Acknowledgments

The following contributors deserve recognition for their efforts in developing this material:

Course developer: Stephanie Coleman, MAI, SRA

Development team: Paula K. Konikoff, JD, MAI
David C. Lennhoff, MAI, SRA
Joseph C. Magdziarz, MAI, SRA
Bonnie D. Roerig, MAI
Stephen S. Wagner, MAI, SRA

Consultant: Craig M. Harrington, SRA

The following Education Resources staff of the Appraisal Institute also contributed to the completion of these materials: Sue Siradas, Director, Education Resources; Anne Calek, Senior Manager, Classroom Education; Dawn Martin, Managing Editor, Classroom & Technology-Based Education; Tricia McKibbin, Senior Technical Writer/Editor, Classroom & Technology-Based Education; Mallory Whaley, Education Development Coordinator; Roman Warren, Production Specialist, Classroom Education; and Alicia Pinkins, Classroom Education Coordinator.
# Table of Contents

**Overview** ................................................................................................................................. xi

**Course Schedule** ......................................................................................................................... xiii

**SECTION 1**

**Introduction**

Developing a Reviewer's Mentality ................................................................................................. 1

**Part 1. Role of the Reviewer**

Preview Part 1....................................................................................................................................... 5
Defining Review .................................................................................................................................... 9
Why Clients Need Reviews ................................................................................................................. 12
Distinguishing Reviewer from Appraiser ............................................................................................ 13
Overview of the Review Process ......................................................................................................... 18
Reviewer’s Focus ............................................................................................................................... 20
Professional Perspective ..................................................................................................................... 22
Review Part 1 ..................................................................................................................................... 25
Self-Study Review Quiz ..................................................................................................................... 29

**Part 2. Reviewer Competence**

Preview Part 2....................................................................................................................................... 33
Overview ............................................................................................................................................. 35
Reviewer Aptitude and Review Proficiency ..................................................................................... 36
Standards and Ethics Requirements ................................................................................................. 38
Enhancing Review Skill Sets ............................................................................................................. 47
Review Competence—Applications ................................................................................................. 48
Review Part 2 ..................................................................................................................................... 53
Self-Study Review Quiz ..................................................................................................................... 55
SECTION 2

Part 3. Review Regulatory Environment

Preview Part 3.................................................................59
Reviewing the Past .........................................................61
Laws and Regulations Affecting Appraisers and Reviewers ....65
2015 Real Property Appraiser Qualification Criteria ..............71
Review Part 3 .................................................................75
Self-Study Review Quiz..................................................77

Part 4. Skill Sharpener #1

Preview Part 4.................................................................81
Skill Sharpener Exercises 4.1–4.20 ....................................83
Review Part 4 .................................................................109

SECTION 3

Part 5. Review Assignment—Identification

Preview Part 5.................................................................111
Overview of the Review Process ......................................113
Before Accepting the Assignment ....................................115
Step 1: Identification of the Problem ................................117
Review Part 5 .................................................................129
Self-Study Review Quiz..................................................131

Part 6. Review Assignment—Scope of Work

Preview Part 6.................................................................135
Reviewer’s Scope of Work ...............................................137
Analyzing Key Inputs ......................................................140
Resolving Scope of Work Problems ..................................144
Review Part 6 .................................................................149
Self-Study Review Quiz..................................................151
SECTION 4

Part 7. Reviewer’s Research and Analyses

Preview Part 7 ......................................................................................... 155
Applying the Reviewer’s Research and Analyses .................................. 157
Tests of Reasonableness ........................................................................ 169
Reviewer’s Framework for Review Opinions ....................................... 175
Review Part 7 .......................................................................................... 177
Self-Study Review Quiz .......................................................................... 179

Part 8. Reviewer’s Opinions and Reasoning

Preview Part 8 .......................................................................................... 183
Review of the Appraiser’s Analyses, Opinions, and Conclusions .......... 185
Application of Step 4 ............................................................................... 189
Review Part 8 .......................................................................................... 211
Self-Study Review Quiz .......................................................................... 213

SECTION 5

Part 9. Reviewing the Appraiser’s Report

Preview Part 9 .......................................................................................... 217
Transitioning from Development to Reporting .................................. 219
Developing Reasons for Disagreement ............................................... 226
Review Part 9 .......................................................................................... 229
Self-Study Review Quiz .......................................................................... 231

Part 10. Reviewer’s Own Opinion of Value

Preview Part 10 ......................................................................................... 235
It All Starts with Scope of Work .............................................................. 237
Reviewer’s Development and Reporting Process .................................. 243
Review Part 10 .......................................................................................... 247
Self-Study Review Quiz .......................................................................... 249
SECTION 6

Part 11. Reviewer’s Report

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preview Part 11</td>
<td>253</td>
</tr>
<tr>
<td>General Thoughts</td>
<td>255</td>
</tr>
<tr>
<td>Professional Standards Requirements for Review Reports</td>
<td>257</td>
</tr>
<tr>
<td>Form Review Reports</td>
<td>259</td>
</tr>
<tr>
<td>Narrative Review Reports</td>
<td>262</td>
</tr>
<tr>
<td>Oral Review Reports</td>
<td>264</td>
</tr>
<tr>
<td>Review Part 11</td>
<td>267</td>
</tr>
<tr>
<td>Self-Study Review Quiz</td>
<td>269</td>
</tr>
</tbody>
</table>

Part 12. Skill Sharpener #2

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preview Part 12</td>
<td>273</td>
</tr>
<tr>
<td>Challenge: Reviewer’s Scope of Work Discussion</td>
<td>275</td>
</tr>
<tr>
<td>Challenge: Create a Template for a Narrative Review Report</td>
<td>284</td>
</tr>
<tr>
<td>Review Part 12</td>
<td>291</td>
</tr>
</tbody>
</table>

SECTION 7

Part 13. Reviews Involving Complex Properties

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preview Part 13</td>
<td>293</td>
</tr>
<tr>
<td>Characteristics of a Complex Property</td>
<td>295</td>
</tr>
<tr>
<td>Examples of Complex Properties</td>
<td>296</td>
</tr>
<tr>
<td>Regional and super-regional shopping centers</td>
<td>296</td>
</tr>
<tr>
<td>Lodging facilities</td>
<td>297</td>
</tr>
<tr>
<td>Health care facilities</td>
<td>297</td>
</tr>
<tr>
<td>Gas stations and C-stores</td>
<td>298</td>
</tr>
<tr>
<td>Golf courses</td>
<td>298</td>
</tr>
<tr>
<td>Religious facilities</td>
<td>299</td>
</tr>
<tr>
<td>Special-use industrial facilities</td>
<td>299</td>
</tr>
<tr>
<td>Residential and nonresidential subdivisions</td>
<td>300</td>
</tr>
<tr>
<td>Conservation easements</td>
<td>300</td>
</tr>
<tr>
<td>Undeveloped land in transitional areas</td>
<td>301</td>
</tr>
<tr>
<td>Timeshares</td>
<td>301</td>
</tr>
<tr>
<td>Air rights</td>
<td>302</td>
</tr>
<tr>
<td>Review Part 13</td>
<td>307</td>
</tr>
<tr>
<td>Self-Study Review Quiz</td>
<td>309</td>
</tr>
</tbody>
</table>
Part 14. Challenging Review Assignments

Preview Part 14........................................................................................................313
Suspected Fraud .......................................................................................................315
Comparing Two or More Appraisals .................................................................317
Reviewing a Review ..........................................................................................320
Reviewing for Litigation Support ........................................................................322
Review Part 14 ........................................................................................................325
Self-Study Review Quiz ......................................................................................327

SECTION 8

Part 15. Reviewer-Appraiser Communication

Preview Part 15........................................................................................................331
Why Communication Matters ...............................................................................333
How Communication Works ..............................................................................336
Suggestions for Reviewers ..................................................................................338
Challenge: Drafting a Memo to the Appraiser ..................................................341
Review Part 15 ........................................................................................................343
Self-Study Review Quiz ......................................................................................345

Part 16. Skill Sharpener #3

Preview Part 16........................................................................................................349
Disclosure of Assignment Conditions ...............................................................351
The Reviewer’s Workfile .....................................................................................358
Part 16 Review ......................................................................................................361
Self-Study Review Quiz ......................................................................................365

Part 17. Exam Content Review

Preparing for the Exam ........................................................................................369
Content Covered in the Course ..........................................................................370
Self-Study Practice Test .....................................................................................371

SECTION 9

Part 18. Course Review

Instructor’s Review—PowerPoint ...........................................................................Classroom
Final Question and Answer Session ....................................................................Classroom
Final Exam

3-Hour Multiple-Choice Exam ..............................................................................Classroom

DOWNLOADS (See link provided with registration letter)

Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (redlined version)


 Appendix B: Resources for Reviewers
 Appendix C: Sample Review Materials
  – Fannie Mae Form 2000/Freddie Mac Form 1052: One Unit Residential Field Review Report (March 2005)
  – Sample Appraisal Review Form for a Commercial Property
  – Sample Checklist for Reviewing Narrative Appraisal Reports
  – Sample Appraiser Performance Rating Form
 Appendix D: Articles for Further Reading
  – “Appraisal Review in a Litigation Support Role” by Jack P. Friedman, MAI, PhD, CPA, and Nicholas Ordway, PhD, JD, originally published in the January 2000 issue of The Appraisal Journal
  – “Common Errors and Issues in Reports” by Janice F. Young, MAI, SRA, and Stephanie Coleman, MAI, SRA, originally published in the Summer 2007 issue of The Appraisal Journal

Interagency Appraisal and Evaluation Guidelines, December 2, 2010

Appraisal Institute’s Standards of Valuation Practice
Overview

Course Description

Review Theory—General is the fundamental review course that all reviewers should have in their educational background. It is a required course for individuals pursuing the Appraisal Institute General Review Designation (AI-GRS – Appraisal Institute General Review Specialist).

At the core of this course is the review process. Participants embark on an in-depth exploration of the seven steps outlined in this process. To be a reviewer, an appraiser must learn how to develop opinions of completeness, accuracy, adequacy, relevance, and reasonableness relative to the work under review. These opinions must be refined through tests of reasonableness in order to develop reconciled opinions of appropriateness and credibility. By taking this course, participants will gain invaluable confidence in the fundamentals of review.

Learning Enhancements

The course has been designed with a variety of elements to enhance your learning experience.

- **Preview.** To give you a taste of what is to come, each part begins with a Preview page, which includes a brief overview of the content, learning objectives to consider as you move through the content, and learning tips that will assist you in understanding the information presented.

- **Learning Objectives.** Each learning objective covers information you need to fully understand the concepts in the course. Look them over before the part begins so that you have a frame of reference as you move through the material. At the end of each part, reread the objectives. Are you able to do what is stated? If not, this is the time to ask your instructor for help or review the concepts that you do not understand.

- **Examples & Problems.** Supplementing the discussions are examples, problems, and Review Reality Checks to help you visualize and practice what you are learning.

- **Fill-in-the-Blanks.** It is a proven fact that when you write something down, you are more apt to remember it. The Course Handbook has space provided for various problems and discussion questions. Be sure to write out your solutions and annotate the handbook as much as possible. These additions will be a valuable resource as you prepare for the final exam.
• **Review.** Each part concludes with a review, which includes the learning objectives and key terms and concepts that have been covered. Also, we’ve provided recommended readings from textbooks that will reinforce what you have learned in class.

• **Self-Study Review Quizzes and Practice Test.** A short quiz is included at the end of most parts, and a practice test is included at the end of Part 17. The questions are similar to the types of questions you might find on the final exam. By answering these multiple-choice questions, you will find out whether or not you know the information covered in that part. The review quizzes and practice test are intended for self-study, and answers are found in the Solutions Booklet.

• **Digging Deeper.** Digging Deeper information goes beyond the scope of the course and is not intended to be covered in class. It is not tested directly on the course exam; however, appraisers should be familiar with it, as well as with all other material contained in the Course Handbook, whether or not it is presented in class.

**Classroom Guidelines**

To make the course a positive experience for everyone attending, please follow these guidelines:

• 100% attendance is required. No exceptions.

• Limit use of laptops to classroom projects.

• Communicate with business associates during break time instead of class time.

• Put away reading materials such as newspapers and books that are not used in class.

• Silence cell phones and other communication devices.

• Use recording devices only if prior permission has been granted.

• Refrain from ongoing conversations with those seated near you and other distracting behavior.
General Information

- **Laptop computer.** This course includes writing exercises. Each participant will need his or her own laptop with word processing software.

- **Calculator.** A financial calculator is required. The accepted model used in the course is the HP-12C. **Note.** Cellular phones, tablets, iPads, and other devices that connect to the Internet are **NOT** permitted during the exam.

  Other calculators may be used if participants know how to operate them. No class time will be used to cover the operation of other calculators.

  For additional help, go to the “Using a Financial Calculator” section of the Appraisal Institute’s Web site:

  www.appraisalinstitute.org/education/fin_calc.aspx

- **Breaks.** There will be two 10-minute breaks during the morning session and two 10-minute breaks during the afternoon session unless noted otherwise by the course sponsor. The lunch break is one hour.

- **Attendance sheets** will be distributed during class to verify your attendance during the morning and afternoon sessions.

- **Certificates** of completion will be emailed after completion of the course, and attendance during the entire course is required.

USPAP References

Recommended Texts

- Uniform Standards of Professional Appraisal Practice, current edition
  (An electronic copy is acceptable.)


- *The Appraisal of Real Estate, 14th edition*

- *The Dictionary of Real Estate Appraisal, 5th edition*

- *Capitalization Theory and Techniques Study Guide, 3rd edition*

- *The Appraiser’s Workbook*

- *Market Analysis for Real Estate: Concepts and Applications in Valuation and Highest and Best Use*

- *Subdivision Analysis*

- *Scope of Work and Range of Services*

Downloads

- Supplementary items that are not included in the print materials are available by download. These are on a secure link connected to the registration process.

- These files should be on your hard drive in an easy-to-locate folder. You may also print copies for class, but having the files available electronically will facilitate your work.

Exam

- 75 multiple-choice questions