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## **USPAP considers possible appraisal reporting changes**

October 20, 2009 - Spotlights

The Appraisal Standards Board has been considering reporting for a number of years. The discussions have centered on communicating an appraisal, i.e., assignment results, and what constitutes a report. While all valuation disciplines are affected, real property is most impacted.

No fundamental changes to Standard 2 have been made since 1994 when the current three reporting options were adopted. If you can remember back, you'll recall that the country was experiencing a real estate "bust" at that time too. One reason the changes were instituted was to provide appraisers and lenders some greater flexibility.

In a "Request for Comments or Suggestions on USPAP Reporting Requirements" communication in August 2009, the Appraisal Standards Board noted that it is "thinking" about making changes to USPAP reporting requirements. As a result, the Board is seeking input in determining the scope and direction of changes to USPAP reporting requirements. These could become effective in 2012.

Let's consider some of the issues. Reports communicate appraisers' opinions and conclusions to intended users for a wide variety of intended uses. Reporting obligations arise from appraisers' ethical obligations, which are absolute obligations. A central obligation is to set forth assignment results in a manner that will not be misleading.

Where other disciplines have one or two reporting options, real property (and personal property) has three. Marketplace confusion persists about how to measure compliance. This issue is critical for state regulators, since real property appraisers are federally regulated.

Each reporting option has been subject to widely varying interpretations by intended users, the enforcement community, and the courts. The controversy centers around how much detail each option requires and the definitions 'describe' 'summarize' and 'state'. USPAP contains no definitions of these terms and common usage does not aid in understanding.

The Self Contained and Restricted Use options engender greatest controversy. For Self Contained Reports, discussion continues about how to determine if report content is sufficient to meet the Standard's requirements. For Restricted Use Reports, strong arguments exist that the single intended user requirement is not practical in assignments where other intended users have a similar level of understanding as the specified single intended user. Currently, where than one intended user exists, another reporting option is required.

The possibility that requirements common to all disciplines could be used to create a minimum cross discipline reporting standard is being considered. This would provide appraisers with similar flexibility now afforded the development process through the SCOPE OF WORK RULE where acceptability is measured against the intended use and intended user requirements.

Retaining current rigid content-driven, labeled reporting requirements benefits is that intended users and the enforcement community are provided obvious benchmarks. However, content-driven reporting requirements create inflexibility which is most obvious where, in each option, each report

section must meet that option's requirements, whether or not the information is meaningful to intended users.

Another area of focus concerns drafts, preliminary reports, "verbals" and other forms of communication that fall short of a "final" report. Currently, USPAP makes no provision for such communications which are used for many purposes, some of which are reasonable and some of which are not. A core issue is the accountability appraisers should have when issuing these types of communications.

Changes made to USPAP with respect to reporting will affect you and the manner in which you practice real estate appraising. Reporting is close to an appraiser's heart. It is the record of what the appraiser did: the report survives long after the memory of the assignment fades.

The document is found at the Appraisal Foundation website, [www.appraisalfoundation.org](http://www.appraisalfoundation.org). Discussion on these matters is far from over. Become part of the conversation. It is to your benefit to make time to read the document and respond.

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