

# YES, I CAN ACCEPT THAT ASSIGNMENT! USPAP FLEXIBILITY AT A GLANCE



Some appraisers may not be aware of the inherent flexibility built into the *Uniform Standards of Professional Appraisal Practice* (USPAP). Because USPAP is a set of standards that is built on the basic principles of ethics and competency, those who do not appreciate such flexibility can sometimes view USPAP as vague. However, the scope of work concept in USPAP enables appraisers to perform many types of assignments while maintaining compliance with standards. Following are examples of such flexibility:

Assignment Types	Some Examples	Allowed by USPAP?	How Does USPAP Apply?
<i>Oral Appraisal Reports</i>	A client does not require a written report	Yes	STANDARDS 2, 8, 10
<i>Purchase Price Negotiation</i>	A potential buyer is considering purchasing a property or business	Yes	STANDARDS 1 & 2, 7 & 8, 9 & 10
<i>Calculation Engagement</i>	A CEO is considering an acquisition and wants to know the calculated result given a specific valuation method	Yes	STANDARDS 9 & 10
<i>Consulting/Appraisal Consulting<sup>1</sup></i>	A client is considering developing a vacant parcel and is looking for maximum return	Yes	Advisory Opinion 21
<i>Appraisals for Litigation/Expert Witness Testimony</i>	An attorney needs an impartial opinion of value for legal proceedings	Yes	STANDARDS 1 & 2, 6, 7 & 8, 9 & 10
<i>Evaluations<sup>2</sup> for Lending</i>	A lender needs an evaluation providing an opinion of market value to ensure a loan is adequately collateralized	Yes	STANDARDS 1 & 2 and Advisory Opinion 13 <sup>3</sup>
<i>Appraisals for Lending</i>	A lender needs an appraisal providing an opinion of value to ensure a loan is adequately collateralized	Yes	STANDARDS 1 & 2, 7 & 8
<i>Appraisal Review</i>	A client needs to know whether or not an appraisal is credible	Yes	STANDARD 3
<i>Appraisals for Charitable Contributions</i>	An individual donating real or personal property requires a qualified appraisal performed by a qualified appraiser <sup>4</sup>	Yes	STANDARDS 1 & 2, 7 & 8
<i>Appraisals for Estates</i>	An executor needs to know the value of property in order to equitably settle an estate; an executor needs to know the Fair Market Value to pay estate taxes	Yes	STANDARDS 1 & 2, 7 & 8, 9 & 10
<i>Appraisals for Insurance</i>	A property owner wants to know how much insurance coverage is adequate; a property owner needs an independent appraisal to help settle a damage/loss claim	Yes	STANDARDS 1 & 2, 7 & 8
<i>Advocacy</i>	An individual who is an appraiser is asked to represent one party in a court proceeding	Yes (see footnote)	ETHICS RULE and Advisory Opinion 21 <sup>5</sup>
<i>Assessment Appeals</i>	An appraiser is asked to work for a property owner in an assessment appeals hearing	Yes (see footnote)	ETHICS RULE and Advisory Opinion 21 <sup>6</sup>
<i>Contingent Fee</i>	An appraiser agrees to be compensated for the appraisal only when the loan closes	No	Management Section, ETHICS RULE

As illustrated in the preceding chart, USPAP provides tremendous flexibility for appraisers. The SCOPE OF WORK RULE in USPAP requires appraisers to produce credible assignment results, but USPAP requires only those analyses that are necessary for credible results, given the intended use. In assignments performed for real property, personal property, or business valuation/intangible assets, USPAP also includes provisions for an abbreviated reporting format.<sup>7</sup>

In order to protect public trust, USPAP does not permit assignments where an appraiser's fee is contingent on the outcome, or on a subsequent event directly related to the appraiser's opinions.<sup>8</sup>

<sup>1</sup> Appraisal consulting is no longer defined in USPAP and the Real Property Appraisal Consulting Standards were retired; however, those services formerly called appraisal consulting are still permitted under USPAP.

<sup>2</sup> As defined in the *Interagency Appraisal and Evaluation Guidelines*, December 2010.

<sup>3</sup> Advisory Opinion 13, *Performing Evaluations of Real Property Collateral to Conform with USPAP*, provides guidance on this topic.

<sup>4</sup> Internal Revenue Service, Publication 561.

<sup>5</sup> An individual may provide services as an advocate, or as an appraiser (one who expected to perform in a manner that is independent, impartial, and objective); however, one cannot act in both roles in the same assignment. When acting as an advocate, the individual must not misrepresent his or her role.

<sup>6</sup> Appraisers may perform assignments for assessment appeals, but cannot do so if the fee is based on a percentage of the cost savings or other events as stated in the Management section of the ETHICS RULE. Appraisers must also ensure they do not misrepresent their role in such assignments.

<sup>7</sup> *Restricted Appraisal Reports* are allowed under STANDARDS 2, 8 and 10.

<sup>8</sup> Management section of the ETHICS RULE.

