



THE APPRAISAL FOUNDATION

Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

TO: All Interested Parties

FROM: Appraisal Standards Board
Appraiser Qualifications Board

RE: Follow-up: Invitation to Comment on USPAP and USPAP Education

DATE: April 25, 2008

The Appraisal Standards Board and Appraiser Qualifications Board published an *Invitation to Comment* on December 17, 2007. Since that time we have received hundreds of written comments as well as oral testimony at a public hearing of the ASB and AQB on March 3rd in Los Angeles.

We have been very pleased with the number and quality of the responses and look forward to additional feedback in the coming months. The purpose of this document is to provide a general summary of the comments received to date (which will form a basis for the work plans of the ASB and the AQB) and to solicit additional feedback.

All interested parties are encouraged to comment in writing before the deadline of May 30, 2008. Comments are also invited at the ASB and AQB Public Meetings on June 6, 2008, in Atlanta, Georgia. You may submit written comments by mail, e-mail or facsimile.

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation.

Mail: ASB/AQB '2008' Invitation to Comment Follow-up
c/o The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

E-mail: comments@appraisalfoundation.org

Facsimile: (202) 347-7727

Also, if you have any questions, please feel free to contact The Appraisal Foundation at (202) 347-7722.

Introduction

The opinions received on nearly every issue were very diverse. Such is the nature of our profession and USPAP's perceived relevance to each of us. There were, however, some regularly occurring themes and opinions about the makeup of the document.

We have divided the major themes into two sections: 1) Those related to the USPAP document and falling under the ASB umbrella; and 2) Those items related to USPAP education and qualifications, falling under the AQB's jurisdiction.

Regarding USPAP (ASB):

It is not the ASB's objective to expand USPAP, but rather to clarify and simplify the requirements and to give practical guidance on proper application.

Based on the comments received to date, the ASB is considering addressing the following areas of concern and is seeking additional feedback on these or any other topics.

Understandability

One common theme was that the length and complexity of USPAP is an impediment to understanding for many appraisers and users of appraisal services. There were comments that the recent changes have been an improvement, particularly the removal of the DEPARTURE RULE and the creation of the SCOPE OF WORK RULE. However, the ongoing challenge to the ASB is to continue to clarify vague or ambiguous portions of USPAP.

Another common sentiment was a frustration that no matter how clear and direct Standards become, unethical individuals will continue to flaunt the basic precepts of professional conduct. Many stated that improved enforcement is needed to reduce unethical and incompetent practice. To paraphrase a recurring comment: USPAP is helpful for appraisers seeking to do a good job, but too many appraisers fail to follow USPAP. While this state of affairs may be disheartening, it demonstrates the need for the ASB to improve USPAP to facilitate better enforcement.

Promotion of USPAP

Many comments were received regarding the lack of awareness of USPAP among appraisers and users of appraisal services across all the disciplines. Several responses suggested two common concerns: (1) appraisers who fail to observe standards of professional conduct put those who do at a disadvantage; and (2) it is difficult for ethical appraisers to counter attempts to improperly influence assignment results when clients do not recognize that appraisers have standards of professional conduct. Many responses suggested a need for greater public awareness of the fact that there are professional standards for appraisers.

Reporting

Respondents cited numerous concerns related to communication of assignment results. There were requests for clarification of the reporting requirements. It was noted that after the addition of the SCOPE OF WORK RULE in 2006, it would be appropriate to now address the concept of reporting.

ETHICS RULE and COMPETENCY RULE

Comments received, as well as current events, suggest that USPAP requirements for ethical conduct need to be reviewed to make sure they clearly and directly address contemporary issues facing

appraisers. Other comments tied recent valuation failures to competent performance, suggesting that the COMPETENCY RULE should be reviewed for clarity and adequacy.

JURISDICTIONAL EXCEPTION RULE

Comments received suggest that appraisers are unclear on when or how the JURISDICTIONAL EXCEPTION RULE applies, necessitating clarification by the ASB.

STANDARD 3: Appraisal Review, Development and Reporting

Comments were received regarding STANDARD 3, including development, reporting, and scope of work requirements as well as overall understandability. These comments served to reinforce comments received by the ASB in other exposure periods regarding STANDARD 3. Both appraisers who perform reviews and users of review appraisal services are requesting the ASB to address the existing structure and language of this Standard. Comments reflected a need for greater clarity of the requirements when a reviewer develops his or her own opinion of value.

STANDARDS 7 and 8: Personal Property Appraisal, Development and Reporting

Comments received made it clear that the personal property standards should more specifically address relevant concepts in those disciplines. Some comments suggest that these standards are currently more aligned with real property practices and terminology than with those of personal property.

STANDARDS 9 and 10: Business Appraisal, Development and Reporting

Comments received reflected that the business valuation standards have improved, and future revisions should be based on appropriate representation from the discipline.

Application Examples for Personal Property and Business Appraisal

Respondents from the personal property and business valuation disciplines voiced their desire for more practical application illustrations and examples related to their practices.

Regarding USPAP Education and Qualifications (AQB):

Many responses suggested that individuals wishing to enter the appraisal profession have a lack of context when taking the required 15-hour *National USPAP Course*. Several comments suggested that a short “Introduction to USPAP” course be required prior to taking the 15-hour course. In addition, several comments suggested that the AQB consider establishing criteria that dictates the sequence of the initial education (*Basic Appraisal Principles, Basic Appraisal Procedures, 15-hour National USPAP Course*). Therefore, the AQB is seeking feedback on the following two specific issues:

- 1) Requiring a short (4-hour to 7-hour) “Introduction to USPAP” course prior to the initial qualifying education courses; and
- 2) Requiring the initial qualifying education to be completed in the following sequence:
 - a. Introduction to USPAP (if adopted)
 - b. Basic Appraisal Principles
 - c. Basic Appraisal Procedures
 - d. 15-hour *National USPAP Course*