

# The Changing Landscape of Residential Appraising

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*"I received a request to perform a desktop valuation, based on information provided to me by my client. That information included public record data, a prior appraisal report, and observations from a real estate agent who performed an inspection on the property. The client provided a form to use for this assignment."*

Residential appraisers seem to be getting more and more requests like these, which often results in questions like:

- "What kind of assignment is this?"
- "Is it okay to use the form provided?"
- "Am I allowed to perform it and comply with USPAP?"
- "How can I perform an appraisal based on somebody else's inspection?"

While the answers to such questions may vary, one thing appears certain: residential appraising is changing. In fact, as many appraisers know, it has been changing for some time now. Gone are the days where an appraiser was "engaged" in an assignment simply by virtue of receiving a fax with an address and a phone number or two for access. Back then, appraisers simply knew to call to set up an inspection, then prepare an appraisal report using the longstanding "1004" form.

Although some appraisers may wax nostalgic for those "good old days," it's important to realize that such experiences from the past painted many appraisers as "order takers" or "form fillers." Those examining the role of appraisers in that light often found it easy to dismiss the importance of an appraisal and, ergo, the appraiser.

Appraisers are utilized to help solve a problem. That problem is often a client's need to understand the value of underlying collateral in order to make an informed lending decision. However, there are seemingly ever-increasing variations revolving around that central problem. Today, appraisers are asked to provide a multitude of assignment types with varying scopes of work and reporting requirements.

While some appraisers have resisted adapting to this new era, others have found opportunities that may not have been readily apparent in the past. Whether residential appraising today is good, bad, or

somewhere in between is something for others to decide. What appraisers are *allowed* to do is a different question.

Most residential appraisers are exceedingly familiar with the traditional Fannie Mae/Freddie Mac reporting forms, and the scope of work necessary to produce credible results in assignments subject to Fannie/Freddie guidelines (or *assignment conditions*, as known in USPAP). But outside that warm comfort of familiarity, some appraisers feel as if the lines become blurred on what they can and cannot do, often resulting in angst and frustration.

First and foremost, it is the position of the Appraisal Standards Board (ASB) that forms do not comply with USPAP; appraisers do. For that reason, neither the ASB nor The Appraisal Foundation review forms (or other products) for USPAP compliance. With virtually all forms, there are some assignments that could be completed using a specific form and achieve USPAP compliance, while other assignments may not lend themselves well to doing so. But it's also important to remember that any form is just the *reporting* aspect of an appraisal assignment. The appraiser has an obligation under USPAP to perform a scope of work that produces credible assignment results. This obligation to properly *develop* an opinion of value can sometimes be less apparent than properly reporting the results.

With all that being said, let's look at some common questions and see if we can provide some answers:

1. ***What exactly is an evaluation?***
2. Federal law dictates that financial institutions obtain USPAP-compliant appraisals for federally related financial transactions (e.g., loans over a certain amount), so the banking regulators created evaluations for those transactions that do not require an appraisal. While evaluations are not required to comply with USPAP, the guidelines for performing evaluations are not significantly different than USPAP requirements.
3. ***Can state-credentialed appraisers who are required to comply with USPAP perform evaluations?***
4. Yes, appraisers can (and may very well be the best qualified to) perform evaluations. However, because an evaluation is an opinion of value (defined as an appraisal in USPAP) appraisers must perform such assignments in compliance with USPAP.
5. ***Are Restricted Appraisal Reports appropriate for evaluations?***
6. As stated above, appraisers who are required to comply with USPAP must perform an appraisal for evaluation assignments. A *Restricted Appraisal Report* differs from an *Appraisal Report* in the level of detail provided in the report. Also, *Restricted Appraisal Reports* are currently only allowed when there are no other intended users besides the client(s).

A *Restricted Appraisal Report* may be appropriate for an evaluation assignment. However, whether an *Appraisal Report* or *Restricted Appraisal Report* is utilized, the banking guidelines may require supplementing what's required for USPAP compliance.

1. ***Can state-credentialed appraisers perform desktop valuation assignments where someone else (or nobody) performs the inspection?***
2. It depends. There is no requirement in USPAP for an appraiser to inspect a property. However, appraisers are required to identify relevant characteristics about a property that enable them to produce credible assignment results.

If an appraiser has the ability to adequately ascertain a property's characteristics through other means (including an inspection performed by someone else) such an assignment may be performed in compliance with USPAP. In such cases, most appraisers would likely opt to employ an extraordinary assumption with respect to the information obtained regarding the property's characteristics.

1. ***How can an appraiser determine the level of information required to be in a report in order to comply with USPAP?***
2. Standards Rule 2-2(a) provides the requirements for an *Appraisal Report*, and Standards Rule 2-2(b) provides the requirements for a *Restricted Appraisal Report*. In addition, Advisory Opinion 11 includes a chart that illustrates these requirements side-by-side, in an easy to digest format.

Additional information related to this topic is available from The Appraisal Foundation:

- Recorded free webinar– *Alternatives to Evaluations: Using Restricted Appraisal Reports in your Practice* and accompanying PowerPoint presentation <https://appraisalfoundation.sharefile.com/d-s8814e2a2cba499fb>
- Sample *Residential Restricted Appraisal Report*  
<https://appraisalfoundation.sharefile.com/share?#/view/sc30d75f623e425aa>
- Sample *Non-Residential Restricted Appraisal Report*  
<https://appraisalfoundation.sharefile.com/share?#/view/s825e3d6a8d346fd8>