



THE APPRAISAL FOUNDATION

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APPRAISAL STANDARDS BOARD

USPAP Q&A

Vol. 11, No. 2

February 2009

The Appraisal Standards Board (ASB) of The Appraisal Foundation develops, interprets, and amends the Uniform Standards of Professional Appraisal Practice (USPAP) on behalf of appraisers and users of appraisal services. The USPAP Q&A is a form of guidance issued by the ASB to respond to questions raised by appraisers, enforcement officials, users of appraisal services and the public to illustrate the applicability of USPAP in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems. The USPAP Q&A may not represent the only possible solution to the issues discussed nor may the advice provided be applied equally to seemingly similar situations. USPAP Q&A does not establish new standards or interpret existing standards. USPAP Q&A is not part of USPAP and is approved by the ASB without public exposure and comment.

Appraising Without Knowing the Intended Use or User

Question:

Does USPAP allow me to appraise a property without knowing the intended use or user if there is an agreed upon scope of work?

Response:

No. USPAP requires an appraiser to identify the intended use and any intended users by name or type prior to determining the scope of work in an appraisal assignment.

Probate Court Statute Basing the Appraisal Fee on the Appraised Value

Question:

A property is being appraised for a probate court in a state which has a statute stipulating that appraisal fees for these assignments shall be based on the appraised value of the property. Does USPAP allow me to appraise the property under this compensation arrangement?

Response:

Yes. This is an example where the JURISDICTIONAL EXCEPTION RULE applies. In order to comply with the requirements of the JURISDICTIONAL EXCEPTION RULE,

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the appraiser must disclose in the appraisal report the reason(s) that prohibit compliance with USPAP, and cite the basis for the jurisdictional exception.

Must a Review Appraiser be licensed or certified in the state jurisdiction where the subject property is located?

Question:

Does a review appraiser have to be licensed or certified in the state where the subject property is located?

Response:

Appraiser credentialing requirements are not covered by USPAP. However, since this question is often asked, we have provided the following response from the Appraisal Subcommittee (ASC):

“Included in ASC Policy Statement 5 is the ASC’s position on when an out-of-state review appraiser must obtain a credential for purposes of performing a technical review. The ASC has concluded that for federally related transactions, so long as the review appraiser does not perform the technical review in the state within which the property is located, and so long as the review appraiser is certified or licensed by another state, that appraiser need not be registered for temporary practice or otherwise credentialed by the state agency where the subject property is located. With that said, state law may be more restrictive than federal law and may require a temporary practice permit or other credential. It is therefore imperative to consult with the state where the property is located.”

(ASC Policy Statements may be downloaded by visiting: <https://www.asc.gov/html/frameSet.aspx?assetPath=/uploads/Policy%20Statements/PolicyStatements2007Final.pdf>)

NOTE: The Q&A below was published by the ASB in October 2008:

USPAP Applicability in Valuation for Financial Reporting

Question:

I am an appraiser in a firm that performs valuations of business interests and assets (both tangible and intangible) for financial reporting purposes in accordance with Financial Accounting Standards Board (FASB) standards. Does USPAP apply to valuations for financial reporting purposes?

Response:

Yes, USPAP is applicable to appraisers performing assignments for financial reporting purposes. You have identified yourself as an appraiser. Regardless of the intended use of the work you perform, when you represent yourself as an appraiser you should comply

with USPAP. Further, there may be laws or regulations that require compliance with USPAP.

It is possible that others in your firm, such as accountants or business and/or financial analysts, may also perform valuations for financial reporting purposes. In these cases, because USPAP applies only to appraisers, there is no obligation for non-appraisers to comply with USPAP (unless there is law or regulation that requires compliance).

Refer to Advisory Opinion 21, *USPAP Compliance* for further guidance.

Following its publication, the ASB received questions that caused us to reconsider whether our response was clear and adequately addressed the environment in which business valuation professionals work.

For this reason, the Board has modified its **Response** to enhance its clarity and understandability.

USPAP Applicability in Valuation for Financial Reporting

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Response:

USPAP does not establish who or what assignments must comply with USPAP. Such requirements are established by law, regulation, or agreement with the client. Additionally certain professional organizations require that their members comply with USPAP.

Therefore, regarding *who* must comply: Individuals providing appraisals (defined in USPAP as an opinion of value) who fall under one of the above requirements must comply with USPAP in valuations for financial reporting.

And, regarding *what assignments* must comply: Appraisals that are required by law to comply with USPAP must comply regardless of whether the individual performing the appraisal would otherwise be required to comply. In some states, it is mandatory for real estate appraisals (an opinion of value of real estate) to comply with USPAP, no matter what the intended use.

Additionally, regardless of the intended use of the appraisal, individuals who hold themselves out as appraisers should comply.

It is important to note that, although assignments performed in compliance with Statement of Financial Accounting Standards No. 141, Business Combinations, issued by the Financial Accounting Standards Board are often referred to as “allocations,” the asset values determined in these assignments are “appraisals” as defined in USPAP, as they are “opinions of value.” Therefore, these “allocations” must comply when the appraiser, or the assignment, is required by law, regulation, agreement of the client, or when the appraiser belongs to a professional organization that requires compliance. In addition, any individuals holding themselves out to be appraisers should comply, even when not required to do so.

Refer to Advisory Opinion 21, *USPAP Compliance* for further guidance.

The USPAP Q&A is posted each month on The Appraisal Foundation website (www.appraisalfoundation.org). The ASB compiles the monthly USPAP Q&A into the USPAP Frequently Asked Questions (USPAP FAQ) for publication with each edition of USPAP. In addition to incorporating the most recent questions and responses issued by the ASB, the USPAP FAQ is reviewed and updated to ensure that it represents the most recent guidance from the ASB. The USPAP Frequently Asked Questions can be purchased (along with USPAP and USPAP Advisory Opinions) by visiting the “Foundation Store” page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).

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