

# Statement on Appraisal Standards No. 9

The following document was adopted by the Appraisal Standards Board (ASB) at the August 27, 1996 meeting.  
The effective date of Statement on Appraisal Standards No. 9 is January 1, 1997.  
This Statement will be included in the 1997 Edition of USPAP.

*Following their March 25, 1996 meeting, the ASB exposed for public comment a proposed Statement on Identification of "Intended Use" in Appraisal, Consulting or Review Assignments and Reports. Based on oral and written comments received, the ASB revised and approved the proposed Statement for a second public exposure following the June 10, 1996 meeting.*

*The growing importance of appraisers and their clients each recognizing the significance of the appraiser-client relationship, and how the identification of intended use and intended user affects the appraiser's freedom to use various appraisal reporting options under Standard 2 drives the need to*

- include a clearer definition of "Client" in USPAP and provide a definition for the terms "Intended Use" and "Intended User", and
- require that appraisers include a statement identifying the client and any known intended users in an appraisal report unless the appraiser's client does not want his or her identity disclosed in the report.

Statements on Appraisal Standards are authorized by the by-laws of The Appraisal Foundation and are for the specific purpose of clarification, interpretation, explanation or elaboration of the Uniform Standards of Professional Appraisal Practice (USPAP). Statements have the full weight of a Standards Rule and can only be adopted by the Appraisal Standards Board (ASB) after exposure and comment.

## SUBJECT

Identification of the Client's "Intended Use" in developing and reporting Appraisal, Consulting, or Review Assignment opinions and conclusions.

## THE ISSUE

An appraiser must identify and consider the client's intended use of the appraiser's reported opinions and conclusions in order to properly define the problem under study and to understand his or her development and reporting responsibilities in an appraisal, consulting, or review assignment.

An appraiser must state the client's intended use of the appraisal opinions and conclusions in an appraisal report.

What kind of information must an appraiser identify and consider regarding the client's intended use of an appraisal, consulting, or review report in the course of accepting and completing an assignment, and which of that information must an appraiser include in the report?

## THE STATEMENT

**General:** While identification of the client's intended use of an appraisal, consulting, or review report is also a business concern, this activity is an essential step to be taken by an appraiser in performing professional appraisal, consulting, or review services.

This Statement addresses an appraiser's obligations related to the client's intended use when performing professional appraisal practices under USPAP.

**Standards 1, 6, 7, and 9** require an appraiser to "identify", "consider", or "define" the "purpose and intended use" of the

appraisal in the course of developing his or her opinions or conclusions in the assignment.

**Standards 2, 6, 8 and 10** require an appraiser to "state the purpose and intended use" of the appraisal in the report. In the context of a written real property appraisal report, the Comment to Standards Rules 2-2(a) and (b) (iii), (iv) and (v) states, "These three requirements call for clear disclosure to the reader of the report the "who, why, what and when" surrounding the appraisal. The Comment to Standards Rule 2-2(c)(iii) states "The intended use of the appraisal must be consistent with the use restriction on the report.... Similar language appears in other USPAP reporting Standards.

**Standard 3** requires an appraiser to certify that, among other matters, his or her compensation is not contingent on the use of the review report.

**Standard 5** requires an appraiser to certify whether his or her compensation is contingent on the use of the consulting report. An appraiser performing a review or consulting assignment must be aware of the client's intended use of the appraiser's reported opinions and conclusions in order to reasonably provide the required certification.

The intended use of an appraiser's reported appraisal, consulting, or review assignment conclusions and opinions is established by the client. The client's intended use may encompass requirements of one or more other intended users. An appraiser cannot reasonably identify the client's intended use without having identified the client and having established a clear understanding of the client's requirements by communicating with the client or the client's agent. An appraiser identifies the client's intended use by communicating with the client before accepting an assignment.

Although an appraiser bound by the Uniform Standards of Professional Appraisal Practice (USPAP) must identify and consider the client's intended use of the appraiser's reported appraisal, consulting, or review opinions and conclusions, an appraiser must not allow a client's intended use or the requirements of any user of the report to affect the appraiser's independence and objectivity in performing an assignment. An appraiser

must not allow a client's objectives to cause the analysis or report to be biased.

#### IDENTIFICATION OF THE CLIENT AND INTENDED USERS IN AN ASSIGNMENT

In order to properly define the problem under study and to understand his or her responsibilities in an assignment, an appraiser must identify the client and, to the extent practical, other intended users as part of the process of identifying the client's intended use of the appraisal, consulting, or review report. This could be accomplished by communication with the client prior to accepting the assignment.

An appraiser should use care when identifying the client to ensure a clear understanding and to avoid violations of the Confidentiality section of the Ethics Provision. In this context, the client may be identified as a person or entity, or as an agent of an intended user. In those rare instances where the client wishes to remain anonymous, the appraiser must still document the identity of the client in the work file, but may omit the client's identity in the appraisal, consulting, or review report.

The term "Client" is defined in USPAP as "The party or parties who engages an appraiser (by employment or contract) in a specific assignment."

The term "Intended Use" is defined in USPAP as "The use or uses of an appraiser's reported appraisal, consulting, or review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment."

The term "Intended User" is defined in USPAP as "The client and any other party as identified, by name or type, as users of the appraisal, consulting, or review report, by the appraiser based on communication with the client at the time of the assignment."

**An appraiser's obligations to the client** are established in the course of considering and accepting an assignment. Once an assignment is accepted, an appraiser is obligated to complete the assignment as agreed and in compliance with USPAP. However, if an appraiser becomes aware of a change in the client's intended use of the report, the appraiser must consider whether the extent of the appraisal, consulting, or review process and type of report initially agreed upon are still appropriate and, if they are not, the appraiser

must communicate with the client to establish an appropriate basis upon which to proceed.

If the appraiser is contacted regarding an assignment or report by a party other than the appraiser's client, before responding the appraiser must review his or her obligations to that client. An appraiser may need to review the Confidentiality section of the Ethics Provision and Statement on Appraisal Standards No. 5 (SMT-5) for requirements, and Advisory Opinion No. 10 (AO-10) for guidance.

**An appraiser's obligations to other intended users** may impose additional development and reporting requirements in the assignment. It is essential that an appraiser establish with the client a clear and mutual understanding of the needs of all known intended users prior to accepting an assignment. An appraiser's obligation to intended users other than the client is limited to addressing their requirements as identified by the client at the time the appraiser accepts the assignment.

Neither the client nor the appraiser is obligated to identify an intended user by name. If identification by name is not appropriate or practical, an appraiser's client and the appraiser may identify an intended user by type.

A party receiving a report copy from the client does not, as a consequence, become a party to the appraiser-client relationship.

Parties who receive a copy of an appraisal, consulting, or review report as a consequence of disclosure requirements applicable to an appraiser's client do not become intended users of the report unless the client specifically identifies them at the time of the assignment.

#### DISCLOSURE OF CLIENT AND INTENDED USER(S) IN AN APPRAISAL REPORT

Except when specifically requested not to do so as part of the agreement with the client, an appraiser must disclose the identity of the client and, to the extent practical, any other known intended users in an appraisal report. The purpose of this reporting requirement is to (1) ensure that the client and any other known intended users can recognize their relationship to the assignment and report, and (2) to ensure that unintended users will not be misled by notifying them that they are neither the client nor an intended user. For example, a statement similar to the follow-

ing may be appropriate:

"This report is intended for use only by (identify the client) and (identify any other known intended users by name or type). Use of this report by others is not intended by the appraiser."

If the client's identity is omitted from an appraisal report, the appraiser must (1) identify the client and should identify any known intended users in the work file, and (2) provide a notice in the appraisal report that (i) the identity of the client has been omitted in accordance with the client's request and (ii) that the report is intended for use only by the client and any other intended users identified by the client at the time the assignment was accepted.

#### DISCLOSURE OF CLIENT AND INTENDED USER(S) IN A CONSULTING OR REVIEW REPORT

A statement identifying the intended use of a consulting or review report is not a review or consulting report content requirement under **Standard 3 or 5**. However, an appraiser may use the same type of statement as illustrated for an appraisal report in this Statement on Appraisal Standards in his or her consulting or review reports to avoid misleading a user and to convey the client's intended use of the assignment results.

#### IDENTIFICATION OF THE CLIENT'S INTENDED USE IN AN APPRAISAL, CONSULTING OR REVIEW ASSIGNMENT

Identification of the client's intended use is one of the essential steps in defining the appraisal, consulting or review problem. Identification of the client's intended use helps the appraiser and the client make two important decisions about the assignment:

- the appropriate extent of the appraisal, consulting, or review development process to employ, and
- the level of detail to provide in the appraisal, consulting, or review report.

An appraiser needs to be aware, to the fullest degree practical, of the client's report use intentions so as to reasonably ensure that the appraisal, consulting or review development process and report address the client's stated needs. When the client intends that a report be used by others, the needs of those additional users

may affect the extent of the appraisal, consulting or review process as well as the content of a report.

#### DISCLOSURE OF THE CLIENT'S INTENDED USE IN A REPORT

An appraiser can avoid misleading parties in possession of an appraisal, consulting, or review report by clearly identifying the client's intended use in the report and stating that other uses are not intended. For example, a statement similar to the following may be appropriate:

"This report is intended only for use in (describe the use). This report is not intended for any other use."

The use description provided in the statement must be specific to the assignment.

#### CONCLUSIONS

- An appraiser must identify the client and, to the extent practical, other intended users as part of the process of identifying the client's intended use of an appraisal, consulting, or review report, by communication with the client prior to accepting the assignment.

- An appraiser should use care when identifying the client to ensure a clear understanding and to avoid violations of

the Confidentiality section of the Ethics Provision.

- The appraiser's obligations to the client are established in the course of considering and accepting an assignment.

- The appraiser's obligation to intended users other than the client is limited to addressing their requirements as identified by the client at the time the appraiser accepts the assignment.

- Identification of the client's intended use of the report is one of the essential steps in defining the appraisal, consulting, or review problem.

- An appraiser identifies the client's intended use of an appraisal, consulting, or review report by communicating with the client before accepting an assignment.

- Appraisers can avoid misleading parties in possession of a report by clearly identifying the client's intended use in the report and stating that other uses are not intended by the appraiser.

- Except when specifically requested not to do so as part of the agreement with the client, an appraiser must disclose the identity of the client and, to the extent practical, any other known intended users of an appraisal report in the report to (1)

ensure that all intended users recognize their relationship to the assignment and report and to (2) ensure unintended users will not be misled by notifying them that they are neither the client nor an intended user.

- If the client's identity is omitted from an appraisal report, the appraiser must (1) document the identity of the client and should identify any other known intended users in the work file, and (2) provide a notice in the appraisal report that (i) the identity of the client has been omitted in accordance with the client's request and (ii) that the report is intended for use only by the client and any other intended users.

- An appraiser may use the same type of statement as illustrated for an appraisal report in this Statement on Appraisal Standards in his or her consulting or review reports.

Adopted August 27, 1996  
Appraisal Standards Board  
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## DEFINITIONS

The following revisions and additions to the **Definitions** section of USPAP were adopted:

**Client:** The party or parties who engages an appraiser (by employment or contract) in a specific assignment. **Comment:** The "Client" identified by the appraiser in an appraisal, consulting, or review report (or in the assignment work file) is the party or parties with whom the appraiser has an appraiser-client relationship in the related assignment

**Intended Use:** The use or uses of an appraiser's reported appraisal, consulting, or review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.

**Intended User:** The client and any other party as identified, by name or type, as users of the appraisal, consulting, or review report, by the appraiser based on communication with the client at the time of the assignment. □



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—David M. Roman  
Editor