



USPAP Q&A

Vol. 10, No. 7

July 2008

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.

Electronic Report Delivery

Question:

I am an appraiser who has been asked by my client to submit my appraisal reports to them electronically. Assuming that I have satisfied the reporting obligations in the creation of the report, what are my obligations in the use of electronic delivery systems?

Response:

USPAP does not specifically address this issue, but there are general ethical obligations that are relevant. The Conduct section of the ETHICS RULE states, in part:

An appraiser must not communicate assignment results in a misleading or fraudulent manner. An appraiser must not use or communicate a misleading or fraudulent report...

Communication in this instance means transmission of the report, which can occur through such mechanisms as U.S. mail, private courier service, fax, e-mail, or web portal. The appraiser's obligation is to not transmit a misleading or fraudulent report.

In the transmission of electronic reports, the appraiser's obligation is to ensure that the report that is transmitted is not misleading or fraudulent. Therefore, the appraiser needs to be familiar with the electronic report created by the software used in the assignment. The appraiser must have a sufficient understanding of the report generating software used

in an assignment to avoid the communication of misleading reports. In order to comply with USPAP, the electronic report that will be sent to the client must be examined by the appraiser prior to transmission to ensure that it is not misleading or fraudulent.

An appraiser cannot control what a client or intended user does with his or her appraisal report. USPAP establishes requirements only for appraisers, not clients, intended users, or others. Once an appraisal report has been transmitted to the client, USPAP places no further responsibility on the appraiser for the client's use of that report.

Can Appraisers Perform “Comp Check” Assignments?

Question:

I'm a residential appraiser and have been asked to perform a “comp check” (or “pre-comp”) assignment, where a client wants to get an idea of the value of a home prior to proceeding with a mortgage financing transaction. Does USPAP allow me to perform this type of assignment?

Response:

Yes. As stated in FAQ #130 in the 2008-09 edition of the USPAP document, these types of assignments are allowed under USPAP. To understand the USPAP requirements, it is important to identify exactly what the appraiser is being asked to do. If the appraiser is asked to “provide comps,” that would typically mean the appraiser would be exercising his or her own judgment to determine which sales are most “comparable” to the subject property. The appraiser may choose to include only those sales that he or she deems are most similar to the subject in size, location, quality, etc., which could mean that certain sales may be omitted. In this case, the resulting data would have been “filtered” by the appraiser's judgment, which would have the net effect of providing a range of value to the client. This range of value is defined as an appraisal under USPAP; therefore, the appraiser would be obligated to comply with STANDARDS 1 and 2.

But as FAQ #130 also states, “comp check” assignments should be contrasted to requests for an appraiser to simply provide data. For example, an appraiser asked by a client to provide “sales data of all homes located within a one mile radius” of a specific address could comply with the client's request without complying with STANDARDS 1 and 2, because the appraiser would just be providing sales data pursuant to the client's defined parameters. In this example, the appraiser must be careful not to communicate any opinions or conclusions regarding the data provided.

For additional related guidance on this topic, please refer to Advisory Opinion 19, *Unacceptable Assignment Conditions in Real Property Appraisal Assignments* and Illustration #4 “Appraisal and Market Information” in Advisory Opinion 21, *USPAP Compliance*.

Can Appraisers Perform “Comp Check” Assignments for Free?

Question:

Does USPAP allow appraisers to perform “comp check” assignments for free?

Response:

Yes. However, the appraiser would have to ensure that receiving a “full” appraisal assignment is not contingent upon the result of the “comp check” assignment. The Management section of the ETHICS RULE states, in part:

It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:

1. *the reporting of a predetermined result (e.g., opinion of value);*
2. *a direction in assignment results that favors the cause of the client;*
3. *the amount of a value opinion;*
4. *the attainment of a stipulated result; or*
5. ***the occurrence of a subsequent event directly related to the appraiser’s opinions and specific to the assignment’s purpose.***
(Bold added for emphasis)

Is Disclosure of a Free “Comp Check” Assignment Required?

Question:

If I perform a free “comp check” assignment and my client subsequently requests me to perform a “full” (or more “traditional”) assignment on the same property, do I have to disclose the free “comp check” assignment as having provided a “thing of value” to procure the new assignment?

Response:

No. The Management section of the ETHICS RULE states, in part:

The payment of undisclosed fees, commissions, or things of value in connection with the procurement of an assignment is unethical.

Since USPAP prohibits the second assignment from being contingent upon the first, the free “comp check” could not be considered part of “procuring” the second assignment. Therefore, disclosure of the free “comp check” assignment would not be required. Appraisers may, of course, *elect* to disclose the prior assignment, but it is not required by USPAP.

An appraiser can provide a free “comp check.” An appraiser cannot provide a free “comp check” AND the pursuant appraisal if the engagement was contingent upon developing or reporting predetermined results.

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>).

For further information regarding USPAP Q&A, please contact:

John S. Brenan, Director of Research and Technical Issues

The Appraisal Foundation
1155 15th Street, NW, Suite 1111
Washington, DC 20005

(202) 624-3044

(202) 347-7727 fax

john@appraisalfoundation.org