

April 13, 2018

Ms. Margaret Hambleton
Chair, Appraisal Standards Board
The Appraisal Foundation
1155 15th Street, NW
Suite 1111
Washington, DC 20005

RE: *USPAP* Q&A document issued March 29, 2018

Dear Ms. Hambleton:

The Appraisal Standards Board (ASB) of The Appraisal Foundation issued a *USPAP* Q&A on March 29, 2018 containing two questions with responses from the ASB. We are writing to express our concern regarding these responses. In the case of the first question, we find that the response does not serve to promote and maintain public trust in appraisal practice, that users of appraisal services could be harmed, and that practicing appraisers who follow the direction in this response would be placed at risk. In the case of the second question, we find that the ASB has issued additional standards requirements that are not only unnecessary and unreasonable, but that have been issued in an advice piece without prior public exposure.

The first question asks:

“A client has asked me to perform an appraisal, but instead of requiring me to physically inspect the subject property, they will provide me with the results of an inspection done by someone else. If I rely upon that inspection, should I employ an extraordinary assumption?”

The Response from the ASB includes this paragraph:

“If the appraiser determines that the information contained in the inspection report is reliable and sufficient to allow the appraiser to identify the property characteristics and develop credible assignment results, then an extraordinary assumption would not be necessary.”

We strongly disagree with this portion of the Response, which fails to recognize there is a significant difference between *having a reasonable basis for believing* something to be accurate and *knowing* it is accurate.

The current definition of “extraordinary assumption” in *USPAP* is:

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser’s opinions or conclusions.

While “assumption” is no longer a defined term in the DEFINITIONS of *USPAP*, the generally accepted meaning reflects the definition that was removed with the 2018-19 edition, “that which is taken to be true.” In other words, an “extraordinary assumption” is something taken to be true when the appraiser is uncertain if it is true or false.

If an appraiser prepares an appraisal without personally inspecting the property, but instead obtains information about relevant property characteristics from another source, the appraiser does not *know* that information is accurate even if the appraiser has a reasonable basis for believing it is accurate. Having a reasonable basis for believing the information does not remove all of the appraiser's uncertainty about the information.

If appraisers follow the guidance given in this Q&A, the following scenario is likely to play out again and again: The appraiser does not inspect the property. The appraiser is provided information about the property and relies on it to complete the appraisal. The appraiser has reasonable basis to believe the information is accurate. But the information in fact is not accurate. The appraisal report – in accordance with the ASB's advice as outlined in the Q&A – does not clearly and conspicuously disclose an extraordinary assumption regarding the use of the information and does not state that the use of this extraordinary assumption might have affected the assignment results. The client relies on the appraisal believing the appraisal report accurately reflects the relevant characteristics of the property. The client subsequently suffers a loss due to reliance on the appraisal, and the appraiser is blamed.

How does this best serve public trust?

The ASB's response interprets the definition of "extraordinary assumption" to mean that an extraordinary assumption is not being made -- and hence does not require clear and conspicuous disclosure along with the statement that its use might have affected the assignment results -- if the appraiser has a reasonable basis for the belief something is accurate rather than appraiser *knows* something is accurate. This is an amendment to the definition itself, not an interpretation.

The second question asks:

"I am using an appraisal form that has an appraiser's certification which cannot be altered. The certification does not include USPAP's required disclosure on whether I performed any services on the property in the three years prior to the assignment. May I simply add such a statement elsewhere in the report, outside of the certification?"

The Response from the ASB includes:

No. Simply adding information in the body of a report is not the same as a signed certification. Any supplemental certification should be clearly identified, and it must be signed as required by Standards Rule 2-3.... While USPAP does not require labeling the certification with that specific term, the certification must be similar in content to the language in USPAP's Standards Rule 2-3, which starts with "I hereby certify that..." The Comment to Standards Rule 2-3 states that a "signed certification" is an integral part of the report, but it is a clearly differentiated part of the report. For example, it may be difficult for an appraiser to defend a statement on page 18 of an appraisal report as being a "signed certification" when the only signature is on page 6 below a list of items clearly labeled an Appraiser's Certification."

Again, we disagree strongly with this response, for multiple reasons. It appears the ASB is saying that an additional certification statement that is not included with "the" certification in a report must (1) be identified as a certification statement by using the phrase "I hereby certify that..." and (2) be signed if not on the same page as "the" certification. Our first concern is that we find this to be an

antiquated view of reporting that is out of step with generally accepted practices – not only in the appraisal field – relating to signed documents. Most appraisal reports are now transmitted electronically; especially when using form reports, it may be difficult if not impossible to place a second signature on the document. Further, since USPAP states that the certification is an integral part of the report, signing the certification is tantamount to signing the entire report, so a second signature is redundant.

Our second concern with the Response to this second question is that we do not find a basis in USPAP for requiring either that (1) additional certification statements be identified as such or (2) additional certification statements be signed separately. We are not convinced of the rationale provided in the Response.

Our third concern is that a long-standing principle in USPAP is that it does not dictate the form, format or style of an appraisal report; see lines 578-580 in the 2018-19 edition. The Response to this Q&A is a direct contradiction to that long-standing principle.

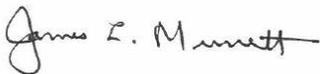
Our fourth and most serious concern is that this Q&A imposes *additional* requirements in an advice piece. These additional requirements have not been exposed for public comment as is required by TAF's Bylaws, which state:

SECTION 12.06. APPRAISAL STANDARDS

.... The Standards Board's rules of procedure, in connection with the issuance of Appraisal Standards, shall provide for (i) the giving of notice and the holding of public hearings (except where, in the judgment of the Standards Board, it can make an informed decision on the basis of existing data without a public hearing); (ii) the exposure of proposed Appraisal Standards; (iii) consultations with advisory councils of the Foundation; and (iv) consultations, to the extent deemed practicable by the Standards Board, with interested persons and organizations.

For the benefit of practicing appraisers, and in the best interest of public trust, we ask that the ASB reconsider, rewrite and reissue, or issue a retraction of these Q&As.

Sincerely,



James L. Murrett, MAI, SRA
Appraisal Institute President

Cc: Adam Johnston, Chair of the Board of Trustees of The Appraisal Foundation