needs to be assessed on a regular basis at 30,000 ft. and by each appraiser in every assignment. The concept takes on even more urgency in the current low volume appraisal environment where appraisers are expanding their practice areas into unfamiliar property and assignment with different intended uses and users in order to maintain some semblance of market share. With lending work way down, going into these hitherto unexplored areas of specialized practice looks attractive to the generalists out there with time on their hands. Many specialized practice areas look enticing and deceptively simple on their face, yet the roads that must be traveled to get to succesful assignment completion are filled with hidden obstacles.

Let's review. The current version of Uniform Standards of Professional Appraisal Practice (USPAP) has a COMPETENCY RULE that tells appraisers and appraisal users, "An appraiser must determine, prior to agreeing to perform an assignment, that he or she can perform the assignment competently." Thus, no on-the-job training. The RULE provides guidance on how an appraiser discloses the lack of competency in a prospective assignment to a client. But, it's hard to imagine in most instances that a client wouldn't choose an appraiser that is competent at the outset rather than take the risk of an appraiser hopefully having achieved competency upon completion of the assignment and the disclosures that are required. Some intended uses don't allow this mechanism in any case.

The rule states that competency may apply to 1.) a specific property or asset; 2.) a market; 3.) a geographic area; 4.) intended use; 5.) laws or regulations; and 6.) an analytical method.

Intended Use. Intended use drives the appraisal "bus." Not knowing and meeting the requirements of an intended use violates the COMPETENCY RULE. Appraisers who are unfamiliar with requirements or choose to skimp on them may be familiar with the property and valuation techniques but still produce work that doesn't meet basic requirements.

Technical Expertise. A commercial appraiser skilled in office building valuation may have a great deal of difficulty in appraising a condominium development. A commercial appraiser used to capitalizing stabilized net operating income may not be able to competently perform a multi-tenant discounted cash flow analysis.

Laws and Regulations. Many appraisers believe it is the responsibility of their client to make sure the appraiser is supplied with all the information needed to provide a compliant result. Well, no, actually, it is the appraiser's responsibility to know all the laws and regulations applicable to an assignment. The appraiser is the professional who needs to know what to do in a particular situation; that's why clients hire appraisers to solve appraisal problems. If the appraiser doesn't understand this responsibility, a faulty result can have serious repercussions in the review phase, the legal arena, or

even at the Licensing Board. USPAP 2024 contains renewed emphasis on being knowledgeable with respect to applicable laws and regulations.

Competency at Property, Market, and Geographical Levels. Local knowledge is the stock in trade of many appraisers. As they work in their familiar markets day in and day out, over long periods of time, they develop invaluable, almost instinctive, insights and understanding of these markets. Sometimes there is difficulty in expressing their intuitive, hard won knowledge in reports. For many generalist appraisers, their deep experience is what clients desire. Generalists going out of market often end up in the deep end of the pool.

Specialist and Generalists. For many assignments, however, a Specialist is what is needed. Generalist appraisers can become Specialists but probably not overnight. Generalists need to know their limits. There are plenty of Specialists out there who know theirs.

The Rule also tells us, that while “[p]erfection is impossible to attain, and competence does not require perfection.” That is true. However, “an appraiser must not render appraisal services in a careless or negligent manner.” Beware of errors made by being unaware of and/or mishandling intended use requirements, report content, and appropriate scope of work development. The Rule goes on to say the concept of competency “requires an appraiser to use due diligence and due care.” For example, an otherwise credible report can be discredited through the use of an incorrect value definition.

There are lots of softwares and templates out there that create a false sense of confidence and competency for appraisers venturing into new practice areas. However, technology does not substitute for knowledge, experience, and critical thinking, all of which are necessary to produce credible appraisal results and reports that meet the needs of their intended users. In the end, USPAP tells us: “If the assignment cannot be completed competently, the appraiser must decline or withdraw from the assignment.” That might be a hard choice, but the right one.

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