

USPAP COMPLIANCE

There are minimum of 12 basic requirements that must be met in every appraisal in order to comply with USPAP. The standard forms such, as URAR, 2055, etc. were not designed to comply with USPAP. Therefore these reports must be expanded to include these requirements. The requirements are:

- ___ 1. Identify the client and any intended users.

Example: ABC Mortgage and assigns or XYZ bank. Intended users could be the client's attorney or accountant.

- ___ 2. State the intended use of the appraisal.

Example: This report is intended for use only by (identify the client and any other intended users by name or type) to make a decision regarding financing on the subject property or to assist in determining the asking price for the subject property, etc. Use of this report by others is not intended by the appraiser.

- ___ 3. Sufficiently describe the real estate involved in the appraisal, including characteristics relevant to the assignment.

Example: This is done by providing a legal description, address, survey, map, photographs, etc. and include economic attributes relevant to purpose and intended use of the appraisal.

- ___ 4. State the real property interest appraised.

Note: If interest appraised is other than existing interest, a hypothetical condition would be warranted. Example: appraising a fee simple interest in a property, when it is actually leased fee interest.

- ___ 5. State the purpose of the appraisal, including the type and definition of value and its source.

Note: If it is a market value assignment, state whether it is in cash or equivalent and note any non-market influences in financing, conditions or incentives.

- ___ 6. State the effective date of the appraisal and the date of the report.

Explanation: The *effective date* of the appraisal establishes the time period that was used to establish value and the *date of the report* indicates whether the report is retrospective, current or

prospective. Both dates must be reported. Only the 2055 form requests *date of the report*, other forms should be supplemented to show both dates.

- ___ 7. Disclose to the client and intended users of the report the scope of the work used to develop the appraisal.

Explanation: This informs the client to what extent the appraiser went to in order to develop the appraisal to assure the client that they are not being misled. It is in this section that the appraiser must disclose any significant appraisal assistance in developing the report.

- ___ 8. State all assumptions, hypothetical conditions and limiting conditions that affected the analysis, opinions and conclusions.

Explanation: Typical or ordinary assumptions and limiting conditions may be grouped together in an identified section of the report. Extraordinary Assumptions or Hypothetical Conditions must be disclosed in conjunction with statements of each opinion or conclusion that was affected.

- ___ 9. Summarize the information analyzed, the appraisal procedures followed, and the reasoning that support the analysis, opinions and conclusions.

Comment: The explanation must be sufficient so that your client and other intended users can adequately understand your report. SR 1-5 requires that any current contract, options, listings, prior sales, quality of the data must be disclosed in market value assignments.

- ___ 10. State the use of the subject property as of the date of value and the use of the real estate reflected in the appraisal. When working on a market value appraisal, summarize the support and rationale for the appraiser's opinion of the highest and best use of the subject property.

Comment: This support summary is mandatory. This summary must be of sufficient depth and detail to support the appraiser's opinion of highest and best use.

- ___ 11. State and explain any permitted departures from specific requirements of Standard 1 and the reason for excluding any of the usual valuation approaches.

Comment: When the Departure Rule is invoked, the appraisal report automatically becomes a limited appraisal. The report must contain a section that explains the extent of the appraisal process performed and the departures taken.

- ___ 12. Include a signed certification in accordance with Standards Rule 2-3.

Comment: The current 1004B of 6/93 certification does **not** comply with USPAP requirements since 3/31/99. The appraiser must supplement that certification with the one in USPAP. Certifications supplied by software manufactures that purport to be 3/31/99 compliant may not comply to Fannie Mae requirements.