February 2, 2015

Mr. Barry J. Shea, Chair
Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005
asbcomments@appraisalfoundation.org


Dear Mr. Shea:

On behalf of the Appraisal Institute, the Professional Standards and Guidance Committee (“PSGC”) submits these comments in response to the “Fourth Exposure Draft of Proposed Changes for the 2016-17 Edition of the Uniform Standards of Professional Appraisal Practice” dated December 16, 2014.

Section 1: Proposed Revision to the Definition of Report and to the RECORD KEEPING RULE

In the first three Exposure Drafts of Proposed Changes for the 2016-17 Edition of the Uniform Standards of Professional Appraisal Practice the ASB noted issues concerning draft reports, interim communications and/or preliminary communications and the RECORD KEEPING RULE that are causing confusion and disagreements among appraisers, users of appraisal services, regulators and the public:

- First Exposure Draft – “Some have expressed a concern regarding the record keeping requirements for such communications. USPAP does not currently directly address this and interpretations regarding the requirements appear to vary greatly…. There have been different perceptions as to what is currently required…. Much of the confusion and disagreement has centered on record keeping requirements… The ASB recognizes that the different interpretations of the current USPAP requirements can lead to problems. It is the intent of the ASB to eliminate the confusion and provide clear, enforceable requirements that will not restrict common practice.”

- Second Exposure Draft – “There are different perceptions among appraisers and users of appraisal services as to what is currently required in cases where these types of communications occur in an assignment. There are also very different opinions as to what the USPAP requirements should be regarding these communications. There is confusion and disagreement on issues such as:
  - Draft reports, including USPAP permissibility and labeling
  - Communications of assignment results during an assignment
  - Record keeping requirements

It is the intent of the ASB to eliminate the confusion and provide clear, enforceable requirements that will not restrict common practice.”

- Third Exposure Draft – “…some believe that there is no record keeping requirement for these communications, while others disagree.”

In the first three Exposure Drafts the ASB put forth proposals that would address the issues that are causing confusion and disagreements among appraisers, users of appraisal services, regulators and
the public. In the Fourth Exposure Draft the ASB has indicated that it will not be proceeding with any of its previously proposed edits that would have served to clarify USPAP. While there may be no change that would please all interested parties the ASB was at least moving in a direction that would reduce confusion and disagreements in the marketplace. As the standards developing arm of the congressionally authorized source for appraisal standards the ASB has an obligation to appraisers, users of appraisal services, regulators and the public to bring clarity to USPAP. We are profoundly disappointed that the ASB has decided to not address this issue.

The Fourth Exposure Draft’s proposed changes to the Record Keeping Rule appear unnecessary.

Section 2: Proposed Revisions to Standard 3
Line 105. We have no objection to this proposed change; however, it does not appear to provide greater clarity.

Line 116. We support the proposal to eliminate the requirements to identify and state the effective date of the appraisal review. This greatly assists with clarity.

Lines 165-169. We have no objection to these proposed changes; however, they appear unnecessary.

Line 182. We have no objection to this proposed change; however, it appears unnecessary.

Line 186: We support this proposed change.

Lines 210-213. This proposed addition to the comment is stated as a requirement. If this proposed change was necessary it should be stated as an actual Standards Rule. We believe this language is unnecessary and needlessly adds to the wordiness of USPAP.

Lines 217-224. We support this proposed change.

Line 237. We support this proposed change.

Line 279. We have no objection to this proposed change; however, it appears unnecessary given the language in Lines 282-283.

Section 3: Proposed Revisions to the Definition of Assignment Results and Confidential Information and to the Confidentiality section of the ETHICS RULE
Lines 350-351. We strongly object to this proposed change. We continue to be concerned that the items, or any list of items to be excluded from confidentiality requirements, might not be appropriate in all assignments. For example, the size of the subject property is typically a fact, but in some circumstances it may be the appraiser’s opinion (rentable area of a multi-tenant office building is often an opinion rather than a fact). Also, whether an office building is Class A, A- or B+ is “quality of subject;” it is also value determinative and a matter of professional opinion and not fact.

Lines 354-356. We object to this proposed change because the changes may be interpreted as added requirements.

Lines 369-371. We strongly disagree with this proposed new requirement. The existing language in the Confidentiality Rule adequately covers the matter.

Lines 378-386. We support these proposed changes; however, we continue to believe that they are overly limiting. We encourage the ASB to further consider this issue during the next USPAP revision cycle.
Section 4: Proposed Changes to Reporting Standards
Lines 394-410. We support these proposed changes.

Lines 411-429. We support these proposed changes.

Section 5: Other USPAP Edits
A. Reasonable exposure time – Line 434
We object to this proposed change as we continue to believe that it is unnecessary to add “reasonable” to the Comments to SR 1-2(c) and 7-2(c).

B. Definition of Appraisal – Lines 440-442
As stated in our comments to the Second Exposure Draft and Third Exposure Draft, we believe that the proposed change to the Comments to the definition of “appraisal” is unnecessary. However, it is not inaccurate, so we do not oppose it.

C. Definitions of “Assignment” and “Engagement” - Lines 443-447
We support the proposed changes.

D. Definitions of “Intended Use” and “Intended User” - Lines 448-453
We oppose the proposed changes to the definition of “intended use” and “intended user” as this would permit clients to change assignment elements that are needed by the appraiser to determine an appropriate scope of work after the appraiser has begun developing his or her opinions and conclusions. However, if the proposed changes to the definitions of “Assignment” and “Engagement” are adopted, the following conforming edits should be made:

**INTENDED USE:** the use or uses of an appraiser’s reported appraisal or appraisal review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment engagement.

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

These conforming edits would maintain the existing USPAP requirement that the intended use and intended users be identified at the outset of an assignment.

E. Management Section
We agree with the decision to not pursue the proposed revision from the Third Exposure Draft.

Section 6: Retirement of all STATEMENTS ON APPRAISAL STANDARDS
We continue to be in favor of retiring the Statements on Appraisal Standards and addressing appropriate issues in Advisory Opinions.

Section 7: Proposed ADVISORY OPINION 33: Discounted Cash Flow Analysis
As noted in our comments on the Third Exposure Draft, we are opposed to the publication of proposed AO 33, Discounted Cash Flow Analysis, as we believe this to no longer be a topic warranting an Advisory Opinion; discounted cash flow techniques are now commonly used in the marketplace and sufficient advice is offered in textbooks, articles and educational offerings that an AO addressing this subject matter is no longer necessary.
Section 8 Proposed ADVISORY OPINION 34: Retrospective and Prospective Value Opinions; Section 9 Proposed Revisions to ADVISORY OPINION 7: Marketing Time Opinions; Section 10: Proposed ADVISORY OPINION 35: Reasonable Exposure Time in Real and Personal Property Opinions of Value; Section 11: Proposed ADVISORY OPINION 36: Identification and Disclosure of Client, Intended Use, and Intended Users

We are pleased that this information is now presented in the form of advice, rather than included as enforceable requirements. However, we believe that the Advisory Opinions as exposed require significant editing. It is our understanding that the ASB will closely examine and edit these new Advisory Opinions in the next cycle. On that basis, we do not oppose their publication as presented at this time.

We trust that you will find our comments helpful. Please do not hesitate to contact me if you have any questions regarding these comments.

Sincerely,

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