



THE APPRAISAL FOUNDATION
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APPRaisal STANDARDS BOARD

USPAP Q&A

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The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

Adequacy of Workfile Documentation

Question:

In the course of preparing my appraisals, I often research Multiple Listing Service (MLS) and other data sources. I use this information to develop conclusions regarding neighborhood value ranges and market trends. Is it necessary for me to include copies of this information in my workfile? Alternatively, can I simply reference the data sources in my workfile?

Response:

References in the workfile to the location of documentation used to support an appraiser's analyses, opinions, and conclusions can be adequate. It is not always necessary for the appraisal workfile to include all the documentation provided the referenced material is retrievable by the appraiser throughout the workfile retention period. Care should be exercised in the selection of the format and location of documentation.

The Record Keeping section of the ETHICS RULE states that the workfile must include:

...all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this Rule and all other applicable Standards, or references to the location(s) of such other documentation. (Bold added for emphasis.)

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USPAP Applicability in Valuation for Financial Reporting**Question:**

I am an appraiser in a firm that performs valuations of business interests and assets (both tangible and intangible) for financial reporting purposes in accordance with Financial Accounting Standards Board (FASB) standards. Does USPAP apply to valuations for financial reporting purposes?

Response:

Yes, USPAP is applicable to appraisers performing assignments for financial reporting purposes. You have identified yourself as an appraiser. Regardless of the intended use of the work you perform, when you represent yourself as an appraiser you should comply with USPAP. Further, there may be laws or regulations that require compliance with USPAP.

It is possible that others in your firm, such as accountants or business and/or financial analysts, may also perform valuations for financial reporting purposes. In these cases, because USPAP applies only to appraisers, there is no obligation for non-appraisers to comply with USPAP (unless there is law or regulation that requires compliance).

Refer to Advisory Opinion 21, *USPAP Compliance* for further guidance.

Assignment Involving Analysis of Leases**Question:**

An investment firm hired an appraiser to abstract leases, input the data into a lease-by-lease analysis software program, estimate market rents and expenses, estimate the discount rate, run ten discounted cash flows, and provide a value using the Income Capitalization Approach. The appraiser completed the assignment, including providing a conclusion of market value, and delivered the electronic lease-by-lease analysis file to the client. Should this service comply with USPAP?

Response:

Yes. This service is an appraisal. In order to be in compliance with USPAP, the appraiser must observe the development and reporting requirements applicable to a real property appraisal (STANDARDS 1 and 2). It is not possible to determine from the information provided whether the appraiser properly developed his or her assignment results. However, it does appear that the reporting of the assignment results fail to comply with STANDARD 2. USPAP prescribes the minimum content requirements for three real property appraisal reporting options: Self-Contained Appraisal Report, Summary Appraisal Report, and Restricted Use Appraisal Report. The communication of the appraisal results solely through the delivery of an electronic lease-by-lease analysis file does not satisfy the reporting requirements of USPAP.

The USPAP Q&A is posted each month on The Appraisal Foundation website (www.appraisalfoundation.org). The ASB compiles the monthly USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the "Foundation Store" page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).

For further information regarding USPAP Q&A, please contact:

John S. Brenan, Director of Research and Technical Issues

The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

(202) 624-3044
(202) 347-7727 fax
john@appraisalfoundation.org