



THE APPRAISAL FOUNDATION

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APPRAISAL STANDARDS BOARD

TO: All Interested Parties

FROM: Margaret Hambleton, Chair
Appraisal Standards Board

RE: **Second Exposure Draft of proposed changes for the 2020-21 edition of the
*Uniform Standards of Professional Appraisal Practice***

DATE: August 23, 2018

The goal of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. With this goal in mind, the Appraisal Standards Board (ASB) regularly solicits and receives comments and suggestions for improving USPAP. Proposed changes are intended to improve USPAP understanding and enforcement, and thereby achieve the goal of promoting and maintaining public trust in appraisal practice.

The ASB is currently considering changes for the 2020-21 edition of USPAP. **All interested parties are encouraged to comment in writing to the ASB before the deadline of October 10, 2018.** Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited during the ASB Public Meeting on October 19, 2018 in Washington, DC.

Written comments on this exposure draft can be submitted by mail and email.

Mail: Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

Email: asbcomments@appraisalfoundation.org

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached exposure draft, please contact Aida Dedajic, Standards Board Program Manager at The Appraisal Foundation, via e-mail at aida@appraisalfoundation.org or by calling (202) 624-3058.

Background

The ASB issued a First Exposure Draft in May 2018, discussing potential changes for the 2020-21 edition of USPAP. This Exposure Draft was based on comments received following the issuance of a Discussion Draft in January 2018 identifying potential areas of change for the 2020-21 edition of USPAP. The First Exposure Draft addressed:

- Reporting Options
- SCOPE OF WORK RULE
- Comments in Standards Rules
- DEFINITIONS
- Other edits to improve clarity and enforceability of USPAP

The ASB has reviewed all of the comments received in response to the First Exposure Draft, and believes it is fulfilling its work plan and addressing the needs of appraisers and users of appraisal services by introducing the proposed changes for the 2020-21 edition of USPAP as contained in this exposure draft.

Of paramount importance to the Board when considering any potential revisions to USPAP is the issue of public trust. This umbrella of public trust, therefore, remains the primary consideration of the ASB in putting forth the concepts contained in this document.

The Board currently intends to issue subsequent exposure drafts, and to adopt any revisions for the 2020-21 edition of USPAP at its public meeting in early 2019. Any such revisions to USPAP would become effective on January 1, 2020.

Note that the Part II of the Second Exposure Draft – Proposed Changes to the Advisory Opinions, will follow shortly.

Executive Summary

Second Exposure Draft of Proposed Changes for the 2020-21 USPAP

This Executive Summary is intended to be a *brief* discussion of each section in the document. Because some readers may not have an interest in every section of the document, the Executive Summary gives an overview to help readers find the sections related to their specific interest(s).

For detailed information on proposed revisions and the reasons for the proposals, the ASB encourages readers to review the rationale as well as the specific changes being proposed. As always, the ASB requests readers to submit any relevant comments.

Section 1 – STANDARDS (Reporting Options and Comments in Standards Rules)

Reporting Options

The ASB is proposing significant revisions to STANDARDS 2, 8, and 10. Rather than limiting appraisal reports to either a one-size-fits-all or the current two-sizes-fits-all reporting options, the ASB is proposing a model that reduces the specificity without diminishing the USPAP reporting requirements. The Board is also proposing the elimination of report labels and specific warning language, electing instead to propose a simpler but more comprehensive requirement: “If there are use restrictions or other limitations, the appraiser must state them accurately, clearly, and conspicuously.” The ASB is proposing some parallel changes to STANDARDS 4 and 6 as appropriate for consistency.

Comments in Standards Rules

In the First Exposure Draft the ASB proposed several actions related to Comments in the Standards Rules and demonstrated a model of this proposal for STANDARD 1. These actions included deleting some Comments that had duplicate requirements clearly stated elsewhere and incorporating others directly into the Standards Rules. The response to the First Exposure Draft indicated these actions were helpful in increasing the clarity of USPAP. For the Second Exposure Draft all of the STANDARDS include revisions to the Comments. Some have been reworded, deleted, moved, or incorporated into the Standards Rules.

Section 2 – SCOPE OF WORK RULE

In the First Exposure Draft, the ASB proposed changes to the SCOPE OF WORK RULE which would remove references to disclosure obligations under this RULE. After considering responses to this proposal, the ASB is now proposing to add language to the Disclosure Obligations section of the SCOPE OF WORK RULE to clarify the nature, form and format of disclosure.

Section 3 – COMPETENCY RULE

The ASB proposes to move the following important Comment out of Standards Rules 1-1, 3-1, 5-1, 7-1, and 9-1 and place it into the COMPETENCY RULE:

“Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.”

This particular Comment currently appears only in the development Standards Rules, but it has been pointed out that it should also apply to reporting. The proposal in this Second Exposure Draft inserts an edited version of the Comment into the COMPETENCY RULE. This move reduces duplication and, at the same time, broadens the applicability of this important Comment since the COMPETENCY RULE applies to both development and reporting in all disciplines.

Section 4 – DEFINITIONS

Based upon responses received from the First Exposure Draft, the ASB is proposing some modifications and additions to the DEFINITIONS in order to help readers better understand USPAP. Both exposure drafts propose to include USPAP terms that differ from or are not found in popular English dictionaries and also, in a few instances, to indicate which popular dictionary definition is meant to be used if there are multiple definitions.

Section 5 – Other Edits to Improve Clarity and Enforceability of USPAP

The Board is proposing several edits for clarity and consistency. The edits are related to the following three terms or phrases:

1. Accept an assignment
2. At the time of the assignment
3. Intangible Items

Note that the Part II of the Second Exposure Draft – Proposed Changes to the Advisory Opinions, will follow shortly.

**Second Exposure Draft of Proposed Changes for the
2020-21 edition of the *Uniform Standards of Professional Appraisal Practice***

**Issued: August 23, 2018
Comment Deadline: October 10, 2018**

Each section of this exposure draft begins with a rationale for the proposed changes to USPAP. The rationale is identified as such and does not have line numbering. Where proposed changes to USPAP are noted, the exposure draft contains line numbers. This difference is intended to distinguish for the reader those parts that explain the changes to USPAP from the proposed changes themselves.

When commenting on various aspects of the exposure draft, it is very helpful to reference the line numbers, fully explain the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues that the ASB should consider.

Unless otherwise noted, where text is proposed to be deleted from USPAP, that text is shown as strikethrough. For example: ~~This is strikethrough text proposed for deletion.~~ Text that is proposed to be added to USPAP is underlined. For example: This is text proposed for insertion.

This exposure draft includes proposed revisions to USPAP. The Board intends to issue a subsequent exposure draft this fall.

For ease in identifying the various issues being addressed, the exposure draft is presented in sections.

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Section 1: STANDARDS (Reporting Options and Comments in Standards Rules)**RATIONALE**

The ASB proposed changes to STANDARDS 1 and 2 in the First Exposure Draft. This Second Exposure Draft expands on what was proposed in the First Exposure Draft by making parallel changes to STANDARDS 3 through 10, as appropriate. The changes, which are explained below, relate to reporting requirements, Comments, and additional edits for clarity and consistency. To arrive at these proposals, the ASB has considered a wide range of ideas from the following sources: survey in September 2017; comments from the January 2018 Discussion Draft; the April 21, 2018 public meeting; and the May 22, 2018 First Exposure Draft.

1. Reporting Requirements

Recognizing that there are many new forms and formats in which opinions of value can be communicated, the ASB proposed revisions to USPAP reporting requirements in the First Exposure Draft. Comments mostly showed support for the intent of the proposed changes, which was to ensure that USPAP continues to promote and maintain a high level of public trust in appraisal practice while keeping up-to-date with an ever-changing marketplace.

Rather than limiting appraisal reports in STANDARDS 2, 8, and 10 to a one-size-fits-all or the current two-sizes-fits-all options, the ASB proposed a model that reduces the specificity without diminishing the USPAP reporting requirements.

Instead of requiring a specific label, such as *Restricted Appraisal Report*, limiting such reports only to the clients, and requiring specific warning language, in the First Exposure Draft the ASB proposed a simpler but more comprehensive requirement that **“If there are use restrictions or other limitations, the appraiser must state them accurately, clearly, and conspicuously.”**

In addition, the requirements about when information in an appraisal report may be *stated* and when it must be *summarized* were modified in the First Exposure Draft so that the extent of reporting for certain categories can be determined by the appraiser **as appropriate for the intended user(s) and intended use of the assignment**. However, some of the proposed changes in the First Exposure Draft increase what is required in current *Restricted Appraisal Reports*. After deliberation, the ASB continues to propose these minimum reporting requirements.

The First Exposure Draft showed a model of the proposed new reporting requirements in STANDARD 2 only. In this Second Exposure Draft, the ASB has incorporated some of the suggestions received and has now applied these proposed changes, as applicable, to all of the reporting STANDARDS. Note that in this Second Exposure Draft the verb, “summarize” has replaced “state” where relevant in STANDARD 4. In STANDARD 6 “summarize” has replaced “describe” once and “discuss” once. These changes are being proposed in order to simplify the interpretation of the Reporting Standards Rules by making them consistent.

2. Comments

In the First Exposure Draft the ASB proposed several actions related to Comments in the Standards Rules and demonstrated a model of this proposal for STANDARD 1. Comments are an integral part of USPAP and have the same weight as the component they address; however, because Comments currently contain a mix of aspirational statements, requirements, and clarifications, many pointed out that this caused confusion. Therefore, with the objective of streamlining USPAP so that it is easier to read, it was proposed to delete some Comments that duplicate requirements that are clearly stated elsewhere.

In addition, in this Second Exposure Draft an important Comment that is repeated in Standards Rules for all disciplines has been incorporated into the COMPETENCY RULE. The phrase that begins “perfection is impossible to attain...,” applies equally to all disciplines and has been moved into the COMPETENCY RULE so that it does not need to be repeated in each Standard.

After considering responses to the First Exposure Draft, the ASB has made some changes to the model proposed for STANDARD 1 and has incorporated them into this Second Exposure Draft that shows all ten STANDARDS.

- An example of a Comment proposed for deletion because it repeats a requirement from the Conduct section of the ETHICS RULE is in Standards Rules 1-2(b), 3-2(b), 5-2(b), 7-2(b), and 9-2(b): “An appraiser must not allow the intended use of an assignment or a client’s objectives to cause the assignment results to be biased.”
- Another example of a Comment proposed for deletion because it repeats a requirement from the RECORD KEEPING RULE is in Standards Rules 2-4, 4-4, 8-4, and 10-4 related to oral appraisal and oral appraisal review reports. The deletion is proposed both because the requirement is stated elsewhere and also because the RECORD KEEPING RULE applies to all appraisals, not only to those that are reported orally.
- The Comment in Standards Rule 9-4 is proposed to be moved from the Comment into the Standards Rule because it includes an obligation, but two words have been removed from the list of examples because cost of marketing is not explicitly addressed in business valuation.

No changes have been proposed regarding the role of Comments in USPAP. As currently stated in the PREAMBLE, “Comments are an integral part of USPAP and have the same weight as the component they address.”

3. Clarity and Consistency

Among the changes for clarity and consistency that are being proposed are the following:

- Add descriptive titles to each of the Standards Rules.
- Change the word “attributes” to “characteristics” in the Standards Rules to be consistent with the proposed DEFINITION of PHYSICAL CHARACTERISTICS as applicable.
- Revise lines 1036-1038 in STANDARD 5 of 2018-19 edition of USPAP as follows: “In developing a mass appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal.”
- Delete the word “equity” in line 1816 in STANDARD 9 of the 2018-19 edition of USPAP, and change “equity” to “interest” in line 1822 as there are forms of business interests other than equity that sometimes have the ability to cause liquidation.

1 **STANDARD 1: REAL PROPERTY APPRAISAL DEVELOPMENT**

2 **In developing a real property appraisal, an appraiser must identify the problem to be**
 3 **solved, determine the scope of work necessary to solve the problem, and correctly complete**
 4 **research and analyses necessary to produce a credible appraisal.**

5 Comment: ~~STANDARD 1 is directed toward the substantive aspects of developing a~~
 6 ~~credible appraisal of real property.~~ The requirements set forth in STANDARD 1 follow
 7 the appraisal development process in the order of topics addressed and can be used by
 8 appraisers and the users of appraisal services as a ~~convenient~~ checklist.

9 **STANDARDS RULE 1-1, Development Requirements**

10 **In developing a real property appraisal, an appraiser must:**

11 **(a) be aware of, understand, and correctly employ those recognized methods and**
 12 **techniques that are necessary to produce a credible appraisal;**

13 Comment: This Standards Rule recognizes that the principle of change continues to affect
 14 the manner in which appraisers perform appraisal services. Changes and developments in
 15 the real estate field have a substantial impact on the appraisal profession. Important
 16 changes in the cost and manner of constructing and marketing commercial, industrial, and
 17 residential real estate as well as changes in the legal framework in which real property
 18 rights and interests are created, conveyed, and mortgaged have resulted in corresponding
 19 changes in appraisal theory and practice. Social change has also had an effect on
 20 appraisal theory and practice. To keep abreast of these changes and developments, the
 21 appraisal profession is constantly reviewing and revising appraisal methods and
 22 techniques and devising new methods and techniques to meet new circumstances. ~~For~~
 23 ~~this reason, it is not sufficient for appraisers to simply maintain the skills and the~~
 24 ~~knowledge they possess when they become appraisers. Each appraiser must continuously~~
 25 ~~improve his or her skills to remain proficient in real property appraisal.~~

26 **(b) not commit a substantial error of omission or commission that significantly affects**
 27 **an appraisal; and**

28 Comment: ~~It is important for an appraiser to~~ ~~An appraiser must~~ use sufficient care to
 29 avoid errors that would significantly affect his or her opinions and conclusions: and to be
 30 diligent in identifying and analyzing ~~Diligence is required to identify and analyze the~~
 31 factors, conditions, data, and other information that would have a significant effect on the
 32 credibility of the assignment results.

33 **(c) not render appraisal services in a careless or negligent manner, such as by making a**
 34 **series of errors that, although individually might not significantly affect the results**
 35 **of an appraisal, in the aggregate affects the credibility of those results.**

36 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 37 ~~However, an appraiser must not render appraisal services in a careless or negligent~~
 38 ~~manner. This Standards Rule requires an appraiser to use due diligence and due care.~~

39 **STANDARDS RULE 1-2, Components of the Development Process**

40 **In developing a real property appraisal, an appraiser must:**

41 (a) **identify the client and other intended users;**

42 (b) **identify the intended use of the appraiser's opinions and conclusions**

43 ~~Comment: An appraiser must not allow the intended use of an assignment or a client's~~
 44 ~~objectives to cause the assignment results to be biased.~~

45 (c) **identify the type and definition of value; develop an opinion of reasonable exposure**
 46 **time when it is a component of the definition for the value opinion being developed;**
 47 **~~and, if the value opinion to be developed is market value,~~ ascertain whether the**
 48 **value is to be the most probable price:**

49 (i) **in terms of cash; or**

50 (ii) **in terms of financial arrangements equivalent to cash; or**

51 (iii) **in other precisely defined terms; and**

52 (iv) **if the opinion of value is to be based on non-market financing or financing**
 53 **with unusual conditions or incentives, identify the terms of such financing**
 54 **and any must be clearly identified and the appraiser's opinion of their**
 55 **~~contributions to or negative influences~~ on value must be developed by**
 56 **analysis of relevant market data;**

57 ~~Comment: When reasonable exposure time is a component of the definition for~~
 58 ~~the value opinion being developed, the appraiser must also develop an opinion of~~
 59 ~~reasonable exposure time linked to that value opinion.~~

60 (d) **identify the effective date of the appraiser's opinions and conclusions;**

61 (e) **identify, from sources the appraiser reasonably believes to be reliable, the**
 62 **characteristics of the property that are relevant to the type and definition of value**
 63 **and intended use of the appraisal, including:**

64 (i) **its location and physical, legal, and economic characteristics ~~attributes~~;**

65 (ii) **the real property interest to be valued;**

66 (iii) **any personal property, trade fixtures, or intangible assets ~~items~~ that are not**
 67 **real property but are included in the appraisal;**

68 (iv) **any known easements, restrictions, encumbrances, leases, reservations,**
 69 **covenants, contracts, declarations, special assessments, ordinances, or other**
 70 **items of a similar nature; and**

71 (v) **whether the subject property is a fractional interest, physical segment, or**
 72 **partial holding;**

73 ~~Comment on (i)–(v): The information used by an appraiser to identify the~~
 74 ~~property characteristics must be from sources the appraiser reasonably believes~~
 75 ~~are reliable.~~

76 An appraiser may use any combination of a property inspection, ~~and documents,~~
 77 ~~such as a physical legal description, address, map reference, copy of a survey or~~
 78 ~~map, property sketch, or photographs, or other information~~ to identify the relevant
 79 characteristics of the subject property.

80 When appraising proposed improvements, an appraiser must examine and have
 81 available for future examination, plans, specifications, or other documentation
 82 sufficient to identify the extent and character of the proposed improvements.

83 Identification of the real property interest appraised can be based on a review of
 84 copies or summaries of title descriptions or other documents that set forth any
 85 known encumbrances.

86 An appraiser is not required to value the whole when the subject of the appraisal
 87 is a fractional interest, a physical segment, or a partial holding.

88 (f) **identify any extraordinary assumptions necessary in the assignment; An**
 89 **extraordinary assumption may be used in an assignment only if:**

90 **(i) the extraordinary assumption is required to properly develop credible**
 91 **opinions and conclusions;**

92 **(ii) the appraiser has a reasonable basis for the extraordinary assumption; and**

93 **(iii) use of the extraordinary assumption results in a credible analysis;**

94 ~~Comment: An extraordinary assumption may be used in an assignment only if:~~

- 95 ~~● it is required to properly develop credible opinions and conclusions;~~
- 96 ~~● the appraiser has a reasonable basis for the extraordinary assumption;~~
- 97 ~~● use of the extraordinary assumption results in a credible analysis; and~~
- 98 ~~● the appraiser complies with the disclosure requirements set forth in~~
 99 ~~USPAP for extraordinary assumptions.~~

100 (g) **identify any hypothetical conditions necessary in the assignment; A hypothetical**
 101 **condition may be used in an assignment only if:**

102 **(i) use of the hypothetical condition is clearly required for legal purposes, for**
 103 **purposes of reasonable analysis, or for purposes of comparison; and**

104 **(ii) use of the hypothetical condition results in a credible analysis; and**

105 ~~Comment: A hypothetical condition may be used in an assignment only if:~~

- 106 ~~● use of the hypothetical condition is clearly required for legal purposes, for~~
 107 ~~purposes of reasonable analysis, or for purposes of comparison;~~
- 108 ~~● use of the hypothetical condition results in a credible analysis; and~~

109 • ~~the appraiser complies with the disclosure requirements set forth in~~
 110 ~~USPAP for hypothetical conditions.~~

111 (h) **determine the scope of work necessary to produce credible assignment results in**
 112 **accordance with the SCOPE OF WORK RULE.**

113 **STANDARDS RULE 1-3, Highest and Best Use**

114 **When necessary for credible assignment results in developing a market value opinion, an**
 115 **appraiser must:**

116 (a) **identify and analyze the effect on use and value of: ~~existing land use regulations,~~**
 117 **~~reasonably probable modifications of such land use regulations, economic supply~~**
 118 **~~and demand, the physical adaptability of the real estate, and market area trends;~~**
 119 **and**

120 **(i) existing land use regulations;**

121 **(ii) reasonably probable modifications of such land use regulations;**

122 **(iii) economic supply and demand;**

123 **(iv) the physical adaptability of the real estate; and**

124 **(v) market area trends; and**

125 ~~Comment: An appraiser must avoid making an unsupported assumption or premise about~~
 126 ~~market area trends, effective age, and remaining life.~~

127 (b) **develop an opinion of the highest and best use of the real estate. by analyzing the**
 128 **relevant legal, physical, and economic factors to the extent necessary to support the**
 129 **appraiser’s highest and best use conclusion(s).**

130 ~~Comment: An appraiser must analyze the relevant legal, physical, and economic factors~~
 131 ~~to the extent necessary to support the appraiser’s highest and best use conclusion(s).~~

132 **STANDARDS RULE 1-4, Approaches to Value**

133 **In developing a real property appraisal, an appraiser must collect, verify, and analyze all**
 134 **information necessary for credible assignment results.**

135 (a) **When a sales comparison approach is necessary for credible assignment results, an**
 136 **appraiser must analyze such comparable sales data as are available to indicate a**
 137 **value conclusion.**

138 (b) **When a cost approach is necessary for credible assignment results, an appraiser**
 139 **must:**

140 **(i) develop an opinion of site value by an appropriate appraisal method or**
 141 **technique;**

142 **(ii) analyze such comparable cost data as are available to estimate the cost new**
 143 **of the improvements (if any); and**

- 144 (iii) analyze such comparable data as are available to estimate the difference
 145 between the cost new and the present worth of the improvements
 146 (depreciation).
- 147 (c) When an income approach is necessary for credible assignment results, an appraiser
 148 must:
- 149 (i) analyze such comparable rental data as are available and/or the potential
 150 earnings capacity of the property to estimate the gross income potential of
 151 the property;
- 152 (ii) analyze such comparable operating expense data as are available to estimate
 153 the operating expenses of the property;
- 154 (iii) analyze such comparable data as are available to estimate rates of
 155 capitalization and/or rates of discount; and
- 156 (iv) base projections of future rent and/or income potential and expenses on
 157 reasonably clear and appropriate evidence; and
- 158 (v) weigh historical information and trends, current supply and demand factors
 159 affecting such trends, and anticipated events such as competition from
 160 developments under construction, when developing income and expense
 161 statements and cash flow projections.
- 162 Comment: In developing income and expense statements and cash flow
 163 projections, an appraiser must weigh historical information and trends, current
 164 supply and demand factors affecting such trends, and anticipated events such as
 165 competition from developments under construction.
- 166 (d) When developing an opinion of the value of a leased fee estate or a leasehold estate,
 167 an appraiser must analyze the effect on value, if any, of the terms and conditions of
 168 the lease(s).
- 169 (e) When analyzing the assemblage of the various estates or component parts of a
 170 property, an appraiser must analyze the effect on value, if any, of the assemblage.
 171 An appraiser must refrain from valuing the whole solely by adding together the
 172 individual values of the various estates or component parts.
- 173 Comment: Although the value of the whole may be equal to the sum of the separate
 174 estates or parts, it also may be greater than or less than the sum of such estates or parts.
 175 Therefore, the value of the whole must be tested by reference to appropriate data and
 176 supported by an appropriate analysis of such data.
- 177 ~~A similar procedure must be followed when the value of the whole has been established~~
 178 ~~and the appraiser seeks to value a part. The value of any such part must be tested by~~
 179 ~~reference to appropriate data and supported by an appropriate analysis of such data.~~
- 180 (f) When analyzing anticipated public or private improvements, located on or off the
 181 site, an appraiser must analyze the effect on value, if any, of such anticipated
 182 improvements to the extent they are reflected in market actions.

183 (g) **When personal property, trade fixtures, or intangible ~~items~~ assets are included in**
 184 **the appraisal, the appraiser must analyze the effect on value of such non-real**
 185 **property ~~assets~~items.**

186 Comment: When the scope of work includes an appraisal of personal property, trade
 187 fixtures, or intangible ~~items~~ assets, competency in personal property appraisal (see
 188 STANDARD 7) or business appraisal (see STANDARD 9) is required.

189 **STANDARDS RULE 1-5, Sale Agreements, Options, Listings and Prior Sales**

190 **When the value opinion to be developed is market value, an appraiser must, if such**
 191 **information is available to the appraiser in the normal course of business:**

192 (a) **analyze all agreements of sale, options, and listings of the subject property current**
 193 **as of the effective date of the appraisal; and**

194 (b) **analyze all sales of the subject property that occurred within the three (3) years**
 195 **prior to the effective date of the appraisal.**

196 Comment: See the Comments to Standards Rules 2-2(a)(viii) and 2-2(b)(viii) for
 197 ~~corresponding reporting requirements relating to the availability and relevance of~~
 198 ~~information.~~

199 **STANDARDS RULE 1-6, Reconciliation**

200 **In developing a real property appraisal, an appraiser must:**

201 (a) **reconcile the quality and quantity of data available and analyzed within the**
 202 **approaches used; and**

203 (b) **reconcile the applicability and relevance of the approaches, methods and techniques**
 204 **used to arrive at the value conclusion(s).**
 205

206 **STANDARD 2: REAL PROPERTY APPRAISAL, REPORTING**

207 **In reporting the results of a real property appraisal, an appraiser must communicate each**
 208 **analysis, opinion, and conclusion in a manner that is not misleading.**

209 Comment: STANDARD 2 addresses the content and level of information required in a
 210 report that communicates the results of a real property appraisal. The level of detail or
 211 presentation of the appraiser's research and analyses will vary by assignment.
 212 STANDARD 2 does not dictate the form, format, or style of real property appraisal
 213 reports because these attributes The form, format, and style of a report are functions of
 214 the intended use and user(s) of the appraisal. needs of intended users and appraisers. The
 215 substantive content of a report determines its compliance.

216 **STANDARDS RULE 2-1, Reporting Requirements**

217 **Each written or oral real property appraisal report must:**

- 218 (a) **clearly and accurately set forth the appraisal in a manner that will not be**
 219 **misleading;**
- 220 (b) **contain sufficient information to enable the intended user(s) of the appraisal to**
 221 **understand the report properly for its intended use; and**
- 222 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
 223 **hypothetical conditions, restrictions, and limiting conditions used in the assignment.**

224 **STANDARDS RULE 2-2, Content of a Real Property Appraisal Report**

225 **Each written real property appraisal report must be prepared under one of the following**
 226 **options and prominently state which option is used: Appraisal Report or Restricted**
 227 **Appraisal Report.** **contain all of the minimum reporting components listed below. The**
 228 **amount of information required in each report is dependent on the intended use and the**
 229 **intended user(s) and may vary according to the terms of the assignment. If there are use**
 230 **restrictions or other limitations, the appraiser must state them accurately, clearly, and**
 231 **conspicuously.**

232 Comment: When the intended users include parties other than the client, an Appraisal
 233 Report must be provided. When the intended users do not include parties other than the
 234 client, a Restricted Appraisal Report may be provided.

235 The essential difference between these two options is in the content and level of
 236 information provided. The appropriate reporting option and the level of information
 237 necessary in the report are dependent on the intended use and the intended users.

238 An appraiser must use care when characterizing the type of report and level of
 239 information communicated upon completion of an assignment. An appraiser may use any
 240 other label in addition to, but not in place of, the label set forth in this Standard for the
 241 type of report provided.

242 The report content and level of information requirements set forth in this Standard are
 243 minimums for each type of an appraisal report. An appraiser must supplement a report

244 form, when necessary, to ensure that any intended user of the appraisal is not misled and
 245 that the report complies with the report applicable content requirements set forth in this
 246 Standards Rule. An appraiser may be required to report additional information and
 247 analyses to meet contractual or other obligations.

248 The appraiser is not required to label an appraisal report using specific terminology,
 249 provided it is clear to the intended user(s) that the document is an appraisal report. The
 250 use of other terms (e.g., analysis, consultation, evaluation, study, valuation) does not
 251 exempt an appraiser from adherence to the Uniform Standards of Professional Appraisal
 252 Practice.

253 ~~A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order~~
 254 ~~to satisfy disclosure requirements does not become an intended user of the appraisal~~
 255 ~~unless the appraiser identifies such party as an intended user as part of the assignment.~~

256 ~~(a) The content of an appraisal report ~~Appraisal Report~~ must be consistent with the~~
 257 ~~intended use of the appraisal and, at a minimum:~~

258 ~~(a) (i) state the identity of the client, or if the client requested anonymity, state that the~~
 259 ~~identity is withheld at the client's request but is retained in the appraiser's workfile;~~
 260 ~~unless the client has specifically requested otherwise; state the identity of any~~
 261 ~~intended users by name or type;~~

262 Comment: An appraiser must use care when identifying the client to avoid violations of
 263 the Confidentiality section of the ETHICS RULE. ~~If a client requests that the client's~~
 264 ~~identity be withheld from the report, the appraiser may comply with this request. In these~~
 265 ~~instances, the appraiser must document the identity of the client in the workfile and must~~
 266 ~~state in the report that the identity of the client has been withheld at the client's request.~~

267 Types of intended users of the report ~~might include, for example,~~ parties such as lenders,
 268 employees of government agencies, partners or family members of a client, ~~and/or~~ a
 269 client's attorney and accountant.

270 A party receiving a copy of an appraisal report in order to satisfy disclosure requirements
 271 does not become an intended user of the appraisal unless the appraiser identifies such
 272 party as an intended user as part of the assignment.

273 ~~(b) (ii) state the intended use of the appraisal;~~

274 ~~(c) (iii) summarize contain information, documents, and/or exhibits sufficient to identify~~
 275 ~~the real estate involved in the appraisal, including the physical, legal, and economic~~
 276 ~~property characteristics relevant to the assignment;~~

277 Comment: The real estate involved in the appraisal can be specified, for example, by a
 278 legal description, address, map reference, copy of a survey or map, property sketch,
 279 and/or photographs or the like. The summarized information can include a property
 280 sketch and photographs in addition to written comments about the legal, physical, and
 281 economic attributes of the real estate relevant to the type and definition of value and
 282 intended use of the appraisal.

283 **(d) (iv) state the real property interest appraised;**

284 Comment: The statement of the real property rights being appraised must be
 285 substantiated, as needed, by copies or summaries of title descriptions or other documents
 286 that set forth any known encumbrances.

287 **(e) (v) state the type and definition of value and cite the source of the definition; and, when**
 288 **an opinion of reasonable exposure time has been developed in compliance with**
 289 **Standards Rule 1-2(c), state that opinion;**

290 Comment: Stating the definition of value also requires any comments needed to clearly
 291 indicate to the intended users how the definition is being applied.

292 When reporting an opinion of ~~market~~ value, state whether the opinion of ~~value~~ is:
 293 ● in terms of cash or of financing terms equivalent to cash, or
 294 ● based on non-market financing or financing with unusual conditions or incentives.

295 When an opinion of ~~market~~ value is ~~not in terms of cash or based on non-market~~
 296 ~~financing terms or financing with unusual conditions or incentives, equivalent to cash,~~
 297 summarize the terms of such financing and ~~explain their contributions to or negative any~~
 298 influences on value.

299 ~~When an opinion of reasonable exposure time has been developed in compliance with~~
 300 ~~Standards Rule 1-2(c), the opinion must be stated in the report.~~

301 **(f) (vi) state the effective date of the appraisal and the date of the report;**

302 Comment: ~~The effective date of the appraisal establishes the context for the value~~
 303 ~~opinion, while the date of the report indicates whether the perspective of the appraiser on~~
 304 ~~the market and property as of the effective date of the appraisal was prospective, current,~~
 305 ~~or retrospective.~~

306 **(g) (vii) summarize the scope of work used to develop the appraisal;**

307 Comment: ~~Because intended users' reliance on an appraisal may be affected by the scope~~
 308 ~~of work, the report must enable them to be properly informed and not misled. Sufficient~~
 309 ~~information includes Summarizing the scope of work should include disclosure of~~
 310 ~~research and analyses performed and might also include disclosure of research and~~
 311 ~~analyses not performed.~~

312 ~~When any portion of the work involves significant real property appraisal assistance, the~~
 313 ~~appraiser must summarize the extent of that assistance. The name(s) of those providing~~
 314 ~~the significant real property appraisal assistance must be stated in the certification, in~~
 315 ~~accordance with Standards Rule 2-3.~~

316 **(h) summarize the extent of any significant real property appraisal assistance;**

317 **(i) (viii) provide sufficient information to indicate that the appraiser complied with the**
 318 **requirements of STANDARD 1, including:**

319 i. the information analyzed, the appraisal methods and techniques employed, and
 320 the reasoning that supports the analyses, opinions, and conclusions, including
 321 reconciliation of the data and approaches;

322 ii. the reason(s) for excluding the sales comparison approach, cost approach, or
 323 income approach; and

324 iii. when reporting an opinion of market value, the results of analyzing the subject
 325 sales, agreements of sale, options, and listings in accordance with Standards
 326 Rule 1-5;

327 ~~summarize the information analyzed, the appraisal methods and techniques~~
 328 ~~employed, and the reasoning that supports the analyses, opinions, and~~
 329 ~~conclusions; exclusion of the sales comparison approach, cost approach, or~~
 330 ~~income approach must be explained;~~

331 ~~Comment: An Appraisal Report must include sufficient information to indicate that~~
 332 ~~the appraiser complied with the requirements of STANDARD 1. The amount of detail~~
 333 ~~required will vary with the significance of the information to the appraisal.~~

334 ~~The appraiser must provide sufficient information to enable the client and intended~~
 335 ~~users to understand the rationale for the opinions and conclusions, including~~
 336 ~~reconciliation of the data and approaches, in accordance with Standards Rule 1-6.~~

337 ~~When reporting an opinion of market value, a summary of the results of analyzing the~~
 338 ~~subject sales, agreements of sale, options, and listings in accordance with Standards~~
 339 ~~Rule 1-5 is required. If such information is unobtainable, a statement on the efforts~~
 340 ~~undertaken by the appraiser to obtain the information is required. If such information~~
 341 ~~is irrelevant, a statement acknowledging the existence of the information and citing~~
 342 ~~its lack of relevance is required.~~

343 ~~(j) (ix)~~ state the use of the real estate existing as of the effective date of value and the use of
 344 the real estate reflected in the appraisal;

345 ~~(k) (x)~~ when, in compliance with Standards Rule 1-3, an opinion of highest and best use
 346 was developed by the appraiser, state that opinion and summarize the support and
 347 rationale for that opinion;

348 ~~(l) (xi)~~ clearly and conspicuously:

- 349 • state all extraordinary assumptions and hypothetical conditions; and
- 350 • state that their use might have affected the assignment results; and

351 ~~(m) (xii)~~ include/contain a at least one signed certification in accordance with Standards
 352 Rule 2-3.

353 ~~(b)~~ The content of a Restricted Appraisal Report must be consistent with the intended use
 354 of the appraisal and, at a minimum:

- 355 (i) ~~state the identity of the client, unless the client has specifically requested~~
 356 ~~otherwise; and state a prominent use restriction that limits use of the report~~

357 ~~to the client and warns that the rationale for how the appraiser arrived at the~~
358 ~~opinions and conclusions set forth in the report may not be understood~~
359 ~~properly without additional information in the appraiser’s workfile;~~

360 ~~Comment: An appraiser must use care when identifying the client to avoid~~
361 ~~violations of the Confidentiality section of the ETHICS RULE. If a client requests~~
362 ~~that the client’s identity be withheld from the report, the appraiser may comply~~
363 ~~with this request. In these instances, the appraiser must document the identity of~~
364 ~~the client in the workfile and must state in the report that the identity of the client~~
365 ~~has been withheld at the client’s request. The Restricted Appraisal Report is for~~
366 ~~client use only. Before entering into an agreement, the appraiser should establish~~
367 ~~with the client the situations where this type of report is to be used and should~~
368 ~~ensure that the client understands the restricted utility of the Restricted Appraisal~~
369 ~~Report.~~

370 ~~(ii) — state the intended use of the appraisal;~~

371 ~~Comment: The intended use of the appraisal must be consistent with the limitation~~
372 ~~on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client~~
373 ~~use only).~~

374 ~~(iii) — state information sufficient to identify the real estate involved in the~~
375 ~~appraisal;~~

376 ~~Comment: The real estate involved in the appraisal can be specified, for example,~~
377 ~~by a legal description, address, map reference, copy of a survey or map, property~~
378 ~~sketch, and/or photographs or the like.~~

379 ~~(iv) — state the real property interest appraised;~~

380 ~~(v) — state the type of value and cite the source of its definition;~~

381 ~~—— Comment: When an opinion of reasonable exposure time has been developed~~
382 ~~in compliance with~~

383 ~~—— Standards Rule 1-2(c), the opinion must be stated in the report.~~

384 ~~(vi) — state the effective date of the appraisal and the date of the report;~~

385 ~~Comment: The effective date of the appraisal establishes the context for the value~~
386 ~~opinion, while the date of the report indicates whether the perspective of the~~
387 ~~appraiser on the market and property as of the effective date of the appraisal was~~
388 ~~prospective, current, or retrospective.~~

389 ~~(vii) — state the scope of work used to develop the appraisal;~~

390 ~~Comment: Because the client’s reliance on an appraisal may be affected by the~~
391 ~~scope of work, the report must enable them to be properly informed and not~~
392 ~~mised. Sufficient information includes disclosure of research and analyses~~
393 ~~performed and might also include disclosure of research and analyses not~~
394 ~~performed.~~

395 When any portion of the work involves significant real property appraisal
 396 assistance, the appraiser must state the extent of that assistance. The name(s) of
 397 those providing the significant real property appraisal assistance must be stated in
 398 the certification, in accordance with Standards Rule 2-3.

399 ~~(viii) state the appraisal methods and techniques employed, state the value~~
 400 ~~opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of~~
 401 ~~the sales comparison approach, cost approach, or income approach must be~~
 402 ~~explained;~~

403 Comment: An appraiser must maintain a specific, coherent workfile in support of
 404 a Restricted Appraisal Report. The contents of the workfile must include
 405 sufficient information to indicate that the appraiser complied with the
 406 requirements of STANDARD 1 and for the appraiser to produce an Appraisal
 407 Report.

408 When reporting an opinion of market value, a summary of the results of analyzing
 409 the subject sales, agreements of sale, options, and listings in accordance with
 410 Standards Rule 1-5 is required. If such information is unobtainable, a statement on
 411 the efforts undertaken by the appraiser to obtain the information is required. If
 412 such information is irrelevant, a statement acknowledging the existence of the
 413 information and citing its lack of relevance is required.

414 ~~(ix) state the use of the real estate existing as of the date of value and the use of~~
 415 ~~the real estate reflected in the appraisal;~~

416 ~~(x) when an opinion of highest and best use was developed by the appraiser,~~
 417 ~~state that opinion;~~

418 ~~(xi) clearly and conspicuously:~~

419 ~~• state all extraordinary assumptions and hypothetical conditions; and~~

420 ~~• state that their use might have affected the assignment results; and~~

421 ~~(xii) include a signed certification in accordance with Standards Rule 2-3~~

422 **STANDARDS RULE 2-3, Certification**

423 **Each written real property appraisal report must contain a at least one signed certification.**
 424 **The wording of a certification does not have to match the following verbatim, but each of**
 425 **the elements must be included that is similar in content to the following form:**

426 **I certify that, to the best of my knowledge and belief:**

427 — the statements of fact contained in this report are true and correct.

428 — the reported analyses, opinions, and conclusions are limited only by the reported
 429 assumptions and limiting conditions and are my personal, impartial, and unbiased
 430 professional analyses, opinions, and conclusions.

- 431 — **I have no (or the specified) present or prospective interest in the property that is the**
432 **subject of this report and no (or the specified) personal interest with respect to the**
433 **parties involved.**
- 434 — **I have performed no (or the specified) services, as an appraiser or in any other**
435 **capacity, regarding the property that is the subject of this report within the three-**
436 **year period immediately preceding the agreement to perform ~~acceptance of~~ this**
437 **assignment.**
- 438 — **I have no bias with respect to the property that is the subject of this report or to the**
439 **parties involved with this assignment.**
- 440 — **my engagement in this assignment was not contingent upon developing or reporting**
441 **predetermined results.**
- 442 — **my compensation for completing this assignment is not contingent upon the**
443 **development or reporting of a predetermined value or direction in value that favors**
444 **the cause of the client, the amount of the value opinion, the attainment of a**
445 **stipulated result, or the occurrence of a subsequent event directly related to the**
446 **intended use of this appraisal.**
- 447 — **my analyses, opinions, and conclusions were developed, and this report has been**
448 **prepared, in conformity with the Uniform Standards of Professional Appraisal**
449 **Practice.**
- 450 — **I have (or have not) made a personal inspection of the property that is the subject of**
451 **this report. (If more than one person signs this certification, the certification must**
452 **clearly specify which individuals did and which individuals did not make a personal**
453 **inspection of the appraised property.)**
- 454 — **no one provided significant real property appraisal assistance to the person signing**
455 **this certification. (If there are exceptions, the name of each individual providing**
456 **significant real property appraisal assistance must be stated.)**
- 457 Comment: A signed certification is an integral part of the appraisal report. An appraiser
458 who signs any part of the appraisal report, including a letter of transmittal, must also sign
459 ~~this a~~ certification.
- 460 In an assignment that includes only assignment results developed by the real property
461 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
462 elements of the certification, for the assignment results, and for the contents of the
463 appraisal report. In an assignment that includes personal property, business or intangible
464 asset assignment results not developed by the real property appraiser(s), any real property
465 appraiser(s) who signs a certification accepts full responsibility for the real property
466 elements of the certification, for the real property assignment results, and for the real
467 property contents of the appraisal report.
- 468 When a signing appraiser(s) has relied on work done by appraisers and others who do not
469 sign the certification, the signing appraiser is responsible for the decision to rely on their
470 work. The signing appraiser(s) is required to have a reasonable basis for believing that

471 those individuals performing the work are competent. The signing appraiser(s) also must
472 have no reason to doubt that the work of those individuals is credible.

473 Although a certification must contain the names of individuals providing significant real
474 property appraisal assistance, it is not required that a summary of the extent of their
475 assistance be located in a certification. In accordance with Standards Rule 2-2(h), this
476 disclosure may be in any part of the report.

477 If the engagement requires the appraiser(s) to use a certification with pre-printed
478 language that does not include all of the certification elements in this Standards Rule, the
479 appraisal report must contain a signed, supplemental certification, which includes the
480 remaining required certification elements.

481 ~~The names of individuals providing significant real property appraisal assistance who do~~
482 ~~not sign a certification must be stated in the certification. It is not required that the~~
483 ~~description of their assistance be contained in the certification, but disclosure of their~~
484 ~~assistance is required in accordance with Standards Rule 2-2(a)(vii) or 2-2(b)(vii) as~~
485 ~~applicable.~~

486 **STANDARDS RULE 2-4, Oral Appraisal Report**

487 **To the extent that it is both possible and appropriate, an oral real property appraisal**
488 **report must address the substantive matters set forth in Standards Rule 2-2(a).**

489 Comment: See the RECORD KEEPING RULE for corresponding requirements.

490 **STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT**

491 **In developing an appraisal review, an appraiser must identify the problem to be solved,**
492 **determine the scope of work necessary to solve the problem, and correctly complete**
493 **research and analyses necessary to produce a credible appraisal review.**

494 Comment: ~~STANDARD 3 is directed toward the substantive aspects of developing a~~
495 ~~credible opinion of the quality of another appraiser’s work that was performed as part of~~
496 ~~an appraisal or appraisal review assignment. The requirements set forth in STANDARD~~
497 ~~3 generally follow the appraisal review development process in the order of topics~~
498 ~~addressed and can be used by appraisers and the users of appraisal services as a~~
499 ~~convenient checklist.~~

500 In this Standard, the term “reviewer” is used to refer to an appraiser performing an
501 appraisal review.

502 **STANDARDS RULE 3-1, Development Requirements**

503 **In developing an appraisal review, the reviewer must:**

504 **(a) be aware of, understand, and correctly employ those methods and techniques that**
505 **are necessary to produce a credible appraisal review;**

506 Comment: Changes and developments in economics, finance, law, technology, and
507 society can have a substantial impact on the appraisal profession. To keep abreast of
508 these changes and developments, the appraisal profession is constantly reviewing and
509 revising appraisal methods and techniques and devising new methods and techniques to
510 meet new circumstances. ~~Each appraiser must continuously improve his or her skills to~~
511 ~~remain proficient in appraisal review.~~

512 ~~The reviewer must have the knowledge and experience needed to identify and perform~~
513 ~~the scope of work necessary to produce credible assignment results. Aspects of~~
514 ~~competency for an appraisal review, depending on the review assignment’s scope of~~
515 ~~work, may include, without limitation, familiarity with the specific type of property or~~
516 ~~asset, market, geographic area, analytic method, and applicable laws, regulations and~~
517 ~~guidelines.~~

518 **(b) not commit a substantial error of omission or commission that significantly affects**
519 **an appraisal review; and**

520 Comment: It is important for a reviewer to ~~A reviewer must~~ use sufficient care to avoid
521 errors that would significantly affect his or her opinions and conclusions; and to be
522 diligent in identifying and analyzing ~~Diligence is required to identify and analyze the~~
523 factors, conditions, data, and other information that would have a significant effect on the
524 credibility of the assignment results.

525 **(c) not render appraisal review services in a careless or negligent manner, such as**
526 **making a series of errors that, although individually might not significantly affect the**
527 **results of an appraisal review, in the aggregate affects the credibility of those results.**

528 ~~Comment: Perfection is impossible to attain, and competence does not require~~
 529 ~~perfection. However, an appraiser must not render appraisal services in a careless or~~
 530 ~~negligent manner. This Standards Rule requires a reviewer to use due diligence and due~~
 531 ~~care.~~

532 **STANDARDS RULE 3-2, Components of the Development Process**

533 **In developing an appraisal review, the reviewer must:**

534 **(a) identify the client and other intended users;**

535 **(b) identify the intended use of the reviewer's opinions and conclusions;**

536 ~~Comment: A reviewer must not allow the intended use of an assignment or a client's~~
 537 ~~objectives to cause the assignment results to be biased. A reviewer must not advocate for~~
 538 ~~a client's objectives. The intended use refers to the use of the reviewer's opinions and~~
 539 ~~conclusions by the client and other intended users; examples include, without limitation,~~
 540 ~~quality control, audit, qualification, or confirmation.~~

541 **(c) identify the purpose of the appraisal review, including whether the assignment**
 542 **includes the development of the reviewer's own opinion of value or review opinion**
 543 **related to the work under review;**

544 ~~Comment: The purpose of an appraisal review assignment relates to the reviewer's~~
 545 ~~objective; examples include, without limitation, to determine if the results of the work~~
 546 ~~under review are credible for the intended user's intended use, or to evaluate compliance~~
 547 ~~with relevant USPAP requirements, client requirements, or applicable regulations.~~

548 In the review of an appraisal assignment, the reviewer may provide an opinion of value
 549 for the property that is the subject of the work under review.

550 In the review of an appraisal review assignment, the reviewer may provide an opinion of
 551 quality of the work that is the subject of the appraisal review assignment.

552 **(d) identify the work under review and the characteristics of that work which are**
 553 **relevant to the intended use and purpose of the appraisal review, including:**

554 **(i) any ownership interest in the property that is the subject of the work under**
 555 **review;**

556 **(ii) the date of the work under review and the effective date of the opinions or**
 557 **conclusions in the work under review;**

558 **(iii) the appraiser(s) who completed the work under review, unless the identity is**
 559 **withheld by the client; and**

560 **(iv) the physical, legal, and economic characteristics of the property, properties,**
 561 **property type(s), or market area in the work under review.**

562 ~~Comment: The subject of an appraisal review assignment may be all or part of a~~
 563 ~~report, a workfile, or a combination of these, and may be related to an appraisal or~~
 564 ~~appraisal review assignment.~~

565 (e) **identify any extraordinary assumptions necessary in the review assignment;** **An**
566 **extraordinary assumption may be used in an assignment only if:**

567 (i) **the extraordinary assumption is required to properly develop credible**
568 **opinions and conclusions;**

569 (ii) **the reviewer has a reasonable basis for the extraordinary assumption; and**

570 (iii) **use of the extraordinary assumption results in a credible analysis;**

571 ~~Comment: An extraordinary assumption may be used in a review assignment only~~
572 ~~if:~~

- 573 ~~● it is required to properly develop credible opinions and conclusions;~~
- 574 ~~● the reviewer has a reasonable basis for the extraordinary assumption;~~
- 575 ~~● use of the extraordinary assumption results in a credible analysis; and~~
- 576 ~~● the reviewer complies with the disclosure requirements set forth in~~
577 ~~USPAP for extraordinary assumptions.~~

578 (f) **identify any hypothetical conditions necessary in the review assignment;** **A hypothetical**
579 **condition may be used in an assignment only if:**

580 (i) **use of the hypothetical condition is clearly required for legal purposes, for**
581 **purposes of reasonable analysis, or for purposes of comparison; and**

582 (ii) **use of the hypothetical condition results in a credible analysis; and**

583 ~~Comment: A hypothetical condition may be used in a review assignment only if:~~

- 584 ~~● use of the hypothetical condition is clearly required for legal purposes, for~~
585 ~~purposes of reasonable analysis, or for purposes of comparison;~~
- 586 ~~● use of the hypothetical condition results in a credible analysis; and~~
- 587 ~~● the reviewer complies with the disclosure requirements set forth in~~
588 ~~USPAP for hypothetical conditions.~~

589 (g) **determine the scope of work necessary to produce credible assignment results in**
590 **accordance with the SCOPE OF WORK RULE.**

591 Comment: Reviewers have broad flexibility and significant responsibility in determining
592 the appropriate scope of work in an appraisal review assignment. Information that should
593 have been considered by the original appraiser can be used by the reviewer in developing
594 an opinion as to the quality of the work under review. Information that was not available
595 to the original appraiser in the normal course of business may also be used by the
596 reviewer; however, the reviewer must not use such information in the reviewer’s
597 development of an opinion as to the quality of the work under review.

598 **STANDARDS RULE 3-3, Appraisal Review Methods**

599 **In developing an appraisal review, a reviewer must apply the appraisal review methods**
600 **and techniques that are necessary for credible assignment results.**

601 **(a) When necessary for credible assignment results in the review of analyses, opinions,**
 602 **and conclusions, the reviewer must:**

- 603 (i) **develop an opinion as to whether the analyses are appropriate within the**
 604 **context of the requirements applicable to that work;**
- 605 (ii) **develop an opinion as to whether the opinions and conclusions are credible**
 606 **within the context of the requirements applicable to that work; and**
- 607 (iii) **develop the reasons for any disagreement.**

608 Comment: Consistent with the reviewer's scope of work, the reviewer is required to
 609 develop an opinion as to the completeness, accuracy, adequacy, relevance, and
 610 reasonableness of the analysis in the work under review, given law, regulations, or
 611 intended user requirements applicable to the work under review.

612 **(b) When necessary for credible assignment results in the review of a report, the**
 613 **reviewer must:**

- 614 (i) **develop an opinion as to whether the report is appropriate and not**
 615 **misleading within the context of the requirements applicable to that work;**
 616 **and**
- 617 (ii) **develop the reasons for any disagreement.**

618 Comment: Consistent with the reviewer's scope of work, the reviewer is required to
 619 develop an opinion as to the completeness, accuracy, adequacy, relevance, and
 620 reasonableness of the report, given law, regulations, or intended user requirements
 621 applicable to that work.

622 **(c) When the assignment includes the reviewer developing his or her own opinion of**
 623 **value or review opinion, the following apply:**

- 624 (i) **The requirements of STANDARDS 1, 5, 7, or 9 apply to the reviewer's**
 625 **opinion of value for the property that is the subject of the appraisal review**
 626 **assignment.**
- 627 (ii) **The requirements of STANDARD 3 apply to the reviewer's opinion of**
 628 **quality for the work that is the subject of the appraisal review assignment.**

629 Comment: These requirements apply to:

- 630 • The reviewer's own opinion of value when the subject of the review is the
 631 product of an appraisal assignment; or
- 632 • The reviewer's own opinion regarding the work reviewed by another when
 633 the subject of the review is the product of an appraisal review assignment.

634 These requirements apply whether the reviewer's own opinion:

- 635 • concurs with the opinions and conclusions in the work under review; or
- 636 • differs from the opinion and conclusions in the work under review.

637 When the assignment includes the reviewer developing his or her own opinion of
638 value or review opinion, the following apply:

- 639 • The reviewer’s scope of work in developing his or her own opinion of
640 value or review opinion may be different from that of the work under
641 review.
- 642 • The effective date of the reviewer’s opinion of value may be the same or
643 different from the effective date of the work under review.
- 644 • The reviewer is not required to replicate the steps completed by the
645 original appraiser. Those items in the work under review that the reviewer
646 concludes are credible can be extended to the reviewer’s development
647 process on the basis of an extraordinary assumption. Those items not
648 deemed to be credible must be replaced with information or analysis
649 developed in conformance with STANDARD 1, 3, 5, 7, or 9, as
650 applicable, to produce credible assignment results.

651 **STANDARD 4: APPRAISAL REVIEW, REPORTING**

652 **In reporting the results of an appraisal review, an appraiser must communicate each**
 653 **analysis, opinion, and conclusion in a manner that is not misleading.**

654 Comment: STANDARD 4 addresses the content and level of information required in a
 655 report that communicates the results of an appraisal review. An appraisal review report
 656 communicates the results of an appraisal review, which can have as its subject another
 657 appraiser's work in an appraisal or appraisal review assignment.

658 The level of detail or presentation of the appraiser's research and analyses will vary by
 659 assignment. STANDARD 4 does not dictate the form, format or style of appraisal review
 660 reports because these attributes. The form, format, and style of a report are functions of
 661 the intended use and user(s) of the appraisal review. needs of intended users and
 662 appraisers. The substantive content of an appraisal review report determines its
 663 compliance.

664 **STANDARDS RULE 4-1, Reporting Requirements**

665 **Each written or oral appraisal review report ~~Appraisal Review Report~~ must be separate**
 666 **from the work under review and must:**

667 **(a) clearly and accurately set forth the appraisal review in a manner that will not be**
 668 **misleading;**

669 **(b) contain sufficient information to enable the intended user(s) of the appraisal review**
 670 **to understand the report properly for its intended use; and**

671 **(c) clearly and accurately disclose all assumptions, extraordinary assumptions, and**
 672 **hypothetical conditions, restrictions, and limiting conditions used in the assignment.**

673 Comment: An Appraisal Review Report communicates the results of an appraisal review,
 674 which can have as its subject another appraiser's work in an appraisal or appraisal review
 675 assignment.

676 The report content and level of information in the Appraisal Review Report is specific to
 677 the needs of the client, other intended users, the intended use, and requirements
 678 applicable to the assignment. The reporting requirements set forth in this Standard are the
 679 minimum for an appraisal review report ~~Appraisal Review Report~~. A reviewer An
 680 appraiser must supplement a report form, when necessary, to ensure that any intended
 681 user of the appraisal review is not misled and that the report complies with the applicable
 682 content requirements set forth in this Standards Rule.

683 **STANDARDS RULE 4-2, Content of an Appraisal Review Report**

684 **Each written appraisal review report must contain all of the minimum reporting**
 685 **components listed below. The amount of information required in each report is dependent**
 686 **on the intended use and the intended user(s) and may vary according to the terms of the**
 687 **assignment. If there are use restrictions or other limitations, the reviewer must state them**
 688 **accurately, clearly and conspicuously.**

689 **The content of an appraisal review report ~~Appraisal Review Report~~ must be consistent**
 690 **with the intended use of the appraisal review and, at a minimum:**

691 **(a) state the identity of the client, or if the client requested anonymity, state that the**
 692 **client's identity is withheld but is retained in the reviewer's workfile; unless the client**
 693 **has specifically requested otherwise; state the identity of any intended users by name or**
 694 **type;**

695 Comment: An appraiser A reviewer must use care when identifying the client to avoid
 696 violations of the Confidentiality section of the ETHICS RULE. ~~If a client requests that~~
 697 ~~their identity be withheld from the report, the appraiser may comply with this request. In~~
 698 ~~these instances, the appraiser must document the identity of the client in the workfile and~~
 699 ~~must state in the report that the identity of the client has been withheld at the client's~~
 700 ~~request.~~

701 **(b) state the intended use of the appraisal review;**

702 **(c) state the purpose of the appraisal review;**

703 **(d) state information sufficient to identify:**

704 **(i) the work under review, including any ownership interest in the property that**
 705 **is the subject of the work under review;**

706 **(ii) the date of the work under review;**

707 **(iii) the effective date of the opinions or conclusions in the work under review;**
 708 **and**

709 **(iv) the appraiser(s) who completed the work under review, unless the identity is**
 710 **withheld by the client, then this must be stated in the appraisal review**
 711 **report.**

712 Comment: If the identity of the appraiser(s) in the work under review is withheld
 713 by the client, that fact must be stated in the appraisal review report.

714 **(e) state the date of the appraisal review report;**

715 **(f) clearly and conspicuously:**

716 **• state all extraordinary assumptions and hypothetical conditions; and**

717 **• state that their use might have affected the assignment results.**

718 **(g) state the scope of work used to develop the appraisal review;**

719 Comment: Because intended users' reliance on an appraisal review may be affected by
 720 the scope of work, the appraisal review report must enable them to be properly informed
 721 and not misled. Sufficient information includes Stating the scope of work should include
 722 disclosure of research and analyses performed and might also include disclosure of
 723 research and analyses not performed.

724 When any portion of the work involves significant appraisal or appraisal review
 725 assistance, the reviewer must state the extent of that assistance. The name(s) of those
 726 providing the significant assistance must be stated in the certification, in accordance with
 727 Standards Rule 4-3.

728 **(h) when any portion of the work involves significant appraisal or appraisal review**
 729 **assistance, state the extent of that assistance;**

730 **(i) ~~(h)~~ state the reviewer’s opinions and conclusions about the work under review,**
 731 **including the reasons rationale for any disagreement;**

732 Comment: The report must provide sufficient information to enable the client and
 733 intended users to understand the rationale for the reviewer’s opinions and conclusions.

734 **(j) ~~(i)~~ when the scope of work includes the reviewer’s development of an opinion of**
 735 **value or review opinion related to the work under review, the reviewer must:**

- 736 (i) state which information, analyses, opinions, and conclusions in the work
 737 under review that the reviewer accepted as credible and used in developing
 738 the reviewer’s opinion and conclusions;
- 739 (ii) if applicable, state the effective date of the reviewer’s opinion of value;
- 740 (iii) at a minimum, summarize any additional information relied on and the
 741 reasoning for the reviewer’s opinion of value or review opinion related to the
 742 work under review;

- 743 (iv) clearly and conspicuously:
 - 744 • state all extraordinary assumptions and hypothetical conditions used in the
 745 review connected with the reviewer’s opinion of value or review opinion
 746 related to the work under review; and
 - 747 • state that their use might have affected the assignment results;

748 Comment: The reviewer may include his or her own opinion of value or review
 749 opinion related to the work under review within the appraisal review report itself
 750 without preparing a separate report. However, data and analyses provided by the
 751 reviewer to support a different opinion or conclusion must match, at a minimum,
 752 except for the certification requirements, the ~~reporting~~ requirements for the
 753 applicable reporting STANDARD. ~~an:~~

- 754 • ~~Appraisal Report for a real property appraisal (Standards Rule 2-2(a));~~
- 755 • ~~Appraisal Report for a personal property appraisal (Standards Rule 8-2(a));~~
- 756 • ~~Appraisal Review Report for an appraisal review (Standards Rule 4-2);~~
- 757 • ~~Mass Appraisal Report for mass appraisal (Standards Rule 6-2); and~~
- 758 • ~~Appraisal Report for business appraisal (Standards Rule 10-2(a)).~~

759 ~~(k) (j) include a~~ contain at least one signed certification in accordance with Standards
760 Rule 4-3.

761 **STANDARDS RULE 4-3, Certification**

762 Each written appraisal review report ~~Appraisal Review Report~~ must contain ~~a~~ at least one
763 signed certification. The wording of a certification does not have to match the following
764 verbatim, but each of the elements must be included~~that is similar in content to the~~
765 following form:

766 I certify that, to the best of my knowledge and belief:

- 767 — the statements of fact contained in this report are true and correct.
- 768 — the reported analyses, opinions, and conclusions are limited only by the reported
769 assumptions and limiting conditions and are my personal, impartial, and unbiased
770 professional analyses, opinions, and conclusions.
- 771 — I have no (or the specified) present or prospective interest in the property that is the
772 subject of the work under review and no (or the specified) personal interest with
773 respect to the parties involved.
- 774 — I have performed no (or the specified) services, as an appraiser or in any other
775 capacity, regarding the property that is the subject of the work under review within
776 the three-year period immediately preceding the agreement to perform ~~acceptance~~
777 of this assignment.
- 778 — I have no bias with respect to the property that is the subject of the work under
779 review or to the parties involved with this assignment.
- 780 — my engagement in this assignment was not contingent upon developing or reporting
781 predetermined results.
- 782 — my compensation is not contingent on an action or event resulting from the
783 analyses, opinions, or conclusions in this review or from its use.
- 784 — my compensation for completing this assignment is not contingent upon the
785 development or reporting of predetermined assignment results or assignment
786 results that favors the cause of the client, the attainment of a stipulated result, or the
787 occurrence of a subsequent event directly related to the intended use of this
788 appraisal review.
- 789 — my analyses, opinions, and conclusions were developed and this review report was
790 prepared in conformity with the Uniform Standards of Professional Appraisal
791 Practice.
- 792 — I have (or have not) made a personal inspection of the subject of the work under
793 review. (If more than one person signs this certification, the certification must
794 clearly specify which individuals did and which individuals did not make a personal
795 inspection of the subject of the work under review.) (For reviews of a business or

796 intangible asset appraisal assignment, the inspection portion of the certification is
797 not applicable.)

798 — no one provided significant appraisal or appraisal review assistance to the person
799 signing this certification. (If there are exceptions, the name of each individual(s)
800 providing appraisal or appraisal review assistance must be stated.)

801 Comment: A signed certification is an integral part of the appraisal review report
802 ~~Appraisal Review Report~~. A reviewer who signs any part of the appraisal review report,
803 including a letter of transmittal, must also sign a ~~the~~ certification.

804 Any reviewer who signs a certification accepts responsibility for all elements of the
805 certification, for the assignment results, and for the contents of the appraisal review
806 report. ~~Appraisal Review Report~~.

807 Appraisal review is distinctly different from the cosigning activity addressed in Standards
808 Rules 2-3, 6-3, 8-3, and 10-3. To avoid confusion between these activities, a reviewer
809 performing an appraisal review must not sign the work under review unless he or she
810 intends to accept responsibility as a co-signer of that work.

811 When a signing appraiser has relied on work done by appraisers and others who do not
812 sign the certification, the signing appraiser is responsible for the decision to rely on their
813 work. The signing appraiser is required to have a reasonable basis for believing that those
814 individuals performing the work are competent. The signing appraiser also must have no
815 reason to doubt that the work of those individuals is credible.

816 Although the certification must contain the names of individuals providing significant
817 appraisal review appraisal assistance, it is not required that a summary of the extent of
818 their assistance be located in the certification. In accordance with Standards Rule 4-2(h),
819 this required summary may be in any part of the report.

820 If the engagement requires the reviewer(s) to use a certification with pre-printed language
821 that does not include all of the certification elements in this Standards Rule, the appraisal
822 review report must contain a signed, supplemental certification, which includes the
823 remaining required certification elements.

824 ~~The names of individuals providing significant appraisal or appraisal review assistance~~
825 ~~who do not sign a certification must be stated in the certification. It is not required that~~
826 ~~the description of their assistance be contained in the certification, but disclosure of their~~
827 ~~assistance is required in accordance with Standards Rule 4-2(g).~~

828 **STANDARDS RULE 4-4, Oral Appraisal Review Report**

829 **To the extent that it is both possible and appropriate, an oral appraisal review report**
830 ~~Appraisal Review Report~~ **must address the substantive matters set forth in Standards Rule**
831 **4-2.**

832 Comment: ~~See the RECORD KEEPING RULE for corresponding requirements.~~

833 **STANDARD 5: MASS APPRAISAL, DEVELOPMENT**

834 **In developing a mass appraisal, an appraiser must identify the problem to be solved,**
 835 **determine the scope of work necessary to solve the problem, and correctly complete**
 836 **research and analyses be aware of, understand, and correctly employ those recognized**
 837 **methods and techniques necessary to produce and communicate a credible mass**
 838 **appraisals.**

839 Comment: STANDARD 5 applies to all mass appraisals of real or personal property
 840 regardless of the purpose or use of such appraisals. ~~STANDARD 5 is directed toward the~~
 841 ~~substantive aspects of developing credible analyses, opinions, and conclusions in the~~
 842 ~~mass appraisal of properties.~~ The reporting and jurisdictional exceptions applicable to
 843 public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals
 844 prepared for other purposes.

845 A mass appraisal includes:

- 846 1) identifying properties to be appraised;
- 847 2) defining market area of consistent behavior that applies to properties;
- 848 3) identifying characteristics (supply and demand) that affect the creation of value in
849 that market area;
- 850 4) developing a model structure that reflects the relationship among the
851 characteristics affecting value in the market area;
- 852 5) calibrating the model structure to determine the contribution of the individual
853 characteristics affecting value;
- 854 6) applying the conclusions reflected in the model to the characteristics of the
855 property(ies) being appraised; and
- 856 7) reviewing the mass appraisal results.

857 The JURISDICTIONAL EXCEPTION RULE may apply to several sections of
 858 STANDARD 5 because ad valorem tax administration is subject to various state, county,
 859 and municipal laws.

860 **STANDARDS RULE 5-1, Development Requirements**

861 **In developing a mass appraisal, an appraiser must:**

862 **(a) be aware of, understand, and correctly employ those recognized methods and**
 863 **techniques necessary to produce a credible mass appraisal;**

864 Comment: Mass appraisal provides for a systematic approach and uniform application
 865 of appraisal methods and techniques to obtain estimates of value that allow for statistical
 866 review and analysis of results.

867 This requirement recognizes that the principle of change continues to affect the manner in
 868 which appraisers perform mass appraisals. Changes and developments in the real

869 property and personal property fields have a substantial impact on the appraisal
870 profession.

871 To keep abreast of these changes and developments, the appraisal profession is constantly
872 reviewing and revising appraisal methods and techniques and devising new methods and
873 techniques to meet new circumstances. ~~For this reason it is not sufficient for appraisers to~~
874 ~~simply maintain the skills and the knowledge they possess when they become appraisers.~~
875 ~~Each appraiser must continuously improve his or her skills to remain proficient in mass~~
876 ~~appraisal.~~

877 **(b) not commit a substantial error of omission or commission that significantly affects a**
878 **mass appraisal; and**

879 Comment: It is important for an appraiser to~~An appraiser must use sufficient care to~~
880 ~~avoid errors that would significantly affect his or her opinions and conclusions; and to be~~
881 diligent in identifying and analyzing ~~Diligence is required to identify and analyze the~~
882 ~~factors, conditions, data, and other information that would have a significant effect on the~~
883 ~~credibility of the assignment results.~~

884 **(c) not render a mass appraisal in a careless or negligent manner.**

885 Comment: Perfection is impossible to attain, and competence does not require
886 ~~perfection. However, an appraiser must not render appraisal services in a careless or~~
887 ~~negligent manner. This Standards Rule requires an appraiser to use due diligence and due~~
888 ~~care.~~

889 **STANDARDS RULE 5-2, Components of Development Process**

890 **In developing a mass appraisal, an appraiser must:**

891 **(a) identify the client and other intended users;**

892 Comment: It is the appraiser’s responsibility to identify the client and other intended
893 users. In ad valorem mass appraisal, the assessor, or party responsible for certification of
894 the assessment or tax roll is required to apply the relevant law or statute and identify the
895 client, and other intended users (if any).

896 **(b) identify the intended use of the appraisal;**

897 Comment: An appraiser must not allow the intended use of an assignment or a client’s
898 objectives to cause the assignment results to be biased.

899 **(c) identify the type and definition of value; develop an opinion of reasonable exposure**
900 **time when it is a component of the definition for the value opinion being developed;**
901 **and, if the value opinion to be developed is market value, ascertain whether the value is**
902 **to be the most probable price:**

- 903 (i) in terms of cash; or
- 904 (ii) in terms of financial arrangements equivalent to cash; or
- 905 (iii) in such other terms as may be precisely defined; and

- 906 (iv) if the opinion of value is to be based on non-market financing or financing
 907 with unusual conditions or incentives, identify the terms of such financing
 908 and any must be clearly identified and the appraiser's opinion of their
 909 contributions to or negative influences on value; must be developed by
 910 analysis of relevant market data;
- 911 (d) identify the effective date of the appraisal;
- 912 (e) identify, from sources the appraiser reasonably believes to be reliable, the
 913 characteristics of the properties that are relevant to the type and definition of value and
 914 intended use, including:
- 915 (i) the group with which a property is identified according to similar market
 916 influence;
- 917 (ii) the appropriate market area and time frame relative to the property being
 918 valued; and
- 919 (iii) their location and physical, legal, and economic characteristics;
- 920 Comment: The properties must be identified in general terms, and each individual
 921 property in the universe must be identified, with the information on its identity stored or
 922 referenced in its property record.
- 923 When appraising proposed improvements, an appraiser must examine and have available
 924 for future examination, plans, specifications, or other documentation sufficient to
 925 identify the extent and character of the proposed improvements.
- 926 Ordinarily, proposed improvements are not appraised for ad valorem tax purposes.
 927 Appraisers, however, are sometimes asked to provide opinions of value of proposed
 928 improvements so that developers can estimate future property tax burdens. Sometimes
 929 units in condominiums and planned unit developments are sold with an interest in un-
 930 built community property, the pro rata value of which, if any, must be considered in the
 931 analysis of sales data.
- 932 (f) identify the characteristics of the market that are relevant to the purpose and
 933 intended use of the mass appraisal including:
- 934 (i) location of the market area;
- 935 (ii) physical, legal, and economic characteristics; attributes;
- 936 (iii) time frame of market activity; and
- 937 (iv) property interests reflected in the market;
- 938 (g) in appraising real property or personal property:
- 939 (i) identify the appropriate market area and time frame relative to the property
 940 being valued;

- 941 (ii) when the subject is real property, identify and consider any personal
 942 property, trade fixtures, or ~~intangibles~~ intangible assets that are not real
 943 property but are included in the appraisal;
- 944 (iii) when the subject is personal property, identify and consider any real
 945 property or ~~intangibles~~ intangible assets that are not personal property but
 946 are included in the appraisal;
- 947 (iv) identify known easements, restrictions, encumbrances, leases, reservations,
 948 covenants, contracts, declarations, special assessments, ordinances, or other
 949 items of similar nature; and
- 950 (v) identify and analyze whether an appraised fractional interest, physical
 951 segment or partial holding contributes pro rata to the value of the whole;
- 952 Comment: The above requirements do not obligate the appraiser to value the
 953 whole when the subject of the appraisal is a fractional interest, physical segment,
 954 or a partial holding. However, if the value of the whole is not identified, the
 955 appraisal must clearly reflect that the value of the property being appraised cannot
 956 be used to develop the value opinion of the whole by mathematical extension.
- 957 (h) analyze the relevant economic conditions at the time of the valuation, including
 958 market acceptability of the property and supply, demand, scarcity, or rarity;
- 959 ~~(i) identify any extraordinary assumptions and any hypothetical conditions necessary in~~
 960 ~~the assignment; and~~
- 961 Comment: An extraordinary assumption may be used in an assignment only if:
 962 ● it is required to properly develop credible opinions and conclusions;
 963 ● the appraiser has a reasonable basis for the extraordinary assumption;
 964 ● use of the extraordinary assumption results in a credible analysis; and
 965 ● the appraiser complies with the disclosure requirements set forth in USPAP for
 966 extraordinary assumptions.
- 967 A hypothetical condition may be used in an assignment only if:
 968 ● use of the hypothetical condition is clearly required for legal purposes, for
 969 purposes of reasonable analysis, or for purposes of comparison;
 970 ● use of the hypothetical condition results in a credible analysis; and
 971 ● the appraiser complies with the disclosure requirements set forth in USPAP for
 972 hypothetical conditions.
- 973 (i) identify any extraordinary assumptions necessary in the assignment. An
 974 extraordinary assumption may be used in an assignment only if;:
- 975 (i) the extraordinary assumption is required to properly develop credible
 976 opinions and conclusions;
- 977 (ii) the appraiser has a reasonable basis for the extraordinary assumption;
 978 and
- 979 (iii) use of the extraordinary assumption results in a credible analysis;

980 **(j) identify any hypothetical conditions necessary in the assignment. A hypothetical**
981 **condition may be used in an assignment only if;**

982 **(i) use of the hypothetical condition is clearly required for legal purposes, for**
983 **purposes of reasonable analysis, or for purposes of comparison; and**

984 **(ii) use of the hypothetical condition results in a credible analysis; and**

985 **(j) (k) determine the scope of work necessary to produce credible assignment results in**
986 **accordance with the SCOPE OF WORK RULE.**

987 **STANDARDS RULE 5-3, Property’s Use and Appropriate Market**

988 **When necessary for credible assignment results, an appraiser must:**

989 **(a) in appraising real property, identify and analyze the effect on use and value of the**
990 **following factors: ~~existing land use regulations, reasonably probable modifications~~**
991 **~~of such regulations, economic supply and demand, the physical adaptability of the~~**
992 **~~real estate, neighborhood trends, and highest and best use of the real estate; and~~**

993 **(i) existing land use regulations;**

994 **(ii) reasonably probable modifications of such regulations;**

995 **(iii) economic supply and demand;**

996 **(iv) the physical adaptability of the real estate;**

997 **(v) neighborhood trends; and**

998 **(vi) highest and best use of the real estate; and**

999 ~~**Comment:** This requirement sets forth a list of factors that affect use and value. In~~
1000 ~~considering neighborhood trends, an appraiser must avoid stereotyped or biased~~
1001 ~~assumptions relating to race, age, color, gender, or national origin or an assumption that~~
1002 ~~race, ethnic, or religious homogeneity is necessary to maximize value in a neighborhood.~~
1003 ~~Further, an appraiser must avoid making an unsupported assumption or premise about~~
1004 ~~neighborhood decline, effective age, and remaining life. In considering highest and best~~
1005 ~~use, an appraiser must develop the concept to the extent required for a proper solution to~~
1006 ~~the appraisal problem.~~

1007 **(b) in appraising personal property, identify and analyze the effects on use and value of**
1008 **industry trends, value-in-use, and trade level of personal property. Where**
1009 **applicable, analyze the current use and alternative uses to encompass what is**
1010 **profitable, legal, and physically possible, as relevant to the type and definition of**
1011 **value and intended use of the appraisal. Personal property has several measurable**
1012 **marketplaces; therefore, the appraiser must define and analyze the appropriate**
1013 **market consistent with the type and definition of value.**

1014 ~~**Comment:** The appraiser must recognize that there are distinct levels of trade and each~~
1015 ~~may generate its own data. For example, a property may have a different value at a~~
1016 ~~wholesale level of trade, a retail level of trade, or under various auction conditions.~~

1017 Therefore, the appraiser must analyze the subject property within the correct market
1018 context.

1019 **STANDARDS RULE 5-4, Appraisal Methods**

1020 **In developing a mass appraisal, an appraiser must:**

1021 (a) **identify the appropriate procedures and market information required to perform**
1022 **the appraisal, including all physical, functional, and external market factors as they**
1023 **may affect the appraisal;**

1024 Comment: Such efforts customarily include the development of standardized data
1025 collection forms, procedures, and training materials that are used uniformly on the
1026 universe of properties under consideration.

1027 (b) **employ recognized techniques for specifying property valuation models; and**

1028 Comment: The formal development of a model in a statement or equation is called model
1029 specification. Mass appraisers must develop mathematical models that, with reasonable
1030 accuracy, represent the relationship between property value and supply and demand
1031 factors, as represented by quantitative and qualitative property characteristics. The
1032 models may be specified using the cost, sales comparison, or income approaches to value.
1033 The specification format may be tabular, mathematical, linear, nonlinear, or any other
1034 structure suitable for representing the observable property characteristics. Appropriate
1035 approaches must be used in appraising a class of properties. The concept of recognized
1036 techniques applies to both real and personal property valuation models.

1037 (c) **employ recognized techniques for calibrating mass appraisal models.**

1038 Comment: Calibration refers to the process of analyzing sets of property and market data
1039 to determine the specific parameters of a model. The table entries in a cost manual are
1040 examples of calibrated parameters, as well as the coefficients in a linear or nonlinear
1041 model. Models must be calibrated using recognized techniques, including, but not limited
1042 to, multiple linear regression, nonlinear regression, and adaptive estimation.

1043 **STANDARDS RULE 5-5, Approaches to Value**

1044 **In developing a mass appraisal, when necessary for credible assignment results, an**
1045 **appraiser must:**

1046 (a) **collect, verify, and analyze such data as are necessary and appropriate to develop:**

1047 (i) **the cost new of the improvements;**

1048 (ii) **depreciation;**

1049 (iii) **value of the land by sales of comparable properties;**

1050 (iv) **value of the property by sales of comparable properties;**

1051 (v) **value by capitalization of income or potential earnings (i.e., rentals, expenses,**
1052 **interest rates, capitalization rates, and vacancy data);**

1053 Comment: This Standards Rule requires appraisers engaged in mass appraisal to take
1054 reasonable steps to ensure that the quantity and quality of the factual data that are
1055 collected are sufficient to produce credible mass appraisals. ~~For example, in real~~
1056 ~~property, where applicable and feasible, systems for routinely collecting and maintaining~~
1057 ~~ownership, geographic, sales, income and expense, cost, and property characteristics data~~
1058 ~~must be established. Geographic data must be contained in as complete a set of cadastral~~
1059 ~~maps as possible, compiled according to current standards of detail and accuracy. Sales~~
1060 ~~data must be collected, confirmed, screened, adjusted, and filed according to current~~
1061 ~~standards of practice. The sales file must contain, for each sale, property characteristics~~
1062 ~~data that are contemporaneous with the date of sale. Property characteristics data must be~~
1063 ~~appropriate and relevant to the mass appraisal models being used. The property~~
1064 ~~characteristics data file must contain data contemporaneous with the date of appraisal~~
1065 ~~including historical data on sales, where appropriate and available. The data collection~~
1066 ~~program must incorporate a quality control program, including checks and audits of the~~
1067 ~~data to ensure current and consistent records.~~

1068 **(b) base estimates of capitalization rates and projections of future rental rates and/or**
1069 **potential earnings capacity, expenses, interest rates, and vacancy rates on**
1070 **reasonable and appropriate evidence;**

1071 Comment: This requirement calls for an appraiser, in developing income and expense
1072 statements and cash flow projections, to weigh historical information and trends, current
1073 market factors affecting such trends, and reasonably anticipated events, such as
1074 competition from developments either planned or under construction.

1075 **(c) identify and, as applicable, analyze terms and conditions of any available leases; and**

1076 **(d) identify the need for and extent of any physical inspection.**

1077 **STANDARDS RULE 5-6, Calibrated Mass Appraisal Model Application**

1078 **When necessary for credible assignment results in applying a calibrated mass appraisal**
1079 **model an appraiser must:**

1080 **(a) value improved parcels by recognized methods or techniques based on the cost**
1081 **approach, the sales comparison approach, and income approach;**

1082 **(b) value sites by recognized methods or techniques; such techniques include but are**
1083 **not limited to the sales comparison approach, allocation method, abstraction**
1084 **method, capitalization of ground rent, and land residual technique;**

1085 **(c) when developing the value of a leased fee estate or a leasehold estate, analyze the**
1086 **effect on value, if any, of the terms and conditions of the lease;**

1087 Comment: In ad valorem taxation the appraiser may be required by rules or law to
1088 appraise the property as if in fee simple, as though unencumbered by existing leases. In
1089 such cases, market rent would be used in the appraisal, ignoring the effect of the
1090 individual, actual contract rents.

1091 (d) analyze the effect on value, if any, of the assemblage of the various parcels, divided
 1092 interests, or component parts of a property; the value of the whole must not be
 1093 developed by adding together the individual values of the various parcels, divided
 1094 interests, or component parts; and

1095 Comment: Although the value of the whole may be equal to the sum of the separate
 1096 estates or parts, it also may be greater than or less than the sum of such estates or parts.

1097 ~~Comment: When the value of the whole has been established and the appraiser seeks to~~
 1098 ~~value a part, the value of any such part must be tested by reference to appropriate market~~
 1099 ~~data and supported by an appropriate analysis of such data.~~

1100 (e) when analyzing anticipated public or private improvements, located on or off the
 1101 site, analyze the effect on value, if any, of such anticipated improvements to the
 1102 extent they are reflected in market actions.

1103 **STANDARDS RULE 5-7, Reconciliation**

1104 In developing ~~reconciling~~ a mass appraisal an appraiser must:

1105 (a) reconcile the quality and quantity of data available and analyzed within the
 1106 approaches used and the applicability and relevance of the approaches, methods
 1107 and techniques used; and

1108 (b) employ recognized mass appraisal testing procedures and techniques to ensure that
 1109 standards of accuracy are maintained.

1110 Comment: It is implicit in mass appraisal that, even when properly specified and
 1111 calibrated mass appraisal models are used, some individual value conclusions will not
 1112 meet standards of reasonableness, consistency, and accuracy. However, appraisers
 1113 engaged in mass appraisal have a professional responsibility to ensure that, on an overall
 1114 basis, models produce value conclusions that meet attainable standards of accuracy. This
 1115 responsibility requires appraisers to evaluate the performance of models, using
 1116 techniques that may include but are not limited to, goodness-of-fit statistics, and model
 1117 performance statistics such as appraisal-to-sale ratio studies, evaluation of hold-out
 1118 samples, or analysis of residuals.

1119 **STANDARD 6: MASS APPRAISAL, REPORTING**

1120 **In reporting the results of a mass appraisal, an appraiser must communicate each analysis,**
1121 **opinion, and conclusion in a manner that is not misleading.**

1122 Comment: STANDARD 6 addresses the content and level of information required in a
1123 report that communicates the results of a mass appraisal. The level of detail or
1124 presentation of the appraiser's research and analyses will vary by assignment.
1125 STANDARD 6 does not dictate the form, format or style of mass appraisal reports
1126 because these attributes The form, format, and style of a report are functions of the
1127 intended use and user(s) of the appraisal. needs of intended users and appraisers. The
1128 substantive content of a report determines its compliance.

1129 **STANDARDS RULE 6-1, Reporting Requirements**

1130 **Each written report of a mass appraisal must:**

1131 (a) **clearly and accurately set forth the appraisal in a manner that will not be**
1132 **misleading;**

1133 (b) **contain sufficient information to enable the intended user(s) of the appraisal to**
1134 **understand the report properly for its intended use; and**

1135 Comment: Documentation for a mass appraisal for ad valorem taxation may be in the
1136 form of (1) property records, (2) sales ratios and other statistical studies, (3) appraisal
1137 manuals and documentation, (4) market studies, (5) model building documentation, (6)
1138 regulations, (7) statutes, and (8) other acceptable forms.

1139 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
1140 **hypothetical conditions, restrictions, and limiting conditions used in the assignment.**

1141 Comment: The report must clearly and conspicuously:

- 1142 • state all extraordinary assumptions and hypothetical conditions; and
- 1143 • state that their use might have affected the assignment results.

1144 **STANDARDS RULE 6-2, Content of a Mass Appraisal Report**

1145 **Each written report of a mass appraisal must contain all of the minimum reporting**
1146 **components listed below. The amount of information required in each report is dependent**
1147 **on the intended use and the intended user(s) and may vary according to the terms of the**
1148 **assignment. If there are use restrictions or other limitations, the appraiser must state them**
1149 **accurately, clearly and conspicuously.**

1150 **The content of a mass appraisal report must at a minimum:**

1151 (a) **state the identity of the client, or if the client has requested anonymity, state that the**
1152 **client's identity is withheld but retained in the appraiser's workfile; unless the client**
1153 **has specifically requested otherwise; state the identity of any intended users by**
1154 **name or type;**

1155 Comment: An appraiser must use care when identifying the client to avoid violations of
 1156 the Confidentiality section of the ETHICS RULE. ~~If a client requests that the client's~~
 1157 ~~identity be withheld from the report, the appraiser may comply with this request. In these~~
 1158 ~~instances, the appraiser must document the identity of the client in the workfile and must~~
 1159 ~~state in the report that the identity of the client has been withheld at the client's request.~~

1160 **(b) state the intended use of the appraisal;**

1161 **(c) disclose any assumptions or limiting conditions that result in deviation from**
 1162 **recognized methods and techniques or that affect analyses, opinions, and**
 1163 **conclusions;**

1164 **(d) state the effective date of the appraisal and the date of the report;**

1165 Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by
 1166 law. If no effective date is prescribed by law, the effective date of the appraisal, if not
 1167 stated, is presumed to be contemporaneous with the data and appraisal conclusions.

1168 ~~The effective date of the appraisal establishes the context for the value opinion, while the~~
 1169 ~~date of the report indicates whether the perspective of the appraiser on the market and~~
 1170 ~~property as of the effective date of the appraisal was prospective, current, or~~
 1171 ~~retrospective.~~

1172 **(e) state the type and definition of value and cite the source of the definition; and, when**
 1173 **an opinion of reasonable exposure time has been developed in compliance with**
 1174 **Standards Rule 5-2(c), state that opinion;**

1175 Comment: Stating the type and definition of value also requires any comments needed to
 1176 clearly indicate to intended users how the definition is being applied.

1177 When reporting an opinion of ~~market-value~~, state whether the opinion ~~of value~~ is:

- 1178 • In terms of cash or of financing terms equivalent to cash; or
- 1179 • Based on non-market financing with unusual conditions or incentives.

1180 When an opinion of ~~market-value~~ is ~~not in terms of cash or based on non-market~~
 1181 ~~financing terms or financing with unusual conditions or incentives, equivalent to cash,~~
 1182 summarize the terms of such financing and ~~explain their the contributions to or negative~~
 1183 ~~any influences~~ on value.

1184 **(f) state the properties appraised including the property rights; and, when the property**
 1185 **rights to be appraised are specified in a statute or court ruling, reference the law;**

1186 Comment: The report documents the sources for location, describing and listing the
 1187 property. When applicable, include references to legal descriptions, addresses, parcel
 1188 identifiers, photos, and building sketches. In mass appraisal this information is often
 1189 included in property records. ~~When the property rights to be appraised are specified in a~~
 1190 ~~statute or court ruling, the law must be referenced.~~

1191 (g) **summarize the scope of work used to develop the appraisal,; and explain the**
1192 **exclusion of the sales comparison approach, cost approach, or income approach;**
1193 **must be explained;**

1194 ~~Comment: Because intended users' reliance on an appraisal may be affected by the scope~~
1195 ~~of work, the report must enable them to be properly informed and not misled. Sufficient~~
1196 ~~information includes Summarizing the scope of work should include disclosure of~~
1197 ~~research and analyses performed and might also include disclosure of research and~~
1198 ~~analyses not performed.~~

1199 ~~When any portion of the work involves significant mass appraisal assistance, the~~
1200 ~~appraiser must describe the extent of that assistance. The signing appraiser must also state~~
1201 ~~the name(s) of those providing the significant mass appraisal assistance in the~~
1202 ~~certification, in accordance with Standards Rule 6-3.~~

1203 (h) **when any portion of the work involves significant mass appraisal assistance,**
1204 **summarize describe the extent of that assistance;**

1205 (i) ~~(h)~~ **summarize and support the model specification(s) considered, data requirements,**
1206 **and the model(s) chosen; provide sufficient information to enable the client and**
1207 **intended users to have confidence that the process and procedures used conform to**
1208 **accepted methods and result in credible value conclusions; and include a summary**
1209 **of the rationale for each model, the calibration techniques to be used, and the**
1210 **performance measures to be used;**

1211 ~~Comment: The appraiser must provide sufficient information to enable the client and~~
1212 ~~intended users to have confidence that the process and procedures used conform to~~
1213 ~~accepted methods and result in credible value conclusions. In the case of mass appraisal~~
1214 ~~for ad valorem taxation, stability and accuracy are important to the credibility of value~~
1215 ~~opinions. The report must include a summary of the rationale for each model, the~~
1216 ~~calibration techniques to be used, and the performance measures to be used.~~

1217 (j) ~~(i)~~ **summarize the procedure for collecting, validating, and reporting data; and**
1218 **summarize the sources of data and the data collection and validation processes;**

1219 ~~Comment: The report must summarize the sources of data and the data collection and~~
1220 ~~validation processes. Reference to detailed data collection manuals or electronic records~~
1221 ~~must be made, as appropriate, including where they may be found for inspection.~~

1222 (k) ~~(j)~~ **summarize calibration methods considered and chosen, including the**
1223 **mathematical form of the final model(s); summarize how value conclusions were**
1224 **reviewed; and, if necessary, state the availability and location of individual value**
1225 **conclusions;**

1226 (l) ~~(k)~~ **when an opinion of highest and best use, or the appropriate market or market**
1227 **level was developed, summarize how that opinion was determined,; and reference**
1228 **case law, statute, or public policy that describes highest and best use requirements;**

1229 ~~Comment: The mass appraisal report must reference case law, statute, or public policy~~
1230 ~~that describes highest and best use requirements. When actual use is the requirement, the~~

1231 report must ~~discuss~~ summarize how use-value opinions were developed. The appraiser's
 1232 reasoning in support of the highest and best use opinion must be provided in the depth
 1233 and detail required by its significance to the appraisal.

1234 **(m) (4) identify the appraisal performance tests used and the performance measures**
 1235 **attained;**

1236 **(n) (m)-summarize the reconciliation performed, in accordance with Standards Rule 5-**
 1237 **7; and**

1238 **(o) (n) include a at least one signed certification in accordance with Standards Rule 6-3.**

1239 **STANDARDS RULE 6-3, Certification**

1240 **Each written mass appraisal report must contain a at least one signed certification. The**
 1241 **wording of a certification does not have to match the following verbatim, but each of the**
 1242 **elements must be included that is similar in content to the following form:**

1243 **I certify that, to the best of my knowledge and belief:**

1244 — **the statements of fact contained in this report are true and correct.**

1245 — **the reported analyses, opinions, and conclusions are limited only by the reported**
 1246 **assumptions and limiting conditions, and are my personal, impartial, and unbiased**
 1247 **professional analyses, opinions, and conclusions.**

1248 — **I have no (or the specified) present or prospective interest in the property that is the**
 1249 **subject of this report, and I have no (or the specified) personal interest with respect**
 1250 **to the parties involved.**

1251 — **I have performed no (or the specified) services, as an appraiser or in any other**
 1252 **capacity, regarding the property that is the subject of this report within the three-**
 1253 **year period immediately preceding the agreement to perform acceptance of this**
 1254 **assignment.**

1255 — **I have no bias with respect to any property that is the subject of this report or to the**
 1256 **parties involved with this assignment.**

1257 — **my engagement in this assignment was not contingent upon developing or reporting**
 1258 **predetermined results.**

1259 — **my compensation for completing this assignment is not contingent upon the**
 1260 **reporting of a predetermined value or direction in value that favors the cause of the**
 1261 **client, the amount of the value opinion, the attainment of a stipulated result, or the**
 1262 **occurrence of a subsequent event directly related to the intended use of this**
 1263 **appraisal.**

1264 — **my analyses, opinions, and conclusions were developed, and this report has been**
 1265 **prepared, in conformity with the Uniform Standards of Professional Appraisal**
 1266 **Practice.**

1267 — **I have (or have not) made a personal inspection of the properties that are the**
 1268 **subject of this report. (If more than one person signs the report, this certification**
 1269 **must clearly specify which individuals did and which individuals did not make a**
 1270 **personal inspection of the appraised property.)**

1271 — **no one provided significant mass appraisal assistance to the person signing this**
 1272 **certification. (If there are exceptions, the name of each individual providing**
 1273 **significant mass appraisal assistance must be stated.)**

1274 Comment: The above certification is not intended to disturb an elected or appointed
 1275 assessor's work plans or oaths of office. A signed certification is an integral part of the
 1276 appraisal report. An appraiser, who signs any part of the mass appraisal report, including
 1277 a letter of transmittal, must also sign this certification.

1278 In an assignment that includes only assignment results developed by the real property
 1279 appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all
 1280 elements of the certification, for the assignment results, and for the contents of the
 1281 appraisal report. In an assignment that includes personal property assignment results not
 1282 developed by the real property appraiser(s), any real property appraiser(s) who signs a
 1283 certification accepts full responsibility for the real property elements of the certification,
 1284 for the real property assignment results, and for the real property contents of the appraisal
 1285 report.

1286 In an assignment that includes only assignment results developed by the personal
 1287 property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility
 1288 for all elements of the certification, for the assignment results, and for the contents of the
 1289 appraisal report. In an assignment that includes real property assignment results not
 1290 developed by the personal property appraiser(s), any personal property appraiser(s) who
 1291 signs a certification accepts full responsibility for the personal property elements of the
 1292 certification, for the personal property assignment results, and for the personal property
 1293 contents of the appraisal report.

1294 When a signing appraiser(s) has relied on work done by appraisers and others who do not
 1295 sign the certification, the signing appraiser is responsible for the decision to rely on their
 1296 work. The signing appraiser(s) is required to have a reasonable basis for believing that
 1297 those individuals performing the work are competent. The signing appraiser(s) also must
 1298 have no reason to doubt that the work of those individuals is credible.

1299 ~~The names of individuals providing significant mass appraisal assistance who do not sign~~
 1300 ~~a certification must be stated in the certification. It is not required that the description of~~
 1301 ~~their assistance be contained in the certification, but disclosure of their assistance is~~
 1302 ~~required in accordance with Standards Rule 6-2(g).~~

1303 Although the certification must contain the names of individuals providing significant
 1304 appraisal assistance, it is not required that a summary of the extent of their assistance be
 1305 located in the certification. In accordance with Standards Rule 6-2(h), this required
 1306 summary may be in any part of the report.

1307 **STANDARD 7: PERSONAL PROPERTY APPRAISAL, DEVELOPMENT**

1308 **In developing a personal property appraisal, an appraiser must identify the problem to be**
 1309 **solved, determine the scope of work necessary to solve the problem, and correctly complete**
 1310 **research and analyses necessary to produce a credible appraisal.**

1311 Comment: ~~STANDARD 7 is directed toward the substantive aspects of developing a~~
 1312 ~~credible appraisal of personal property. The requirements set forth in STANDARD 7~~
 1313 ~~follow the appraisal development process in the order of topics addressed and can be used~~
 1314 ~~by appraisers and the users of appraisal services as a convenient checklist.~~

1315 **STANDARDS RULE 7-1, Development Requirements**

1316 **In developing a personal property appraisal, an appraiser must:**

1317 **(a) be aware of, understand, and correctly employ those recognized methods and**
 1318 **techniques that are necessary to produce a credible appraisal;**

1319 Comment: This Standards Rule recognizes that change continues to affect the manner in
 1320 which appraisers perform appraisal services. Changes and developments in personal
 1321 property practice have a substantial impact on the appraisal profession. Important
 1322 changes in the cost and manner of acquiring, producing, and marketing personal property
 1323 and changes in the legal framework in which appraisers perform their assignments result
 1324 in the need for corresponding changes in personal property appraisal theory and practice.
 1325 Social change has also had an effect on appraisal theory and practice. The appraisal
 1326 profession responds to changing circumstances with revised and new appraisal methods
 1327 and techniques. ~~Therefore, it is not sufficient for appraisers to maintain the skills and the~~
 1328 ~~knowledge they possess when they become appraisers. Each appraiser must improve and~~
 1329 ~~update his or her skills and knowledge to remain proficient in the appraisal of personal~~
 1330 ~~property.~~

1331 **(b) not commit a substantial error of omission or commission that significantly affects**
 1332 **an appraisal; and**

1333 Comment: ~~It is important for an appraiser to~~ ~~An appraiser must use sufficient care to~~
 1334 ~~avoid errors that would significantly affect his or her opinions and conclusions, and to be~~
 1335 ~~diligent in identifying and analyzing~~ Diligence is required to identify and analyze the
 1336 factors, conditions, data, and other information that would have a significant effect on the
 1337 credibility of the assignment results.

1338 **(c) not render appraisal services in a careless or negligent manner, such as by making a**
 1339 **series of errors that, although individually might not significantly affect the results**
 1340 **of an appraisal, in the aggregate affect the credibility of those results.**

1341 Comment: ~~Perfection is impossible to attain, and competence does not require perfection.~~
 1342 ~~However, an appraiser must not render appraisal services in a careless or negligent~~
 1343 ~~manner. This Standards Rule requires an appraiser to use due diligence and due care.~~

1344 **STANDARDS RULE 7-2, Components of the Development Process**

1345 **In developing a personal property appraisal, an appraiser must:**

- 1346 (a) identify the client and other intended users;
- 1347 (b) identify the intended use of the appraiser's opinions and conclusions;
- 1348 ~~Comment: An appraiser must not allow the intended use of an assignment or a client's~~
 1349 ~~objectives to cause the assignment results to be biased.~~
- 1350 (c) identify the type and definition of value; develop an opinion of reasonable exposure
 1351 time, when it is a component of the definition for the value opinion being developed;
 1352 ~~and, if the value opinion to be developed is market value,~~ ascertain whether the
 1353 value is to be:
- 1354 (i) in terms of cash; or
- 1355 (ii) in terms of financial arrangements equivalent to cash; or
- 1356 (iii) in other precisely defined terms; and
- 1357 (iv) if the opinion of value is to be based on non-market financing or financing
 1358 with unusual conditions or incentives, identify the terms of such financing
 1359 and any must be clearly identified and the appraiser's opinion of their
 1360 contributions to or negative influences on value; must be developed by
 1361 analysis of relevant market data;
- 1362 ~~Comment: When reasonable exposure time is a component of the definition for~~
 1363 ~~the value opinion being developed, the appraiser must also develop an opinion of~~
 1364 ~~reasonable exposure time linked to that value opinion.~~
- 1365 (d) identify the effective date of the appraiser's opinions and conclusions;
- 1366 (e) identify, from sources the appraiser reasonably believes to be reliable, the
 1367 characteristics of the property that are relevant to the type and definition of value
 1368 and intended use of the appraisal, including:
- 1369 (i) sufficient characteristics to establish the identity of the item including the
 1370 method of identification;
- 1371 (ii) sufficient characteristics to establish the relative quality of the item (and its
 1372 component parts, where applicable) within its type;
- 1373 (iii) all other physical and economic characteristics ~~attributes~~ with a material
 1374 effect on value;
- 1375 ~~Comment: Some examples of physical and economic characteristics include~~
 1376 ~~condition, style, size, quality, manufacturer, author, materials, origin, age,~~
 1377 ~~provenance, alterations, restorations, and obsolescence. The type of property, the~~
 1378 ~~type and definition of value, and intended use of the appraisal determine which~~
 1379 ~~characteristics have a material effect on value.~~
- 1380 (iv) the ownership interest to be valued;

1381 (v) any known restrictions, encumbrances, leases, covenants, contracts,
1382 declarations, special assessments, ordinances, or other items of a similar
1383 nature if relevant to the assignment; and

1384 (vi) any real property or intangible assets ~~items~~ that are not personal property
1385 but which are included in the appraisal;

1386 ~~Comment on (i)–(vi): The information used by an appraiser to identify the~~
1387 ~~property characteristics must be from sources the appraiser reasonably believes~~
1388 ~~are reliable.~~

1389 An appraiser may use any combination of a property inspection, ~~and~~ documents,
1390 or other information ~~resources~~ to identify the relevant characteristics of the
1391 subject property.

1392 When appraising proposed modifications, an appraiser must examine and have
1393 available for future examination, documentation sufficient to identify the extent
1394 and character of the proposed modifications.

1395 An appraiser may not be required to value the whole when the subject of the
1396 appraisal is a fractional interest, a physical segment, or a partial holding.

1397 (f) **identify any extraordinary assumptions necessary in the assignment; An**
1398 **extraordinary assumption may be used in an assignment only if:**

1399 (i) **the extraordinary assumption is required to properly develop credible**
1400 **opinions and conclusions;**

1401 (ii) **the appraiser has a reasonable basis for the extraordinary assumption; and**

1402 (iii) **use of the extraordinary assumption results in a credible analysis;**

1403 ~~Comment: An extraordinary assumption may be used in an assignment only if:~~

- 1404 ~~● it is required to properly develop credible opinions and conclusions;~~
- 1405 ~~● the appraiser has a reasonable basis for the extraordinary assumption;~~
- 1406 ~~● use of the extraordinary assumption results in a credible analysis; and~~
- 1407 ~~● the appraiser complies with the disclosure requirements set forth in USPAP~~
- 1408 ~~for extraordinary assumptions.~~

1409 (g) **identify any hypothetical conditions necessary in the assignment; A hypothetical**
1410 **condition may be used in an assignment only if:**

1411 (i) **use of the hypothetical condition is clearly required for legal purposes, for**
1412 **purposes of reasonable analysis, or for purposes of comparison; and**

1413 (ii) **use of the hypothetical condition results in a credible analysis; and**

1414 ~~Comment: A hypothetical condition may be used in an assignment only if:~~

- 1415 ~~● use of the hypothetical condition is clearly required for legal purposes, for~~
- 1416 ~~purposes of reasonable analysis, or for purposes of comparison;~~
- 1417 ~~● use of the hypothetical condition results in a credible analysis; and~~

1418 ● ~~the appraiser complies with the disclosure requirements set forth in USPAP~~
 1419 ~~for hypothetical conditions.~~

1420 **(h) determine the scope of work necessary to produce credible assignment results in**
 1421 **accordance with the SCOPE OF WORK RULE.**

1422 **STANDARD RULE 7-3, Property’s Use, Market, and Relevant Economic Conditions**

1423 **In developing a personal property appraisal, when necessary for credible assignment**
 1424 **results, an appraiser must:**

1425 **(a) analyze the property’s current use and alternative uses as relevant to the type and**
 1426 **definition of value and intended use of the appraisal;**

1427 Comment: In the context of personal property, value can be a function of the choice of
 1428 the appropriate market or, in some cases, market level for the type of item, the type and
 1429 definition of value, and the intended use of the appraisal.

1430 The appraiser must consider the various uses of the property when viable alternative uses
 1431 exist and when those alternative uses may result in a different value.

1432 **(b) define and analyze the appropriate market consistent with the type and definition of**
 1433 **value; and**

1434 Comment: The appraiser must recognize that there are distinct levels of trade (measurable
 1435 marketplaces), and each may generate its own data. For example, a property may have a
 1436 different value at a wholesale level of trade, retail level of trade, or under various auction
 1437 conditions. Therefore, the appraiser must analyze the subject property within the correct
 1438 market context.

1439 **(c) analyze the relevant economic conditions that exist on the effective date of the**
 1440 **valuation, including market acceptability of the property and supply, demand,**
 1441 **scarcity or rarity.**

1442 **STANDARDS RULE 7-4, Approaches to Value**

1443 **In developing a personal property appraisal, an appraiser must collect, verify, and analyze**
 1444 **all information necessary for credible assignment results.**

1445 **(a) When a sales comparison approach is necessary for credible assignment results, an**
 1446 **appraiser must analyze such comparable sales data as are available to indicate a**
 1447 **value conclusion.**

1448 **(b) When a cost approach is necessary for credible assignment results, an appraiser**
 1449 **must:**

1450 **(i) analyze such comparable cost data as are available to estimate the cost new**
 1451 **of the property; and**

1452 **(ii) analyze such comparable data as are available to estimate the difference**
 1453 **between cost new and the present worth of the property (depreciation).**

- 1454 (c) **When an income approach is necessary for credible assignment results, an appraiser**
 1455 **must:**
- 1456 (i) **analyze such comparable data as are available to estimate the market income**
 1457 **of the property;**
- 1458 (ii) **analyze such comparable operating expense data as are available to estimate**
 1459 **the operating expenses of the property;**
- 1460 (iii) **analyze such comparable data as are available to estimate rates of**
 1461 **capitalization and/or rates of discount; and**
- 1462 (iv) **base projections of future income and expenses on reasonably clear and**
 1463 **appropriate evidence.**
- 1464 Comment: An appraiser must, in developing income and expense statements and
 1465 cash flow projections, weigh historical information and trends, current supply and
 1466 demand factors affecting such trends, and competition.
- 1467 (d) **When developing an opinion of the value of a lease, leased, or encumbered property,**
 1468 **an appraiser must analyze the effect on value, if any, of the terms and conditions of**
 1469 **the lease(s) or encumbrances.**
- 1470 (e) **When appraising multiple objects, the appraiser must consider the significance of**
 1471 **the value of the individual assets to the assignment results. Those objects which are**
 1472 **more significant to the assignment results should be the focus of the analysis and**
 1473 **analyzed in appropriate detail.**
- 1474 Comment: A group of objects may have a mix of high and low value items. Those objects
 1475 that are more significant to the assignment results should be subject to a greater and
 1476 appropriate depth of analysis.
- 1477 (f) **When analyzing the assemblage of the various component parts of a property, an**
 1478 **appraiser must analyze the effect on value, if any, of the assemblage. An appraiser**
 1479 **must refrain from valuing the whole solely by adding together the individual values**
 1480 **of the various component parts.**
- 1481 Comment: Although the value of the whole may be equal to the sum of the separate parts,
 1482 it also may be greater than or less than the sum of such parts. ~~Therefore, the value of the~~
 1483 ~~whole must be tested by reference to appropriate data and supported by an appropriate~~
 1484 ~~analysis of such data.~~
- 1485 ~~A similar procedure must be followed when the value of the whole has been established~~
 1486 ~~and the appraiser seeks to value a part. The value of any such part must be tested by~~
 1487 ~~reference to appropriate data and supported by an appropriate analysis of such data.~~
- 1488 (g) **When analyzing anticipated modifications to the subject property, an appraiser**
 1489 **must analyze the effect on value, if any, of such modifications to the extent they are**
 1490 **reflected in market actions.**

1491 (h) When real property or intangible assets items are included in the appraisal, the
 1492 appraiser must analyze the effect on value of such non-personal property assets
 1493 items.

1494 Comment: When the scope of work includes an appraisal of real property or intangible
 1495 assets items, competency in real property appraisal (see STANDARD 1) or business
 1496 appraisal (see STANDARD 9) is required. In addition, competency in other types of
 1497 personal property outside of the appraiser’s specialty area may be necessary (see
 1498 STANDARD 7 and the COMPETENCY RULE).

1499 **STANDARDS RULE 7-5, Sale Agreements, Options, Listings and Prior Sales**

1500 **When necessary for credible assignment results, an appraiser must, if such information is**
 1501 **available to the appraiser in the normal course of business:**

1502 (a) **analyze all agreements of sale, validated offers or third-party offers to sell, options,**
 1503 **and listings of the subject property current as of the effective date of the appraisal if**
 1504 **warranted by the intended use of the appraisal; and**

1505 (b) **analyze all prior sales of the subject property that occurred within a reasonable and**
 1506 **applicable time period if relevant given the intended use of the appraisal and**
 1507 **property type.**

1508 Comment: ~~The data needed for the required analyses in Standards Rule 7-5(a) and 7-5(b)~~
 1509 ~~may not be available or relevant in all assignments. See the Comments to Standards~~
 1510 ~~Rules 8-2(a)(viii) and 8-2(b)(viii) for corresponding reporting requirements.~~

1511 **STANDARDS RULE 7-6, Reconciliation**

1512 **In developing a personal property appraisal, an appraiser must:**

1513 (a) **reconcile the quality and quantity of data available and analyzed within the**
 1514 **approach or approaches used; and**

1515 (b) **reconcile the applicability and relevance of the approach or approaches, methods**
 1516 **and techniques used to arrive at the value conclusion(s).**

1517 **STANDARD 8: PERSONAL PROPERTY APPRAISAL, REPORTING**

1518 **In reporting the results of a personal property appraisal, an appraiser must communicate**
 1519 **each analysis, opinion, and conclusion in a manner that is not misleading.**

1520 Comment: STANDARD 8 addresses the content and level of information required in a
 1521 report that communicates the results of a personal property appraisal. The level of detail
 1522 or presentation of the appraiser’s research and analyses will vary by assignment.
 1523 STANDARD 8 does not dictate the form, format or style of personal property appraisal
 1524 reports which because these attributes The form, format, and style of a report are
 1525 functions of the intended use and user(s) of the appraisal. needs of intended users and
 1526 appraisers. The substantive content of a report determines its compliance.

1527 **STANDARDS RULE 8-1, Reporting Requirements**

1528 **Each written or oral personal property appraisal report must:**

- 1529 (a) **clearly and accurately set forth the appraisal in a manner that will not be**
 1530 **misleading;**
- 1531 (b) **contain sufficient information to enable the intended user(s) of the appraisal to**
 1532 **understand the report properly for its intended use; and**
- 1533 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
 1534 **hypothetical conditions, restrictions, and limiting conditions used in the assignment.**

1535 **STANDARDS RULE 8-2, Content of a Personal Property Appraisal Report**

1536 **Each written personal property appraisal report ~~must be prepared under one of the~~**
 1537 **~~following options and prominently state which option is used: Appraisal Report or~~**
 1538 **~~Restricted Appraisal Report. contain all of the minimum reporting components listed~~**
 1539 **~~below. The amount of information required in each report is dependent on the intended use~~**
 1540 **~~and the intended user(s) and may vary according to the terms of the assignment. If there~~**
 1541 **~~are use restrictions or other limitations, the appraiser must state them accurately, clearly,~~**
 1542 **~~and conspicuously.~~**

1543 Comment: When the intended users include parties other than the client, an Appraisal
 1544 Report must be provided. When the intended users do not include parties other than the
 1545 client, a Restricted Appraisal Report may be provided.

1546 The essential difference between these two options is in the content and level of
 1547 information provided. The appropriate reporting option and the level of information
 1548 necessary in the report are dependent on the intended use and intended users.

1549 An appraiser must use care when characterizing the type of report and level of
 1550 information communicated upon completion of an assignment. An appraiser may use any
 1551 other label in addition to, but not in place of, the label set forth in this Standard for the
 1552 type of report provided.

1553 The report content and level of information requirements set forth in this Standard are
 1554 minimums for each type of an appraisal report. An appraiser must supplement a report

1555 ~~form, when necessary, to ensure that any intended user of the appraisal is not misled and~~
 1556 ~~that the report complies with the applicable content requirements set forth in this~~
 1557 ~~Standards Rule. An appraiser may be required to report additional information and~~
 1558 ~~analyses to meet contractual or other obligations.~~

1559 The appraiser is not required to label an appraisal report using specific terminology,
 1560 provided it is clear to the intended user(s) that the document is an appraisal report. The
 1561 use of other terms (e.g., analysis, consultation, evaluation, study, valuation) does not
 1562 exempt an appraiser from adherence to the Uniform Standards of Professional Appraisal
 1563 Practice.

1564 ~~A party receiving a copy of an Appraisal Report or Restricted Appraisal Report in order~~
 1565 ~~to satisfy disclosure requirements does not become an intended user of the appraisal~~
 1566 ~~unless the appraiser identifies such party as an intended user as part of the assignment.~~

1567 ~~(a) The content of an appraisal report ~~Appraisal Report must be consistent with the~~~~
 1568 ~~intended use of the appraisal and, at a minimum:~~

1569 ~~(a) (i) state the identity of the client, or if the client requested anonymity, state that the~~
 1570 ~~client's identity is withheld at the client's request but retained in the appraiser's~~
 1571 ~~workfile; unless the client has specifically requested otherwise; state the identity of~~
 1572 ~~any intended users by name or type;~~

1573 Comment: An appraiser must use care when identifying the client to avoid violations of
 1574 the Confidentiality section of the ETHICS RULE. ~~If a client requests that the client's~~
 1575 ~~identity be withheld from the report, the appraiser may comply with this request. In these~~
 1576 ~~instances, the appraiser must document the identity of the client in the workfile and must~~
 1577 ~~state in the report that the identity of the client has been withheld at the client's request.~~

1578 Types of intended users of the report ~~might~~ include, for example, parties such as lenders,
 1579 employees of government agencies, partners or family members of a client, ~~and/or~~ a
 1580 client's attorney ~~and/or~~ accountant.

1581 A party receiving a copy of an appraisal report in order to satisfy disclosure requirements
 1582 does not become an intended user of the appraisal unless the appraiser identifies such
 1583 party as an intended user as part of the assignment.

1584 **(b) (ii) state the intended use of the appraisal;**

1585 **(c) (iii) summarize information sufficient to identify the property involved in the**
 1586 **appraisal, including the physical and economic property characteristics relevant to**
 1587 **the assignment;**

1588 **(d) (iv) state the property interest appraised;**

1589 **(e) (v) state the type and definition of value and cite the source of the definition; and,**
 1590 **when an opinion of reasonable exposure time has been developed in compliance**
 1591 **with Standards Rule 7-2(c), state that opinion;**

1592 Comment: Stating the definition of value also requires any comments needed to clearly
 1593 indicate to the intended users how the definition is being applied.

- 1594 When reporting an opinion of value, state whether the opinion of value is:
- 1595 • in terms of cash or of financing terms equivalent to cash, or
- 1596 • based on non-market financing or financing with unusual conditions or incentives.
- 1597 When an opinion of value is ~~not in terms of cash or~~ based on non-market financing terms
- 1598 or financing with unusual conditions or incentives, equivalent to cash, summarize the
- 1599 terms of such financing and ~~explain their contributions to or negative~~ influences on
- 1600 value.
- 1601 ~~When an opinion of reasonable exposure time has been developed in compliance with~~
- 1602 ~~Standards Rule 7-2(c), the opinion must be stated in the report.~~
- 1603 **(f) (vi) state the effective date of the appraisal and the date of the report;**
- 1604 ~~Comment: The effective date of the appraisal establishes the context for the value~~
- 1605 ~~opinion, while the date of the report indicates whether the perspective of the appraiser on~~
- 1606 ~~the market and property as of the effective date of the appraisal was prospective, current,~~
- 1607 ~~or retrospective.~~
- 1608 **(g) (vii) summarize the scope of work used to develop the appraisal;**
- 1609 ~~Comment: Because intended users' reliance on an appraisal may be affected by the scope~~
- 1610 ~~of work, the report must enable them to be properly informed and not misled. Sufficient~~
- 1611 ~~information includes~~ Summarizing the scope of work should include disclosure of
- 1612 research and analyses performed and might also include disclosure of research and
- 1613 analyses not performed.
- 1614 ~~When any portion of the work involves significant personal property appraisal assistance,~~
- 1615 ~~the appraiser must summarize the extent of that assistance. The name(s) of those~~
- 1616 ~~providing the significant personal property appraisal assistance must be stated in the~~
- 1617 ~~certification, in accordance with Standards Rule 8-3.~~
- 1618 **(h) summarize the extent of any significant personal property assistance and, in an**
- 1619 **assignment involving appraisers with expertise in different specialties (e.g., antiques,**
- 1620 **fine art, or machinery and equipment), disclose the role of each appraiser signing**
- 1621 **the certification;**
- 1622 **(i) (viii) provide sufficient information to indicate that the appraiser complied with the**
- 1623 **requirements of STANDARD 7, including:**
- 1624 **i. the information analyzed, the appraisal methods and techniques employed,**
- 1625 **and the reasoning that supports the analyses, opinions, and conclusions,**
- 1626 **including reconciliation of the data and approaches;**
- 1627 **ii. the reason(s) for excluding the sales comparison approach, cost approach, or**
- 1628 **income approach; and**
- 1629 **iii. the results of analyzing the subject property's sales, agreements of sale,**
- 1630 **options, and listings when, in accordance with Standards Rule 7-5, it was**

1631 **necessary for credible assignment results and if such information was**
 1632 **available to the appraiser in the normal course of business.**
 1633 ~~**summarize the information analyzed, the appraisal methods and techniques**~~
 1634 ~~**employed, and the reasoning that supports the analyses, opinions, and**~~
 1635 ~~**conclusions; exclusion of the sales comparison approach, cost approach, or**~~
 1636 ~~**income approach must be explained;**~~

1637 ~~**Comment: An Appraisal Report must include sufficient information to indicate that the**~~
 1638 ~~**appraiser**~~

1639 ~~**complied with the requirements of STANDARD 7. The amount of detail required will**~~
 1640 ~~**vary with the significance of the information to the appraisal and with the significance of**~~
 1641 ~~**a particular object or group of objects to the overall assignment results.**~~

1642 ~~**When the appraiser has developed an analysis of agreements of sale, validated offers or**~~
 1643 ~~**third-party offers to sell, options, listings or prior sales of the subject property in**~~
 1644 ~~**accordance with Standards Rule 7-5, the appraiser must report a summary of the results**~~
 1645 ~~**of the analysis. If such information was unobtainable, a statement on the efforts**~~
 1646 ~~**undertaken by the appraiser to obtain the information is required. If such information is**~~
 1647 ~~**irrelevant, a statement acknowledging the existence of the information and citing its lack**~~
 1648 ~~**of relevance is required.**~~

1649 ~~**The appraiser must provide sufficient information to enable the client and intended users**~~
 1650 ~~**to understand the rationale for the opinion and conclusions, including reconciliation of**~~
 1651 ~~**the data and approaches, in accordance with Standards Rule 7-6.**~~

1652 ~~**(j) (ix) state, as appropriate to the class of personal property involved, the use of the**~~
 1653 ~~**property existing as of the effective date of value and the use of the property**~~
 1654 ~~**reflected in the appraisal;**~~

1655 ~~**Comment: In the context of personal property, value can be a function of the current and**~~
 1656 ~~**alternative use of the subject property, the choice of the appropriate market or market**~~
 1657 ~~**level for the type of item, the type and definition of value, and intended use of the report.**~~

1658 ~~**(k) (x) when, in compliance with Standards Rule 7-3, an opinion of the appropriate**~~
 1659 ~~**market or market level was developed by the appraiser, state that opinion and**~~
 1660 ~~**summarize the support and rationale for that opinion;**~~

1661 ~~**(l) (xi) clearly and conspicuously:**~~

- 1662 ~~**• state all extraordinary assumptions and hypothetical conditions; and**~~
- 1663 ~~**• state that their use might have affected the assignment results; and**~~

1664 ~~**(m) (xii) include a at least one signed certification in accordance with Standards Rule 8-**~~
 1665 ~~**3.**~~

1666

1667 ~~**(b) The content of a Restricted Appraisal Report must be consistent with the intended**~~
 1668 ~~**use of the appraisal and, at a minimum:**~~

1669 (i) ~~state the identity of the client, unless the client has specifically requested~~
 1670 ~~otherwise; and state a prominent use restriction that limits use of the report~~
 1671 ~~to the client and warns that the rationale for how the appraiser arrived at the~~
 1672 ~~opinions and conclusions set forth in the report may not be understood~~
 1673 ~~properly without additional information in the appraiser's workfile;~~

1674 Comment: An appraiser must use care when identifying the client to avoid
 1675 violations of the Confidentiality section of the ETHICS RULE. If a client requests
 1676 that the client's identity be withheld from the report, the appraiser may comply
 1677 with this request. In these instances, the appraiser must document the identity of
 1678 the client in the workfile and must state in the report that the identity of the client
 1679 has been withheld at the client's request.

1680 The Restricted Appraisal Report is for client use only. Before entering into an
 1681 agreement, the appraiser should establish with the client the situations where this
 1682 type of report is to be used and should ensure that the client understands the
 1683 restricted utility of the Restricted Appraisal Report.

1684 (ii) ~~state the intended use of the appraisal;~~

1685 Comment: The intended use of the appraisal must be consistent with the limitation
 1686 on use of the Restricted Appraisal Report option in this Standards Rule (i.e., client
 1687 use only).

1688 (iii) ~~state information sufficient to identify the property involved in the appraisal;~~

1689 (iv) ~~state the property interest appraised;~~

1690 (v) ~~state the type of value and cite the source of its definition;~~

1691 Comment: When an opinion of reasonable exposure time has been developed in
 1692 compliance with Standards Rule 7-2(e), the opinion must be stated in the report.

1693 (vi) ~~state the effective date of the appraisal and the date of the report;~~

1694 Comment: The effective date of the appraisal establishes the context for the value
 1695 opinion, while the date of the report indicates whether the perspective of the
 1696 appraiser on the market and property as of the effective date of the appraisal was
 1697 prospective, current, or retrospective.

1698 (vii) ~~state the scope of work used to develop the appraisal;~~

1699 Comment: Because the client's reliance on an appraisal may be affected by the
 1700 scope of work, the report must enable them to be properly informed and not
 1701 misled. Sufficient information includes disclosure of research and analyses
 1702 performed and might also include disclosure of research and analyses not
 1703 performed.

1704 When any portion of the work involves significant personal property appraisal
 1705 assistance, the appraiser must state the extent of that assistance. The name(s) of

- 1706 those providing the significant personal property appraisal assistance must be
 1707 stated in the certification, in accordance with Standards Rule 8-3.
- 1708 ~~(viii) state the appraisal methods and techniques employed, state the value
 1709 opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of
 1710 the sales comparison approach, cost approach, or income approach must be
 1711 explained;~~
- 1712 ~~Comment: An appraiser must maintain a specific, coherent workfile in support of
 1713 a Restricted Appraisal Report. The contents of the workfile must include
 1714 sufficient information to indicate that the appraiser complied with the
 1715 requirements of STANDARD 7 and for the appraiser to produce an Appraisal
 1716 Report. Information analyzed in compliance with Standards Rule 7-5 is
 1717 significant information that must be disclosed in a Restricted Appraisal Report. If
 1718 such information was unobtainable, a statement on the efforts undertaken by the
 1719 appraiser to obtain the information is required. If such information is irrelevant, a
 1720 statement acknowledging the existence of the information and citing its lack of
 1721 relevance is required.~~
- 1722 ~~(ix) state, as appropriate to the class of personal property involved, the use of the
 1723 property existing as of the date of value and the use of the property reflected
 1724 in the appraisal;~~
- 1725 ~~Comment: In the context of personal property, value can be a function of the
 1726 current and alternative use of the subject property, the choice of the appropriate
 1727 market or market level for the type of item, the type and definition of value, and
 1728 intended use of the report.~~
- 1729 ~~(x) when an opinion of the appropriate market or market level was developed by
 1730 the appraiser, state that opinion;~~
- 1731 ~~(xi) clearly and conspicuously:~~
- 1732 ~~• state all extraordinary assumptions and hypothetical conditions; and
 1733 • state that their use might have affected the assignment results; and~~
- 1734 ~~(xii) include a signed certification in accordance with Standards Rule 8-3.~~
- 1735 **STANDARDS RULE 8-3, Certification**
- 1736 **Each written personal property appraisal report must contain a-at least one signed**
 1737 **certification. The wording of a certification does not have to match the following verbatim,**
 1738 **but each of the elements must be included that is similar in content to the following form:**
- 1739 **I certify that, to the best of my knowledge and belief:**
- 1740 **— the statements of fact contained in this report are true and correct.**
- 1741 **— the reported analyses, opinions, and conclusions are limited only by the reported**
 1742 **assumptions and limiting conditions and are my personal, impartial, and unbiased**
 1743 **professional analyses, opinions, and conclusions.**

- 1744 — **I have no (or the specified) present or prospective interest in the property that is the**
 1745 **subject of this report and no (or the specified) personal interest with respect to the**
 1746 **parties involved.**
- 1747 — **I have performed no (or the specified) services, as an appraiser or in any other**
 1748 **capacity, regarding the property that is the subject of this report within the three-**
 1749 **year period immediately preceding the agreement to perform acceptance of this**
 1750 **assignment.**
- 1751 — **I have no bias with respect to the property that is the subject of this report or to the**
 1752 **parties involved with this assignment.**
- 1753 — **my engagement in this assignment was not contingent upon developing or reporting**
 1754 **predetermined results.**
- 1755 — **my compensation for completing this assignment is not contingent upon the**
 1756 **development or reporting of a predetermined value or direction in value that favors**
 1757 **the cause of the client, the amount of the value opinion, the attainment of a**
 1758 **stipulated result, or the occurrence of a subsequent event directly related to the**
 1759 **intended use of this appraisal.**
- 1760 — **my analyses, opinions, and conclusions were developed, and this report has been**
 1761 **prepared, in conformity with the Uniform Standards of Professional Appraisal**
 1762 **Practice.**
- 1763 — **I have (or have not) made a personal inspection of the property that is the subject of**
 1764 **this report. (If more than one person signs this certification, the certification must**
 1765 **clearly specify which individuals did and which individuals did not make a personal**
 1766 **inspection of the appraised property.)**
- 1767 — **no one provided significant personal property appraisal assistance to the person**
 1768 **signing this certification. (If there are exceptions, the name of each individual**
 1769 **providing significant personal property appraisal assistance must be stated.)**
- 1770 Comment: A signed certification is an integral part of the appraisal report. An appraiser
 1771 who signs any part of the appraisal report, including a letter of transmittal, must also sign
 1772 this a certification.
- 1773 In an assignment that includes only assignment results developed by the personal
 1774 property appraiser(s) from the same personal property specialty, any appraiser(s) who
 1775 signs a certification accepts full responsibility for all elements of the certification, for the
 1776 assignment results, and for the contents of the appraisal report. In an assignment
 1777 involving appraisers with expertise in different specialties (e.g., antiques, fine art, or
 1778 machinery and equipment), an appraiser who signs the certification may accept
 1779 responsibility only for the elements of the certification, assignment results, and report
 1780 contents specific to the appraiser's specialty. ~~The role of each appraiser signing the~~
 1781 ~~certification must be disclosed in the report.~~
- 1782 In an assignment that includes real property, business or intangible asset assignment
 1783 results not developed by the personal property appraiser(s), any personal property

- 1784 appraiser(s) who signs a certification accepts full responsibility for the personal property
 1785 elements of the certification, for the personal property assignment results, and for the
 1786 personal property contents of the appraisal report.
- 1787 When a signing appraiser(s) has relied on work done by appraisers and others who do not
 1788 sign the certification, the signing appraiser is responsible for the decision to rely on their
 1789 work. The signing appraiser(s) is required to have a reasonable basis for believing that
 1790 those individuals performing the work are competent. The signing appraiser(s) also must
 1791 have no reason to doubt that the work of those individuals is credible.
- 1792 Although the certification must contain the names of individuals providing significant
 1793 personal property appraisal assistance, it is not required that a summary of the extent of
 1794 their assistance be located in the certification. In accordance with Standards Rule 7-2(h),
 1795 this required summary may be in any part of the report.
- 1796 ~~The names of individuals providing significant personal property appraisal assistance~~
 1797 ~~who do not sign a certification must be stated in the certification. It is not required that~~
 1798 ~~the description of their assistance be contained in the certification, but disclosure of their~~
 1799 ~~assistance is required in accordance with Standards Rule 8-2(a)(vii) or 8-2(b)(vii) as~~
 1800 ~~applicable.~~
- 1801 **STANDARDS RULE 8-4, Oral Appraisal Report**
- 1802 **To the extent that it is both possible and appropriate, an oral personal property appraisal**
 1803 **report must address the substantive matters set forth in Standards Rule 8-2(a).**
- 1804 Comment: See the RECORD KEEPING RULE for corresponding requirements.

1805 **STANDARD 9: BUSINESS APPRAISAL, DEVELOPMENT**

1806 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
 1807 **appraiser must identify the problem to be solved, determine the scope of work necessary to**
 1808 **solve the problem, and correctly complete the research and analyses necessary to produce a**
 1809 **credible appraisal.**

1810 ~~Comment: STANDARD 9 is directed toward the substantive aspects of developing a~~
 1811 ~~credible appraisal of an interest in a business enterprise or intangible asset.~~

1812 **STANDARDS RULE 9-1, Development Requirements**

1813 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
 1814 **appraiser must:**

1815 (a) **be aware of, understand, and correctly employ those recognized approaches,**
 1816 **methods and procedures that are necessary to produce a credible appraisal;**

1817 ~~Comment: Changes and developments in the economy and in investment theory have a~~
 1818 ~~substantial impact on the business and intangible asset appraisal profession. Important~~
 1819 ~~changes in the financial arena, securities regulation, financial reporting requirements, and~~
 1820 ~~law may result in corresponding changes in appraisal theory and practice.~~

1821 (b) **not commit a substantial error of omission or commission that significantly affects**
 1822 **an appraisal; and**

1823 ~~Comment: It is important for an appraiser to~~ ~~An appraiser must~~ use sufficient care to
 1824 avoid errors that would significantly affect his or her opinions and conclusions. ~~and to be~~
 1825 ~~diligent in identifying and analyzing~~ Diligence is required to identify and analyze the
 1826 factors, conditions, data, and other information that would have a significant effect on the
 1827 credibility of the assignment results.

1828 (c) **not render appraisal services in a careless or negligent manner, such as by making a**
 1829 **series of errors that, although individually might not significantly affect the results**
 1830 **of an appraisal, in the aggregate affect the credibility of those results.**

1831 ~~Comment: Perfection is impossible to attain, and competence does not require perfection.~~
 1832 ~~However, an appraiser must not render appraisal services in a careless or negligent~~
 1833 ~~manner. This Standards Rule requires an appraiser to use due diligence and due care.~~

1834 **STANDARDS RULE 9-2, Components of Development Process**

1835 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
 1836 **appraiser must:**

1837 (a) **identify the client and other intended users;**

1838 (b) **identify the intended use of the appraiser's opinions and conclusions;**

1839 ~~Comment: An appraiser must not allow the intended use of an assignment or a client's~~
 1840 ~~objectives to cause the assignment results to be biased.~~

1841 (c) **identify the standard (type) and definition of value and the premise of value;**

- 1842 (d) identify the effective date of the appraisal;
- 1843 (e) identify, from sources the appraiser reasonably believes to be reliable, the
- 1844 characteristics of the subject property that are relevant to the standard (type) and
- 1845 definition of value and intended use of the appraisal, including:
- 1846 (i) the subject business enterprise or intangible asset, if applicable;
- 1847 (ii) the interest in the business enterprise, equity, asset, or liability to be valued;
- 1848 and the attributes of the interest being appraised, including the rights and
- 1849 benefits of ownership;
- 1850 Comment: The interest to be valued may represent all ownership rights or a subset
- 1851 of those rights, such as a specific right to use the asset.
- 1852 (iii) all buy-sell and option agreements, investment letter stock restrictions,
- 1853 restrictive corporate charter or partnership agreement clauses, and similar
- 1854 features or factors that may have an influence on value;
- 1855 (iv) the extent to which the interest contains elements of ownership control; and
- 1856 Comment: The elements of control in a given situation may be affected by law,
- 1857 distribution of ownership interests, contractual relationships, and many other
- 1858 factors.
- 1859 (v) the extent to which the interest is marketable and/or liquid;
- 1860 Comment on (i)-(v): An appraiser must identify the attributes of the interest being
- 1861 appraised, including the rights and benefits of ownership.
- 1862 The information used by an appraiser to identify the property characteristics must
- 1863 be from sources the appraiser reasonably believes are reliable.
- 1864 (f) identify any extraordinary assumptions necessary in the assignment; An
- 1865 extraordinary assumption may be used in an assignment only if:
- 1866 (i) the extraordinary assumption is required to properly develop credible
- 1867 opinions and conclusions;
- 1868 (ii) the appraiser has a reasonable basis for the extraordinary assumption; and
- 1869 (iii) use of the extraordinary assumption results in a credible analysis;
- 1870 Comment: An extraordinary assumption may be used in an assignment only if:
- 1871 ● it is required to properly develop credible opinions and conclusions;
- 1872 ● the appraiser has a reasonable basis for the extraordinary assumption;
- 1873 ● use of the extraordinary assumption results in a credible analysis; and
- 1874 ● the appraiser complies with the disclosure requirements set forth in
- 1875 USPAP for extraordinary assumptions.

1876 (g) identify any hypothetical conditions necessary in the assignment; A hypothetical
 1877 condition may be used in an assignment only if:

1878 (i) use of the hypothetical condition is clearly required for legal purposes, for
 1879 purposes of reasonable analysis, or for purposes of comparison; and

1880 (ii) use of the hypothetical condition results in a credible analysis; and

1881 Comment: A hypothetical condition may be used in an assignment only if:

1882 ● ~~use of the hypothetical condition is clearly required for legal purposes, for~~
 1883 ~~purposes of reasonable analysis, or for purposes of comparison;~~

1884 ● ~~use of the hypothetical condition results in a credible analysis; and~~

1885 ● ~~the appraiser complies with the disclosure requirements set forth in~~
 1886 ~~USPAP for hypothetical conditions.~~

1887 (h) determine the scope of work necessary to produce credible assignment results in
 1888 accordance with the SCOPE OF WORK RULE.

1889 **STANDARDS RULE 9-3, Premise of Value**

1890 In developing an appraisal of an ~~equity~~ interest in a business enterprise with the ability to
 1891 cause liquidation, an appraiser must investigate the possibility that the business enterprise
 1892 may have a higher value by liquidation of all or part of the enterprise than by continued
 1893 operation as is. If liquidation of all or part of the enterprise is the indicated premise of
 1894 value, an appraisal of any real property or personal property to be liquidated may be
 1895 appropriate.

1896 Comment: This Standards Rule requires the appraiser to recognize that continued
 1897 operation of a business is not always the best premise of value because liquidation of all
 1898 or part of the enterprise may result in a higher value. However, this typically applies only
 1899 when the business ~~equity~~ interest being appraised is in a position to cause liquidation. If
 1900 liquidation of all or part of the enterprise is the appropriate premise of value, the scope of
 1901 work may include an appraisal of real property or tangible personal property. If so,
 1902 competency in real property appraisal (STANDARD 1) or tangible personal property
 1903 appraisal (STANDARD 7) is required.

1904 **STANDARDS RULE 9-4, Approaches to Value**

1905 In developing an appraisal of an interest in a business enterprise or intangible asset, an
 1906 appraiser must collect and analyze all information necessary for credible assignment
 1907 results.

1908 (a) An appraiser must develop value opinion(s) and conclusion(s) by use of one or more
 1909 approaches that are necessary for credible assignment results.

1910 (b) An appraiser must, when necessary for credible assignment results, analyze the
 1911 effect on value, if any, of:

1912 (i) the nature and history of the business enterprise or intangible asset;

1913 (ii) financial and economic conditions affecting the business enterprise or
1914 intangible asset, its industry, and the general economy;

1915 (iii) past results, current operations, and future prospects of the business
1916 enterprise;

1917 (iv) past sales of capital stock or other ownership interests in the business
1918 enterprise or intangible asset being appraised;

1919 (v) sales of capital stock or other ownership interests in similar business
1920 enterprises;

1921 (vi) prices, terms, and conditions affecting past sales of similar ownership
1922 interests in the asset being appraised or a similar asset; and

1923 (vii) economic benefit of tangible and intangible assets.

1924 Comment on (i)-(vii): This Standards Rule directs the appraiser to study the
1925 prospective and retrospective aspects of the business enterprise and to study it in
1926 terms of the economic and industry environment within which it operates.

1927 (c) An appraiser must, when necessary for credible assignment results, analyze the
1928 effect on value, if any, of buy-sell and option agreements, investment letter stock
1929 restrictions, restrictive corporate charter or partnership agreement clauses, and
1930 similar features or factors that may influence value.

1931 (d) An appraiser must, when necessary for credible assignment results, analyze the
1932 effect on value, if any, of the extent to which the interest appraised contains
1933 elements of ownership control and is marketable and/or liquid. An appraiser must
1934 analyze factors such as holding period, interim benefits, and the difficulty of
1935 marketing the subject interest.

1936 ~~Comment: An appraiser must analyze factors such as holding period, interim benefits,~~
1937 ~~and the difficulty and cost of marketing the subject interest.~~

1938 Equity interests in a business enterprise are not necessarily worth the pro rata share of the
1939 business enterprise interest value as a whole. Also, the value of the business enterprise is
1940 not necessarily a direct mathematical extension of the value of the fractional interests.
1941 The degree of control, marketability and/or liquidity or lack thereof depends on a broad
1942 variety of facts and circumstances that must be analyzed when applicable.

1943 **STANDARDS RULE 9-5, Reconciliation**

1944 **In developing an appraisal of an interest in a business enterprise or intangible asset, an**
1945 **appraiser must:**

1946 (a) reconcile the quality and quantity of data available and analyzed within the
1947 approaches, methods, and procedures used; and

1948 (b) reconcile the applicability and relevance of the approaches, methods, and
1949 procedures used to arrive at the value conclusion(s).

1950 Comment: The value conclusion is the result of the appraiser's judgment and not
1951 necessarily the result of a mathematical process.

1952 **STANDARD 10: BUSINESS APPRAISAL, REPORTING**

1953 **In reporting the results of an appraisal of an interest in a business enterprise or intangible**
 1954 **asset, an appraiser must communicate each analysis, opinion, and conclusion in a manner**
 1955 **that is not misleading.**

1956 Comment: STANDARD 10 addresses the content and level of information required in a
 1957 report that communicates the results of an appraisal of an interest in a business enterprise
 1958 or intangible asset developed under STANDARD 9.

1959 The level of detail or presentation of the appraiser's research and analysis will vary by
 1960 assignment. STANDARD 10 does not dictate the form, format or style of business
 1961 appraisal reports because these attributes are functions of the intended use and user(s) of
 1962 the appraisal. needs of intended users and appraisers. The substantive content of a report
 1963 determines its compliance.

1964 **STANDARDS RULE 10-1, Reporting Requirements**

1965 **Each written or oral appraisal report for an interest in a business enterprise or intangible**
 1966 **asset must:**

- 1967 (a) **clearly and accurately set forth the appraisal in a manner that will not be**
 1968 **misleading;**
- 1969 (b) **contain sufficient information to enable the intended user(s) to understand the**
 1970 **report properly for its intended use; and**
- 1971 (c) **clearly and accurately disclose all assumptions, extraordinary assumptions,**
 1972 **hypothetical conditions, restrictions, and limiting conditions used in the assignment.**

1973 **STANDARDS RULE 10-2, Content of a Business Appraisal Report**

1974 **Each written appraisal report for an interest in a business enterprise or intangible asset**
 1975 **~~must be prepared in accordance with one of the following options and prominently state~~**
 1976 **~~which option is used: Appraisal Report or Restricted Appraisal Report.~~ contain all of the**
 1977 **minimum reporting components listed below. The amount of information required in each**
 1978 **report is dependent on the intended use and the intended user(s) and may vary according**
 1979 **to the terms of the assignment. If there are use restrictions or other limitations, the**
 1980 **appraiser must state them accurately, clearly, and conspicuously.**

1981 Comment: When the intended users include parties other than the client, an Appraisal
 1982 Report must be provided. When the intended users do not include parties other than the
 1983 client, a Restricted Appraisal Report may be provided.

1984 The essential difference between these options is in the content and level of information
 1985 provided. The appropriate reporting option and the level of information necessary in the
 1986 report are dependent on the intended use and intended users.

1987 An appraiser must use care when characterizing the type of report and level of
 1988 information communicated upon completion of an assignment. An appraiser may use any

1989 other label in addition to, but not in place of, the label set forth in this Standard for the
1990 type of report provided.

1991 The report content and level of information requirements set forth in this Standard are
1992 minimums for ~~both types of an appraisal~~ report. An appraiser may be required to report
1993 additional information and analyses to meet contractual or other obligations.

1994 The appraiser is not required to label an appraisal report using specific terminology,
1995 provided it is clear to the intended user(s) that the document is an appraisal report. The
1996 use of other terms (e.g., analysis, consultation, evaluation, study, valuation) does not
1997 exempt an appraiser from adherence to the Uniform Standards of Professional Appraisal
1998 Practice.

1999 A party receiving a copy of an Appraisal Report or Restricted Appraisal Report does not
2000 become an intended user of the appraisal unless the appraiser identifies such party as an
2001 intended user as part of the assignment.

2002 ~~(a) The content of an appraisal report~~ **Appraisal Report must be consistent with the**
2003 **intended use of the appraisal and, at a minimum:**

2004 **(a) (i) state the identity of the client, or if the client requested anonymity, state that the**
2005 **identity is withheld at the client’s request but is retained in the appraiser’s workfile;**
2006 **unless the client has specifically requested otherwise; state the identity of any**
2007 **intended users by name or type;**

2008 Comment: An appraiser must use care when identifying the client to avoid violations of
2009 the Confidentiality section of the ETHICS RULE. If a client requests that the client’s
2010 identity be withheld from the report, the appraiser may comply with this request. In these
2011 instances, the appraiser must document the identity of the client in the workfile and must
2012 state in the report that the identity of the client has been withheld at the client’s request.

2013 Types of intended users of the report ~~might include, for example,~~ parties such as lenders,
2014 employees of government agencies, partners or family members of a client, ~~or and~~ a
2015 client’s attorney ~~or and~~ accountant.

2016 A party receiving a copy of an appraisal report does not become an intended user of the
2017 appraisal unless the appraiser identifies such party as an intended user as part of the
2018 assignment.

2019 **(b) (ii) state the intended use of the appraisal;**

2020 **(c) (iii) summarize contain information sufficient to identify the business or intangible**
2021 **asset and the interest appraised; including property characteristics relevant to the**
2022 **type and definition of value and intended use of the appraisal;**

2023 Comment: The identification information must include property characteristics relevant
2024 to the type and definition of value and intended use of the appraisal.

2025 **(d) (iv) state the extent to which the interest appraised contains elements of ownership**
2026 **control, including the basis for that determination;**

- 2027 **(e) ~~(v)~~ state the extent to which the interest appraised lacks elements of marketability**
 2028 **and/or liquidity, including the basis for that determination;**
- 2029 **(f) ~~(vi)~~state the standard (type) and definition of value and the premise of value and cite**
 2030 **the source of the definition;**
- 2031 Comment: Stating the definition of value also requires any comments needed to clearly
 2032 indicate to the intended users how the definition is being applied.
- 2033 **(g) ~~(vii)~~ state the effective date of the appraisal and the date of the report;**
- 2034 Comment: The effective date of the appraisal establishes the context for the value
 2035 opinion, while the date of the report indicates whether the perspective of the appraiser on
 2036 the market or property as of the effective date of the appraisal was prospective, current,
 2037 or retrospective.
- 2038 **(h) ~~(viii)~~ summarize the scope of work used to develop the appraisal;**
- 2039 Comment: Because intended users' reliance on an appraisal may be affected by the scope
 2040 of work, the report must enable them to be properly informed and not misled. Sufficient
 2041 information includes Summarizing the scope of work should include disclosure of
 2042 research and analyses performed and might also include disclosure of research and
 2043 analyses not performed.
- 2044 When any portion of the work involves significant business and/or intangible asset
 2045 appraisal assistance, the appraiser must summarize the extent of that assistance. The
 2046 name(s) of those providing the significant business and/or intangible asset appraisal
 2047 assistance must be stated in the certification, in accordance with Standards Rule 10-3.
- 2048 **(i) when any portion of the work involves significant business and/or intangible asset**
 2049 **appraisal assistance, summarize the extent of that assistance;**
- 2050 **(j) ~~(ix)~~ provide sufficient information to indicate that the appraiser complied with the**
 2051 **requirements of STANDARD 9 by stating or summarizing:**
- 2052 **i. the appraisal procedures followed including, as appropriate, the information**
 2053 **analyzed, the appraisal methods and techniques employed, and the reasoning**
 2054 **that supports the analyses, opinions, and conclusions;**
- 2055 **ii. the reason(s) for excluding the market approach, asset-based (cost)**
 2056 **approach, or income approach; and**
- 2057 **iii. the value opinion(s) and conclusion(s) reached with sufficient information to**
 2058 **enable the client and intended users to understand the rationale for the**
 2059 **opinions and conclusions, including reconciliation in accordance with**
 2060 **Standards Rule 9-5;**
- 2061 **summarize the information analyzed, the appraisal procedures followed, and the**
 2062 **reasoning that supports the analyses, opinions, and conclusions; exclusion of the**
 2063 **market approach, asset-based (cost) approach, or income approach must be**
 2064 **explained;**

- 2065 ~~Comment: An Appraisal Report must include sufficient information to indicate that the~~
 2066 ~~appraiser complied with the requirements of STANDARD 9. The amount of detail~~
 2067 ~~required will vary with the significance of the information to the appraisal.~~
- 2068 ~~The appraiser must provide sufficient information to enable the client and intended users~~
 2069 ~~to understand the rationale for the opinions and conclusions, including reconciliation in~~
 2070 ~~accordance with Standards Rule 9-5.~~
- 2071 ~~(k) (x) clearly and conspicuously:~~
- 2072 ~~• state all extraordinary assumptions and hypothetical conditions; and~~
 - 2073 ~~• state that their use might have affected the assignment results; and~~
- 2074 ~~(l) (xi) include a at least one signed certification in accordance with Standards Rule 10-~~
 2075 ~~3.~~
- 2076 ~~(b) The content of a Restricted Appraisal Report must be consistent with the intended~~
 2077 ~~use of the appraisal and, at a minimum:~~
- 2078 ~~(i) — state the identity of the client, unless the client has specifically requested~~
 2079 ~~otherwise; and state a prominent use restriction that limits use of the report~~
 2080 ~~to the client and warns that the rationale for how the appraiser arrived at the~~
 2081 ~~opinions and conclusions set forth in the report may not be understood~~
 2082 ~~properly without additional information in the appraiser’s workfile;~~
- 2083 ~~Comment: An appraiser must use care when identifying the client to avoid~~
 2084 ~~violations of the Confidentiality section of the ETHICS RULE. If a client requests~~
 2085 ~~that the client’s identity be withheld from the report, the appraiser may comply~~
 2086 ~~with this request. In these instances, the appraiser must document the identity of~~
 2087 ~~the client in the workfile and must state in the report that the identity of the client~~
 2088 ~~has been withheld at the client’s request.~~
- 2089 ~~The Restricted Appraisal Report is for client use only. Before entering into an~~
 2090 ~~agreement, the appraiser should establish with the client the situations where this~~
 2091 ~~type of report is to be used and should ensure that the client understands the~~
 2092 ~~restricted utility of the Restricted Appraisal Report.~~
- 2093 ~~(ii) — state the intended use of the appraisal;~~
- 2094 ~~Comment: The intended use of the appraisal must be consistent with the limitation~~
 2095 ~~on use of the Restricted Appraisal Report option in this Standards Rule (i.e. client~~
 2096 ~~use only).~~
- 2097 ~~(iii) — state information sufficient to identify the business or intangible asset and~~
 2098 ~~the interest appraised;~~
- 2099 ~~Comment: The identification information must include property characteristics~~
 2100 ~~relevant to the type and definition of value and intended use of the appraisal.~~
- 2101 ~~(iv) — state the extent to which the interest appraised contains elements of~~
 2102 ~~ownership control, including the basis for that determination;~~

2103 ~~(v) — state the extent to which the interest appraised lacks elements of~~
 2104 ~~marketability and/or liquidity, including the basis for that determination;~~

2105 ~~(vi) — state the standard (type) of value and the premise of value, and cite the~~
 2106 ~~source of its definition;~~

2107 ~~(vii) — state the effective date of the appraisal and the date of the report;~~

2108 ~~Comment: The effective date of the appraisal establishes the context for the value~~
 2109 ~~opinion, while the date of the report indicates whether the perspective of the~~
 2110 ~~appraiser on the market or property as of the effective date of the appraisal was~~
 2111 ~~prospective, current, or retrospective.~~

2112 ~~(viii) — state the scope of work used to develop the appraisal;~~

2113 ~~Comment: Because the client’s reliance on an appraisal may be affected by the~~
 2114 ~~scope of work, the report must enable them to be properly informed and not~~
 2115 ~~misled. Sufficient information includes disclosure of research and analyses~~
 2116 ~~performed and might also include disclosure of research and analyses not~~
 2117 ~~performed.~~

2118 ~~When any portion of the work involves significant business and/or intangible~~
 2119 ~~asset appraisal assistance, the appraiser must state the extent of that assistance.~~
 2120 ~~The name(s) of those providing the significant business and/or intangible asset~~
 2121 ~~appraisal assistance must be stated in the certification, in accordance with~~
 2122 ~~Standards Rule 10-3.~~

2123 ~~(ix) — state the appraisal procedures followed, state the value opinion(s) and~~
 2124 ~~conclusion(s) reached, and reference the workfile; exclusion of the market~~
 2125 ~~approach, asset-based (cost) approach, or income approach must be~~
 2126 ~~explained;~~

2127 ~~Comment: An appraiser must maintain a specific, coherent workfile in support of~~
 2128 ~~a Restricted Appraisal Report. The contents of the workfile must include~~
 2129 ~~sufficient information to indicate that the appraiser complied with the~~
 2130 ~~requirements of STANDARD 9 and for the appraiser to produce an Appraisal~~
 2131 ~~Report.~~

2132 ~~(x) — clearly and conspicuously:~~

2133 ~~• state all extraordinary assumptions and hypothetical conditions; and~~

2134 ~~• state that their use might have affected the assignment results; and~~

2135 ~~(xi) — include a signed certification in accordance with Standards Rule 10-3.~~

2136 **STANDARDS RULE 10-3, Certification**

2137 **Each written appraisal report for an interest in a business enterprise or intangible asset**
 2138 **must contain a at least one signed certification. The wording of a certification does not have**
 2139 **to match the following verbatim, but each of the elements must be included that is similar**
 2140 **in content to the following form:**

- 2141 **I certify that, to the best of my knowledge and belief:**
- 2142 — **the statements of fact contained in this report are true and correct.**
- 2143 — **the reported analyses, opinions, and conclusions are limited only by the reported**
- 2144 **assumptions and limiting conditions and are my personal, impartial, and unbiased**
- 2145 **professional analyses, opinions, and conclusions.**
- 2146 — **I have no (or the specified) present or prospective interest in the property that is the**
- 2147 **subject of this report, and I have no (or the specified) personal interest with respect**
- 2148 **to the parties involved.**
- 2149 — **I have performed no (or the specified) services, as an appraiser or in any other**
- 2150 **capacity, regarding the property that is the subject of this report within the three-**
- 2151 **year period immediately preceding the agreement to perform ~~acceptance of~~ this**
- 2152 **assignment.**
- 2153 — **I have no bias with respect to the property that is the subject of this report or to the**
- 2154 **parties involved with this assignment.**
- 2155 — **my engagement in this assignment was not contingent upon developing or reporting**
- 2156 **predetermined results.**
- 2157 — **my compensation for completing this assignment is not contingent upon the**
- 2158 **development or reporting of a predetermined value or direction in value that favors**
- 2159 **the cause of the client, the amount of the value opinion, the attainment of a**
- 2160 **stipulated result, or the occurrence of a subsequent event directly related to the**
- 2161 **intended use of this appraisal.**
- 2162 — **my analyses, opinions, and conclusions were developed, and this report has been**
- 2163 **prepared, in conformity with the Uniform Standards of Professional Appraisal**
- 2164 **Practice.**
- 2165 — **no one provided significant business and/or intangible asset appraisal assistance to**
- 2166 **the person signing this certification. (If there are exceptions, the name of each**
- 2167 **individual providing significant business and/ or intangible asset appraisal**
- 2168 **assistance must be stated.)**
- 2169 Comment: ~~A signed certification is an integral part of the appraisal report. An appraiser~~
- 2170 ~~who signs any part of the appraisal report, including a letter of transmittal, must also sign~~
- 2171 ~~this certification.~~
- 2172 In an assignment that includes only assignment results developed by the business and/or
- 2173 intangible asset appraiser(s), any appraiser(s) who signs a certification accepts full
- 2174 responsibility for all elements of the certification, for the assignment results, and for the
- 2175 contents of the appraisal report. In an assignment that includes real property or personal
- 2176 property assignment results not developed by the business and/or intangible asset
- 2177 appraiser(s), any business and/or intangible asset appraiser(s) who signs a certification
- 2178 accepts full responsibility for the business and/or intangible asset elements of the

2179	certification, for the business and/or intangible asset assignment results, and for the
2180	business and/or intangible asset contents of the appraisal report.
2181	When a signing appraiser(s) has relied on work done by appraisers and others who do not
2182	sign the certification, the signing appraiser is responsible for the decision to rely on their
2183	work. The signing appraiser(s) is required to have a reasonable basis for believing that
2184	those individuals performing the work are competent. The signing appraiser(s) also must
2185	have no reason to doubt that the work of those individuals is credible.
2186	<u>Although the certification must contain the names of individuals providing significant</u>
2187	<u>business or intangible asset appraisal assistance, it is not required that a summary of the</u>
2188	<u>extent of their assistance be located in the certification. In accordance with Standards</u>
2189	<u>Rule 10-2(i), this required summary may be in any part of the report.</u>
2190	The names of individuals providing significant business and/or intangible asset appraisal
2191	assistance who do not sign a certification must be stated in the certification. It is not
2192	required that the description of their assistance be contained in the certification but
2193	disclosure of their assistance is required in accordance with Standards Rule 10-2(a)(vii)
2194	or 10-2(b)(vii), as applicable.
2195	<u>STANDARDS RULE 10-4, Oral Appraisal Report</u>
2196	To the extent that it is both possible and appropriate, an oral appraisal report for an
2197	interest in a business enterprise or intangible asset must address the substantive matters set
2198	forth in Standards Rule 10-2(a).
2199	<u>Comment: See the RECORD KEEPING RULE for corresponding requirements.</u>

Section 2: SCOPE OF WORK RULE**RATIONALE**

In the First Exposure Draft, the ASB proposed changes to the SCOPE OF WORK RULE which would remove references to disclosure obligations under this RULE.

The ASB reviewed the feedback received during the comment period and examined disclosure requirements contained within several other RULES in USPAP as well as references to the scope of work disclosure requirements within STANDARDS 2, 4, 6, 8 and 10.

Within this Second Exposure Draft, rather than eliminating the disclosure obligations from the SCOPE OF WORK RULE, the ASB proposes adding language to the Disclosure Obligations section of the SCOPE OF WORK RULE to clarify the nature, form and format of disclosure. Furthermore, the ASB seeks to incorporate elements of guidance regarding the scope of work disclosure into the SCOPE OF WORK RULE to aid in enforceability and understanding of the appraiser's obligations.

2200 **SCOPE OF WORK RULE**

2201 **For each appraisal and appraisal review assignment, an appraiser must:**

2202 **1. identify the problem to be solved;**

2203 **2. determine and perform the scope of work necessary to develop credible assignment**
2204 **results; and**

2205 **3. disclose the scope of work in the report.**

2206 **An appraiser must properly identify the problem to be solved in order to determine the**
2207 **appropriate scope of work. The appraiser must be prepared to demonstrate that the scope**
2208 **of work is sufficient to produce credible assignment results.**

2209 Comment: Scope of work includes, but is not limited to:

- 2210 • the extent to which the property is identified;
- 2211 • the extent to which tangible property is inspected;
- 2212 • the type and extent of data researched; and
- 2213 • the type and extent of analyses applied to arrive at opinions or conclusions.

2214 Appraisers have broad flexibility and significant responsibility in determining the
2215 appropriate scope of work for an appraisal or appraisal review assignment.

2216 Credible assignment results require support by relevant evidence and logic. The
2217 credibility of assignment results is always measured in the context of the intended use.

2218 **PROBLEM IDENTIFICATION**

2219 **An appraiser must gather and analyze information about those assignment elements that**
2220 **are necessary to properly identify the appraisal or appraisal review problem to be solved.**

2221 Comment: The assignment elements necessary for problem identification are addressed in
2222 the applicable Standards Rules (i.e., SR 1-2, SR 3-2, SR 5-2, SR 7-2, and SR 9-2). In an
2223 appraisal assignment, for example, identification of the problem to be solved requires the
2224 appraiser to identify the following assignment elements:

- 2225 • client and any other intended users;
- 2226 • intended use of the appraiser's opinions and conclusions;
- 2227 • type and definition of value;
- 2228 • effective date of the appraiser's opinions and conclusions;
- 2229 • subject of the assignment and its relevant characteristics; and
- 2230 • assignment conditions.

2231 This information provides the appraiser with the basis for determining the type and extent
2232 of research and analyses to include in the development of an appraisal. Similar
2233 information is necessary for problem identification in appraisal review assignments.

2234 Communication with the client is required to establish most of the information necessary
2235 for problem identification. However, the identification of relevant characteristics is a
2236 judgment made by the appraiser that requires competency in this type of assignment.

2237 Assignment conditions include assumptions, extraordinary assumptions, hypothetical
 2238 conditions, laws and regulations, jurisdictional exceptions, and other conditions that
 2239 affect the scope of work. Laws include constitutions, legislative and court-made law,
 2240 administrative rules, and ordinances. Regulations include rules or orders, having legal
 2241 force, issued by an administrative agency.

2242 **SCOPE OF WORK ACCEPTABILITY**

2243 **The scope of work must include the research and analyses that are necessary to develop**
 2244 **credible assignment results.**

2245 Comment: The scope of work is acceptable when it meets or exceeds:

- 2246 • the expectations of parties who are regularly intended users for similar assignments;
 2247 and
- 2248 • what an appraiser’s peers’ actions would be in performing the same or a similar
 2249 assignment.

2250 Determining the scope of work is an ongoing process in an assignment. Information or
 2251 conditions discovered during the course of an assignment might cause the appraiser to
 2252 reconsider the scope of work.

2253 An appraiser must be prepared to support the decision to exclude any investigation,
 2254 information, method, or technique that would appear relevant to the client, another
 2255 intended user, or the appraiser’s peers.

2256 **An appraiser must not allow assignment conditions to limit the scope of work to such a**
 2257 **degree that the assignment results are not credible in the context of the intended use.**

2258 Comment: If relevant information is not available because of assignment conditions that
 2259 limit research opportunities (such as conditions that place limitations on inspection or
 2260 information gathering), an appraiser must withdraw from the assignment unless the
 2261 appraiser can:

- 2262 • modify the assignment conditions to expand the scope of work to include gathering
 2263 the information; or
- 2264 • use an extraordinary assumption about such information, if credible assignment
 2265 results can still be developed.

2266 **An appraiser must not allow the intended use of an assignment or a client’s objectives to**
 2267 **cause the assignment results to be biased.**

2268 **DISCLOSURE OBLIGATIONS**

2269 **The report must contain sufficient information to allow the client and other intended users**
 2270 **to understand the scope of work performed. The amount of information disclosed may**
 2271 **vary, but must be appropriate for the intended use of the assignment results.**

2272	<u>Comment:</u> Proper disclosure is required because clients and other intended users rely on the assignment results. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.
2273	
2274	
2275	<u>The appraiser has broad flexibility and significant responsibility as to both the level of detail and manner of the disclosure of the scope of work in the appraisal report or appraisal review report. The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.</u>
2276	
2277	
2278	
2279	
2280	

Section 3: COMPETENCY RULE**RATIONALE:**

This Exposure Draft proposes to move the following important Comment out of Standards Rules 1-1, 3-1, 5-1, 7-1, and 9-1 and place it into the COMPETENCY RULE:

“Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.”

There are two reasons for this proposal: (1) in general, the ASB is proposing to move requirements out of Comments and place them directly into Standards Rules where possible; and (2) this particular Comment currently appears only in the development Standards Rules, but it has been pointed out that it is also applicable to reporting. The proposal in this Second Exposure Draft inserts an edited version of the above noted Comment into the COMPETENCY RULE since the Rule applies not only to development but also to reporting in all disciplines.

2281 **COMPETENCY RULE**

2282 **An appraiser must: (1) be competent to perform the assignment; (2) acquire the necessary**
 2283 **competency to perform the assignment; or (3) decline or withdraw from the assignment. In**
 2284 **all cases, the appraiser must perform competently when completing the assignment.**
 2285 **Perfection is impossible to attain. However, competence requires an appraiser to exercise**
 2286 **due diligence and due care.**

2287 **BEING COMPETENT**

2288 **An appraiser must determine, prior to agreeing to perform an assignment, that he or she**
 2289 **can perform the assignment competently. Competency requires:**

- 2290 **1. the ability to properly identify the problem to be addressed;**
 2291 **2. the knowledge and experience to complete the assignment competently; and**
 2292 **3. recognition of, and compliance with, laws and regulations that apply to the**
 2293 **appraiser or to the assignment.**

Comment: Competency may apply to factors such as, but not limited to, an appraiser’s familiarity with a specific type of property or asset, a market, a geographic area, an intended use, specific laws and regulations, or an analytical method. If such a factor is necessary for an appraiser to develop credible assignment results, the appraiser is responsible for having the competency to address that factor or for following the steps outlined below to satisfy this COMPETENCY RULE.

For assignments with retrospective opinions and conclusions, the appraiser must meet the requirements of this COMPETENCY RULE at the time the assignment is performed, rather than the effective date.

2294 **ACQUIRING COMPETENCY**

2295 **If an appraiser determines he or she is not competent prior to ~~accepting~~ agreeing to**
 2296 **perform an assignment, the appraiser must:**

- 2297 **1. disclose the lack of knowledge and/or experience to the client before ~~accepting~~**
 2298 **agreeing to perform the assignment;**
 2299 **2. take all steps necessary or appropriate to complete the assignment competently; and**
 2300 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
 2301 **to complete the assignment competently.**

Comment: Competency can be acquired in various ways, including, but not limited to, personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge and/or experience, or retention of others who possess the necessary knowledge and/or experience.

In an assignment where geographic competency is necessary, an appraiser who is not familiar with the relevant market characteristics must acquire an understanding necessary to produce credible assignment results for the specific property type and market involved.

- 2302 **When facts or conditions are discovered during the course of an assignment that cause an**
2303 **appraiser to determine, at that time, that he or she lacks the required knowledge and**
2304 **experience to complete the assignment competently, the appraiser must:**
- 2305 **1. notify the client;**
 - 2306 **2. take all steps necessary or appropriate to complete the assignment competently; and**
 - 2307 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
2308 **to complete the assignment competently.**
- 2309 **LACK OF COMPETENCY**
- 2310 **If the assignment cannot be completed competently, the appraiser must decline or withdraw**
2311 **from the assignment.**

Section 4: DEFINITIONS**RATIONALE:**

Based upon responses received from the First Exposure Draft, the ASB is proposing some modifications and additions to the DEFINITIONS in order to help readers better understand USPAP. This exposure draft proposes to include USPAP terms that differ from or are not found in popular English dictionaries and also, in a few instances, to indicate which popular dictionary definition is meant to be used if there are multiple definitions

This Second Exposure Draft includes the terms defined in the First Exposure Draft plus proposed additional definitions for AT THE TIME OF THE ASSIGNMENT, DATE OF REPORT, ENGAGEMENT, and MISLEADING in response to comments received.

The ASB has continued to receive feedback and questions regarding the phrase “at the time of the assignment.” The Board is proposing a DEFINITION to clarify that it encompasses, in its entirety, the period immediately prior to the appraiser’s agreement to perform an assignment all the way through its completion.

The issue requiring clarification is what happens when a key assignment element changes after an appraiser has agreed to perform an assignment? There are elements of the assignment which are typically and logically established at the beginning of the process (e.g., the subject of the appraisal, the intended use and users, the type of value, any assignment conditions, etc.) so the appraiser can understand the problem to be solved and begin to formulate an initial scope of work, so the business terms (fee and timeframe) of the engagement can be established. Once the appraiser has agreed to perform the assignment, assignment conditions can and often do evolve. This may result in revisions of the subject property, changes to the intended use/user(s), etc. that have an impact upon the appraiser’s scope of work (and the business terms of the engagement).

Technically, the change is occurring “at the time of the assignment.” However, at some point, the appraiser must consider whether the extent of the development process and report content initially planned are still appropriate. In some instances, the appraiser may need to treat any further changes as a new assignment.

Therefore, by proposing a definition for “at the time of the assignment” the ASB is clarifying only the precise time period this phrase covers, and is not attempting to address instances related to changes in assignment elements, which are a separate appraisal issue.

Several of the definitions in the First Exposure Draft have been modified in this Second Exposure Draft, also in response to comments. These revised definitions are: EFFECTIVE DATE, INSPECTION, MARKET VALUE, STATE and SUMMARIZE.

Some comments requested an explanation for the inclusion of “intangible” in the DEFINITION of PERSONAL PROPERTY in the First Exposure Draft. This modification was and is continuing to be proposed because certain categories of personal property are not tangible. Some examples of these include rights to choreography or installation art. Other examples include personal property that, increasingly, is being created and stored electronically, such as emails or designs for digital tokens.

2312 **DEFINITIONS**

2313 Defined terms are intended to clarify the meaning of words or phrases in USPAP that either
 2314 differ from or are not found in popular English dictionaries and also, in a few instances, to
 2315 indicate which popular dictionary definition is meant to be used if there are multiple definitions.

2316

2317 For the purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP), the
 2318 following definitions apply:

2319

2320 **AT THE TIME OF THE ASSIGNMENT:** the time period which begins immediately prior to
 2321 agreeing to perform the assignment and ends with the completion of the assignment.

2322

2323 **APPRAISAL:** (noun) the act or process of developing an opinion of value; an opinion of value,
 2324 which is numerically expressed as a specific amount, as a range of numbers, or as a relationship
 2325 (e.g., not more than, not less than); (adjective) of or pertaining to appraising and related
 2326 functions such as appraisal practice or appraisal services.

2327 ~~Comment: An appraisal must be numerically expressed as a specific amount, as a range~~
 2328 ~~of numbers, or as a relationship (e.g., not more than, not less than) to a previous value~~
 2329 ~~opinion or numerical benchmark (e.g., assessed value, collateral value).~~

2330

2331 **APPRAISAL PRACTICE:** valuation services performed by an individual acting as an
 2332 appraiser, including but not limited to appraisal and appraisal review.

2333 ~~Comment: Appraisal practice is provided only by appraisers, while valuation services are~~
 2334 ~~provided by a variety of professionals and others. The terms appraisal and appraisal~~
 2335 ~~review are intentionally generic and are not mutually exclusive. For example, an opinion~~
 2336 ~~of value may be required as part of an appraisal review assignment. The use of other~~
 2337 ~~nomenclature for an appraisal or appraisal review assignment (e.g., analysis, counseling,~~
 2338 ~~evaluation, study, submission, or valuation) does not exempt an appraiser from adherence~~
 2339 ~~to the Uniform Standards of Professional Appraisal Practice.~~

2340

2341 **APPRAISAL REVIEW:** (noun) the act or process of developing an opinion about the quality of
 2342 another appraiser's work (i.e., a report, part of a report, a workfile, or some combination of
 2343 these), that was performed as part of an appraisal or appraisal review assignment; (adjective) of
 2344 or pertaining to an opinion about the quality of another appraiser's work that was performed as
 2345 part of an appraisal or appraisal review assignment.

2346 ~~Comment: The subject of an appraisal review assignment may be all or part of a report,~~
 2347 ~~workfile, or a combination of these.~~

2348

2349 **APPRAISER:** one who is expected to perform valuation services competently and in a manner
 2350 that is independent, impartial, and objective.

2351 ~~Comment: Such expectation occurs when individuals, either by choice or by requirement~~
 2352 ~~placed upon them or upon the service they provide by law, regulation, or agreement with~~
 2353 ~~the client or intended users, represent that they comply.~~

2354

2355 **APPRAISER’S PEERS:** other appraisers who have expertise and competency in a similar type
 2356 of assignment.

2357

2358 **ASSIGNMENT:** a valuation service that is provided by an appraiser as a consequence of an
 2359 agreement with a client.

2360

2361 **ASSIGNMENT CONDITIONS:** Assumptions, extraordinary assumptions, hypothetical
 2362 conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the
 2363 scope of work.

2364 ~~Comment: Laws include constitutions, legislative and court made law, administrative~~
 2365 ~~rules, and ordinances. Regulations include rules or orders, having legal force, issued by~~
 2366 ~~an administrative agency.~~

2367

2368 **ASSIGNMENT ELEMENTS:** The categories of information needed to identify the appraisal or
 2369 appraisal review problem: client and any other intended users; intended use of the appraiser’s
 2370 opinions and conclusions; type and definition of value; effective date of the appraiser’s opinions
 2371 and conclusions; subject of the assignment and its relevant characteristics; and assignment
 2372 conditions.

2373

2374 **ASSIGNMENT RESULTS:** An appraiser’s opinions or conclusions, not limited to value and
 2375 not limited to an opinion about the quality of another appraiser’s work, developed specific to an
 2376 appraisal assignment, appraisal review assignment, or other valuation services. Physical
 2377 characteristics are not assignment results.

2378

2379 ~~Comment: Assignment results include an appraiser’s:~~
 2380 ~~• opinions or conclusions developed in an appraisal assignment, not limited to value;~~
 2381 ~~• opinions or conclusions, developed in an appraisal review assignment, not limited to an~~
 2382 ~~opinion about the quality of another appraiser’s work; or~~
 2383 ~~• opinions or conclusions developed when performing a valuation service other than an~~
 2384 ~~appraisal or appraisal review assignment.~~

2385 **BIAS:** a preference or inclination that precludes an appraiser's impartiality, independence, or
 2386 objectivity in an assignment.

2387

2388 **BUSINESS ENTERPRISE:** an entity pursuing an economic activity.

2389

2390 **BUSINESS EQUITY:** the interests, benefits, and rights inherent in the ownership of a business
 2391 enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock,
 2392 partnership interests, cooperatives, sole proprietorships, options, and warrants).

2393

2394 **CLIENT:** the party or parties (i.e., individual, group, or entity) who engage, ~~by employment or~~
 2395 ~~contract,~~ an appraiser by employment or contract in a specific assignment, whether directly or
 2396 through an agent.

2397 Comment: ~~The client may be an individual, group, or entity, and may engage and~~
 2398 ~~communicate with the appraiser directly or through an agent.~~

2399

2400 **CONFIDENTIAL INFORMATION:** information that is either: identified by the client as
 2401 confidential when providing it to an appraiser and that is not available from any other source or
 2402 classified as confidential or private by applicable law or regulation.

2403

2404 ~~• identified by the client as confidential when providing it to an appraiser and that is not~~
 2405 ~~available from any other source; or~~

2406 ~~• classified as confidential or private by applicable law or regulation~~

2407

2408 **COST:** the fact or estimate of the amount required to create, produce, or obtain a property.

2409 Comment: ~~Cost is either a fact or an estimate of fact.~~

2410

2411 **CREDIBLE:** worthy of belief, as supported by relevant evidence and logic, to the degree
 2412 necessary for the intended use.

2413 Comment: ~~Credible assignment results require support, by relevant evidence and logic, to~~
 2414 ~~the degree necessary for the intended use.~~

2415

2416 **DATE OF REPORT:** the date the report is ready for transmission to the client.

2417

2418 **EFFECTIVE DATE:** the date upon which an appraiser's analyses, opinions, and conclusions
 2419 apply. This is also referred to as **date of value.**

2420 **ENGAGEMENT:** a contract or agreement to perform an appraisal or appraisal review
 2421 assignment.

2422

2423 **EXPOSURE TIME:** ~~estimated an opinion, based on supporting market data,~~ of the length of
 2424 time that the property interest being appraised would have been offered on the market prior to the
 2425 hypothetical consummation of a sale at market value on the effective date of the appraisal.

2426 ~~Comment: Exposure time is a retrospective opinion based on an analysis of past events~~
 2427 ~~assuming a competitive and open market.~~

2428

2429 **EXTRAORDINARY ASSUMPTION:** an assignment-specific assumption as of the effective
 2430 date regarding uncertain information used in an analysis which, if found to be false, could alter
 2431 the appraiser’s opinions or conclusions. Uncertain information might include physical, legal, or
 2432 economic characteristics of the subject property; or conditions external to the property, such as
 2433 market conditions or trends; or the integrity of data used in an analysis.

2434 ~~Comment: Uncertain information might include physical, legal, or economic~~
 2435 ~~characteristics of the subject property; or conditions external to the property, such as~~
 2436 ~~market conditions or trends; or the integrity of data used in an analysis.~~

2437

2438 **FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavor.

2439

2440 **HYPOTHETICAL CONDITION:** a condition, directly related to a specific assignment, which
 2441 is contrary to what is known by the appraiser to exist on the effective date of the assignment
 2442 results, but is used for the purpose of analysis. Hypothetical conditions are contrary to known
 2443 facts about physical, legal, or economic characteristics of the subject property; or about
 2444 conditions external to the property, such as market conditions or trends; or about the integrity of
 2445 data used in an analysis.

2446 ~~Comment: Hypothetical conditions are contrary to known facts about physical, legal, or~~
 2447 ~~economic characteristics of the subject property; or about conditions external to the~~
 2448 ~~property, such as market conditions or trends; or about the integrity of data used in an~~
 2449 ~~analysis.~~

2450

2451 **INSPECTION:** an in-person, physical observation or viewing. Except for appraisals of gems &
 2452 jewelry, for example, where the use of specialized equipment is the norm, an appraiser’s
 2453 inspection commonly is limited to those things readily observable without the use of special
 2454 testing or equipment. An appraisal inspection is not the equivalent of an inspection by an
 2455 inspection professional (e.g., a structural engineer, home inspector, or art conservator).

2456

2457 **INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** nonphysical assets, including but not
 2458 limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts
 2459 as distinguished from physical assets such as facilities and equipment.

2460

2461 **INTENDED USE:** the use(s) of an appraiser's reported appraisal or appraisal review assignment
 2462 results, as identified by the appraiser based on communication with the client at the time of the
 2463 assignment.

2464

2465 **INTENDED USER:** the client and any other party as identified, by name or type, as users of the
 2466 appraisal or appraisal review report by the appraiser, based on communication with the client at
 2467 the time of the assignment.

2468

2469 **JURISDICTIONAL EXCEPTION:** an assignment condition established by applicable law or
 2470 regulation, which precludes an appraiser from complying with a part of USPAP.

2471

2472 **MARKET VALUE:** a type of value, stated as an opinion, that presumes the transfer of a
 2473 property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific
 2474 conditions set forth in the value definition of the term that is identified by the appraiser as
 2475 applicable in an appraisal.

2476 ~~Comment: Forming an opinion of market value is the purpose of many real property~~
 2477 ~~appraisal assignments, particularly when the client's intended use includes more than one~~
 2478 ~~intended user. The conditions included in market value definitions establish market~~
 2479 ~~perspectives for development of the opinion. These conditions may vary from definition~~
 2480 ~~to definition but generally fall into three categories:~~

2481 ~~1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);~~

2482 ~~2. the terms of sale (e.g., cash, cash equivalent, or other terms); and~~

2483 ~~3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time~~
 2484 ~~prior to sale).~~

2485 ~~Appraisers are cautioned to identify the exact definition of market value, and its~~
 2486 ~~authority, applicable in each appraisal completed for the purpose of market value.~~

2487

2488 **MASS APPRAISAL:** The process of valuing a universe of properties as of a given date using
 2489 standard methodology, employing common data, and allowing for statistical testing.

2490

2491 **MASS APPRAISAL MODEL:** A mathematical expression of how supply and demand factors
 2492 interact in a market.

2493	<u>MISLEADING:</u> <u>Misrepresenting facts or assignment results, regardless of whether it is done</u>
2494	<u>intentionally or is the result of omission or negligence by the appraiser.</u>
2495	
2496	<u>PERSONAL PROPERTY:</u> identifiable tangible objects that are considered by the general
2497	public as being “personal”— for example, furnishings, artwork, antiques, gems and jewelry,
2498	collectibles, machinery and equipment; all tangible property that is not classified as real estate.
2499	<u>Any tangible or intangible article that is subject to ownership and not classified as real property;</u>
2500	<u>usually refers to identifiable tangible objects that are considered by the general public as being</u>
2501	<u>“personal” - for example, furnishings, artwork, antiques, gems and jewelry, collectibles,</u>
2502	<u>machinery and equipment.</u>
2503	
2504	<u>PHYSICAL CHARACTERISTICS:</u> <u>attributes of a property that are observable or measurable</u>
2505	<u>as a matter of fact, as opposed to opinions and conclusions, which are the result of some level of</u>
2506	<u>analysis or judgment.</u>
2507	
2508	<u>PRICE:</u> <u>the amount asked, offered, or paid for a property. This amount is a fact, whether or not</u>
2509	<u>it is publicly disclosed. Because of the financial capabilities, motivations, or special interests of a</u>
2510	<u>given buyer or seller, the price paid for a property may or may not have any relation to the value</u>
2511	<u>that might be ascribed to that property by others.</u>
2512	<u>Comment: Once stated, price is a fact, whether it is publicly disclosed or retained in</u>
2513	<u>private. Because of the financial capabilities, motivations, or special interests of a given</u>
2514	<u>buyer or seller, the price paid for a property may or may not have any relation to the</u>
2515	<u>value that might be ascribed to that property by others.</u>
2516	
2517	<u>REAL ESTATE:</u> <u>an identified parcel or tract of land, including improvements, if any.</u>
2518	
2519	<u>REAL PROPERTY:</u> <u>the interests, benefits, and rights inherent in the ownership of real estate.</u>
2520	<u>Comment: In some jurisdictions, the terms real estate and real property have the same</u>
2521	<u>legal meaning. The separate definitions recognize the traditional distinction between the</u>
2522	<u>two concepts in appraisal theory.</u>
2523	
2524	<u>RELEVANT CHARACTERISTICS:</u> <u>features, including legal, economic, and physical</u>
2525	<u>characteristics that impact a property’s value or marketability.</u>
2526	
2527	<u>REPORT:</u> <u>any communication, written or oral, of an appraisal or appraisal review that is</u>
2528	<u>transmitted to the client or a party authorized by the client upon completion of an assignment.</u>

2529 **SCOPE OF WORK:** the type and extent of research and analyses in an appraisal or appraisal
 2530 review assignment.
 2531

2532 **SIGNATURE:** personalized evidence indicating authentication of the work performed by the
 2533 appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in
 2534 the report.
 2535

2536 **SIGNIFICANT APPRAISAL ASSISTANCE:** appraisal-related help, provided by another
 2537 appraiser, that is substantial enough to have affected the development of the assignment results.
 2538

2539 **STATE:** to declare or assert with only a minimal presentation of information in a report.
 2540

2541 **SUMMARIZE:** to provide a synopsis including the key points in a report.
 2542

2543 **VALUATION SERVICES:** general category that includes all services pertaining to aspects of
 2544 property value: irrespective of the type of service and whether it is performed by appraisers or by
 2545 others.

2546 Comment: Valuation services pertain to all aspects of property value and include services
 2547 performed both by appraisers and by others.
 2548

2549 **VALUE:** the monetary relationship between properties and those who buy, sell, or use those
 2550 properties, expressed as an opinion of the worth of a property at a given time in accordance with
 2551 a specific definition of value. Value is qualified based on the applicable definition, e.g., market
 2552 value, liquidation value, or investment value.

2553 Comment: Value expresses an economic concept. As such, it is never a fact but always an
 2554 opinion of the worth of a property at a given time in accordance with a specific definition
 2555 of value. In appraisal practice, value must always be qualified—for example, market
 2556 value, liquidation value, or investment value.
 2557

2558 **WORKFILE:** ~~documentation necessary to support an appraiser’s analyses, opinions, and~~
 2559 ~~conclusions.~~ data, information, and documentation necessary to support the appraiser’s opinions
 2560 and conclusions and to show compliance with USPAP.

Section 5: Other edits to improve clarity and enforceability of USPAP**RATIONALE****Proposed Edit #1: “ACCEPT AN ASSIGNMENT”**

According to the 2018-19 DEFINITIONS an *assignment* now refers solely to an appraiser “providing” a valuation service. Previously, the term *assignment* also included a second meaning that referred to an order, contract or engagement agreement that an appraiser could “accept.”

However, given the new definition (2018-19 USPAP) of *assignment*, an appraiser now can only “perform” or “complete” a valuation service (as it is not possible to *accept* a valuation service). Therefore, the ASB is proposing to reword the legacy phrase “accept an assignment”. In the first exposure draft, the ASB proposed the phrase “agree to complete an assignment”. Feedback received during the exposure period, however, noted that while agreeing to perform an assignment is always within the appraisers’ control, *completion* of the assignment is not. Therefore, this second exposure draft now refines the phrase from “agree to complete an assignment” to “agree to perform an assignment”.

While current appraisers understand the legacy phrase “accept an assignment”, it may sound awkward and be unclear for non-appraisers and future readers. Therefore, the contemplated minor revisions are intended to remove ambiguity and help make USPAP simpler to read.

Thus, since there are several instances where the phrase “accept an assignment” (or similar language) appears in USPAP, the following excerpts reflect edits to the affected Rules and Standards Rules. If the change is adopted, similar edits would be made to Advisory Opinions and FAQs for consistency.

Proposed Edit #2: “AT THE TIME OF THE ASSIGNMENT”

The ASB also received feedback surrounding the phrase “at the time of the assignment.” As such, the Board proposes defining this phrase to clarify that this phrase encompasses, in its entirety, the period immediately prior to acceptance of the agreement to perform the assignment and through completion of the assignment.

Proposed Edit #3: “INTANGIBLE ITEMS”

As noted in the first exposure draft, the ASB has received feedback that the use of the term “intangible items” in several STANDARDS RULES is inconsistent with the term “intangible assets” as used in STANDARDS RULES 9 and 10, the Business Appraisal Standards. Thus the ASB proposes to continue this change in the Second Exposure Draft for consistency.

COMPETENCY RULE (lines 316-321)

ACQUIRING COMPETENCY

2561 **If an appraiser determines he or she is not competent prior to ~~accepting~~ agreeing to perform**
 2562 **an assignment, the appraiser must:**

- 2563 **1. disclose the lack of knowledge and/or experience to the client before ~~accepting~~**
 2564 **agreeing to perform the assignment;**
- 2565 **2. take all steps necessary or appropriate to complete the assignment competently; and**
- 2566 **3. describe, in the report, the lack of knowledge and/or experience and the steps taken**
 2567 **to complete the assignment competently.**

ETHICS RULE

CONDUCT (lines 190- 193)

2568 **An appraiser:**

- 2569 • **must not perform an assignment with bias;**
- 2570 • **must not advocate the cause or interest of any party or issue;**
- 2571 • **must not agree to perform ~~accept~~ an assignment that includes the reporting of**
 2572 **predetermined opinions and conclusions;**

(lines 210-220)

2573 **If known prior to agreeing to perform ~~accepting~~ an assignment, and/or if discovered at any**
 2574 **time during the assignment, an appraiser must disclose to the client, and in each subsequent**
 2575 **report certification:**

- 2576 • **any current or prospective interest in the subject property or parties involved; and**
- 2577 • **any services regarding the subject property performed by the appraiser, as an**
 2578 **appraiser or in any other capacity, within the three-year period immediately**
 2579 **preceding the agreement to perform ~~acceptance~~ of the assignment, ~~as an appraiser or~~**
 2580 **~~in any other capacity.~~**

2581 Comment: Disclosing the fact that the appraiser has previously appraised the property is
 2582 permitted except in the case when an appraiser has agreed with the client to keep the mere
 2583 occurrence of a prior assignment confidential. If an appraiser has agreed with a client not
 2584 to disclose that he or she has appraised a property, the appraiser must decline all subsequent
 2585 agreements to perform assignments that fall within the three-year period.

2586 In assignments in which there is no appraisal or appraisal review report, only the initial
 2587 disclosure to the client is required.

MANAGEMENT (lines 228-235)

2588 **An appraiser must not ~~accept~~ agree to perform an assignment, or have a compensation**
 2589 **arrangement for an assignment, that is contingent on any of the following:**

- 2590 1. the reporting of a predetermined result (e.g., opinion of value);
 2591 2. a direction in assignment results that favors the cause of the client;
 2592 3. the amount of a value opinion;
 2593 4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced);
 2594 or
 2595 5. the occurrence of a subsequent event directly related to the appraiser’s opinions and
 2596 specific to the assignment’s purpose.

CERTIFICATIONS in SR 2-3, SR 4-3, SR 6-3, SR 8-3, SR 10-3 (lines 739, 996, 1343, 1709, 2003)

2597 I have performed no (or the specified) services, as an appraiser or in any other capacity,
 2598 regarding the property that is the subject of this report within the three-year period
 2599 immediately preceding the agreement to perform ~~acceptance of~~ this assignment.

2600 **Standards Rule 1-2 (e)**

- 2601 iii. any personal property, trade fixtures, or intangible assets ~~items~~ that are not real
 2602 property but are included in the appraisal;

2603 **Standards Rule 1-4**

- 2604 (g) When personal property, trade fixtures, or intangible assets ~~items~~ are included in the
 2605 appraisal, the appraiser must analyze the effect on value of such non-real property items.

2606 Comment: When the scope of work includes an appraisal of personal property, trade
 2607 fixtures or intangible assets ~~items~~, competency in personal property appraisal (see
 2608 STANDARD 7) or business appraisal (see STANDARD 9) is required.

2609 **Standards Rule 7-2(e)**

- 2610 (vi) any real property or intangible assets ~~items~~ that are not personal property but which are
 2611 included in the appraisal;

2612 **Standards Rule 7-4**

- 2613 (h) When real property or intangible assets ~~items~~ are included in the appraisal, the appraiser
 2614 must analyze the effect on value of such non-personal property assets ~~items~~.

2615 Comment: When the scope of work includes an appraisal of real property or intangible
 2616 assets ~~items~~, competency in real property appraisal (see STANDARD 1) or business
 2617 appraisal (see STANDARD 9) is required. In addition, competency in other types of
 2618 personal property outside of the appraiser’s specialty area may be necessary (see
 2619 ~~STANDARD 7~~ and the COMPETENCY RULE).

DEFINITIONS

2620 **AT THE TIME OF THE ASSIGNMENT:** the time period which begins immediately prior to
 2621 agreeing to perform the assignment and ends with the completion of the assignment.