

USPAP: What's Ahead for 2014?

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On February 1st, the Appraisal Standards Board adopted changes to the Uniform Standards of Professional Appraisal Practice (USPAP). The changes become effective on January 1, 2014 and will be incorporated in the 2014-2015 edition. The Appraisal Standards Board is also considering changes to Advisory Opinion 13, Performing Evaluations of Real Property Collateral to Conform with USPAP; and revisions to Advisory Opinion 21, USPAP Compliance.

The adopted revisions to the USPAP include the following:

Assignment Results: The revised definition clarifies that assignment results include opinions or conclusions and are not specifically limited to the value conclusion in an appraisal assignment or to the final opinion of the quality of another appraiser's work in an appraisal review assignment.

Scope of Work: The revised definition clarifies and aligns (i.e., adds "appraisal or appraisal review") the scope of work definition to the Scope of Work Rule.

Preamble: Sometimes individuals work as appraisers and other times they work in other occupations, such as a broker, attorney or property manager. This raises questions as to when specific USPAP Rules and Standards apply. The Preamble edits clarify when an individual is acting as an appraiser and what activities fall under what USPAP section.

Conduct section of the Ethics Rule: The Conduct section requires that an appraiser disclose any current or prospective interest in the subject property and any services performed regarding the subject property in the past three years. The disclosure to the client occurs prior to or when discovered, as well as in the certification. In assignments where there is no report, only the initial disclosures to the client are required. There is no additional certification requirement.

Competency Rule: This requires that an appraiser be competent to perform the assignment, or acquire the necessary competency, or withdraw from the assignment. However, the Competency Rule does not expressly require the appraiser to act competently in the given assignment. The sentence "In all cases, the appraiser must perform competently when completing the assignment" will be added to the 2014-2015 USPAP.

Reporting Requirements: Currently, there are three written report options for real property and personal property appraisal assignments. The updated USPAP will have two written report options for real property and personal property appraisal assignments (Appraisal Report and Restricted Use Appraisal Report). The two written report options for intangible property appraisal assignments will remain the same, as Appraisal Report and Restricted Appraisal Report. The edits will improve consistency among the Standards.

Standards Rule 3-5. Currently, Standard 3 does not require a date of the appraisal review report. This oversight will be corrected with the addition of "and the date of the appraisal review report."

Retirement of Standards 4 and 5. With the retirement of Standard 4: Real Property Appraisal Consulting, Development and Standard 5: Real Property Appraisal Consulting, Reporting, most assignments that are currently appraisal consulting will become either appraisal or appraisal review assignments with additional components. The additional components will still be subject to the Ethics Rule, the Competency Rule and the Jurisdictional Exception Rule.

Revisions to Advisory Opinion 11, Content of the Appraisal Report Options of Standards Rules 2-2 and 8-2 and Advisory Opinion 12, Use of the Appraisal Report Options of Standards Rules 2-2 and 8-2: As the report options changed, Advisory Opinions 11 and 12 required changes.

This information has been summarized from the Appraisal Standards Board's 2013 Summary of Actions Related to Proposed USPAP Changes, issued on February 1, 2013. For more information, visit www.appraisalfoundation.org.



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