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Appraisal Insights for Real Estate Professionals



The Uniform Standards of Professional Appraisal Practice (USPAP) for the Non-Appraiser: What is USPAP? Why do I care?

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Many practitioners in the real estate industry have heard the acronym USPAP but may only have a vague understanding of exactly what this term means.

In a real estate market in which many areas of the country have seen a decline in real estate values and a record high number of foreclosures, the lending community, and the public at large, deserve credible information on which to base their real estate decisions.

USPAP is the generally accepted set of standards for professional appraisal practice in the United States and is required to be followed in most instances, including when completing an appraisal for a Federally Related Transaction as well as for major secondary investors (Fannie Mae, Freddy Mac, etc.). USPAP encompasses standards for all types of appraisal services. Standards are included for real estate, personal property, business and mass appraisal. These are the standards by which appraisers are measured by their peers and credentialing authorities.

While the standards are adhered to by the appraiser, they are also designed to provide for the public's trust in knowing that an appraisal that meets these standards has been completed in an ethical and competent manner.

While USPAP doesn't delve into and expressly require specific appraisal procedures or processes, it does require appraisers to be aware of, understand, and correctly employ the recognized methods and techniques that are necessary to produce credible appraisal results. While clients may have input to determine which approaches to value (sales, cost, and income) will be developed, it is the appraiser's responsibility to know which approaches to value are necessary to develop in order to conclude credible results. If an approach is considered necessary, it must be developed regardless of the clients' potential desire to omit this approach.

USPAP states that appraisers must take care to not commit either a substantial error of omission or commission that significantly affects an appraisal. Diligence is required in identifying and analyzing factors, conditions, data, and other



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information that would have a significant effect on the credibility of the assignment results.

USPAP does not require perfection; however, it does require that an appraiser not render appraisal services in a careless or negligent manner. Spelling errors, incorrect room counts, inaccurate descriptions or erroneous, non-assignment related template language within a report, may not independently impact conclusions. However, in aggregate, these errors may affect the credibility of results. Appraisers need to take care to adequately proof reports and ensure that reported data is verified.

USPAP dictates that intended users of an appraisal assignment should be able to reasonably understand and follow the logic and conclusions rendered within an appraisal report. There should be adequate description of the property and support for opinions rendered. Additionally, clients should be aware that USPAP is a regulatory requirement for appraisers. Failure to meet minimum USPAP requirements could result in discipline, suspension or revocation of one's certification.

The current edition of the USPAP can be found at the Appraisal Foundation's web site at www.appraisalfoundation.org.

Do you have any suggestions for future articles you'd like to see? Please e-mail Deb deLambert at debd@forsytheappraisals.com.

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