



APPRAISAL STANDARDS BOARD
2015 SUMMARY OF ACTIONS (Revised March 5, 2015)
RELATED TO PROPOSED USPAP CHANGES
February 6, 2015

On February 6, 2015, the Appraisal Standards Board (ASB) adopted modifications to the *Uniform Standards of Professional Appraisal Practice* (USPAP). This action was the culmination of a period of 19 months and four exposure drafts of proposed revisions to USPAP and one exposure draft of new proposed Advisory Opinions and edits to an existing Advisory Opinion. Written comments were received in response to each document, and oral comments were provided at each of four public meetings. Each member of the ASB read and carefully considered every comment. The Board then developed a work plan to address the issues brought forward, and adopted revisions for the 2016-17 edition of USPAP.

1. Revisions adopted for 2016-17 USPAP

The following changes were adopted by the Board in a public meeting on February 6, 2015, and will be incorporated in the 2016-17 edition of USPAP and associated guidance material with an effective date of January 1, 2016:

- Revisions to the RECORD KEEPING RULE
- Revisions to STANDARD 3
- Revisions to the Definition of *Assignment Results* and *Confidential Information* and to the Confidentiality section of the ETHICS RULE (Note: this change included language that appeared in the Third Exposure Draft, but not in the Fourth Exposure Draft.)
- Revisions to Reporting Standards
- Other USPAP Edits
- Retirement of all STATEMENTS ON APPRAISAL STANDARDS
- ADVISORY OPINION 33: *Discounted Cash Flow Analysis*
- ADVISORY OPINION 34: *Retrospective and Prospective Value Opinions*
- ADVISORY OPINION 7: *Marketing Time Opinions*
- ADVISORY OPINION 35: *Reasonable Exposure Time in Real and Personal Property Opinions of Value*

- *ADVISORY OPINION 36: Identification and Disclosure of Client, Intended Use, and Intended Users*

2. Summary

The goal of USPAP is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. All potential changes and additions to USPAP are evaluated in light of this goal. The adopted changes are intended to improve the clarity, understanding, and enforceability of USPAP, thereby furthering the goal of promoting and maintaining public trust in appraisal practice.

In reviewing comment letters received on the exposure drafts, the ASB's primary focus is the reasoning and insight presented in the letters, rather than the source of authorship. The ASB is guided by the quality, relevancy, and accuracy of the points made, and not their frequency.

The actions taken by the Board, and rationale for those decisions, are discussed on the following pages. With the exception of minor administrative edits, the Board acted on the proposed revisions to USPAP as contained in the Fourth Exposure Draft as shown on the following pages.

I. REVISIONS ADOPTED FOR 2016-17 USPAP

Revisions to the Definition of *Report* and to the RECORD KEEPING RULE

Action:

The Board adopted proposed revisions in the Fourth Exposure Draft to the RECORD KEEPING RULE as shown below. The revisions, with deletions shown in ~~striketrough~~ and additions shown in underscore text, are as follows:

RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

The workfile must include:

- **the name of the client and the identity, by name or type, of any other intended users;**
- **true copies of anyall written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.);**
- **summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification;**
- **all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation; and**
- **a workfile in support of a Restricted Appraisal Report must be sufficient for the appraiser to produce an Appraisal Report;**

An appraiser must retain the workfile for a period of at least five years after preparation or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period.

An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

- **submission to state appraiser regulatory agencies;**
- **compliance with due process of law;**

- **submission to a duly authorized professional peer review committee; or**
- **compliance with retrieval arrangements.**

Comment: A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

An appraiser who willfully or knowingly fails to comply with the obligations of this RECORD KEEPING RULE is in violation of the ETHICS RULE.

Rationale:

The Board adopted edits to the RECORD KEEPING RULE that were proposed for the purpose of clarity.

The specific changes to the RECORD KEEPING RULE are summarized as follows:

- replacing the word “any” with the word “all” to clarify that the appraiser must retain true copies of all written reports.
- adding language to make it more clear that some data and information (in addition to documentation) may be included in the workfile by referring to its location elsewhere.
- language in the Fourth Exposure Draft regarding oral reports should have been underlined, but inadvertently was not. Because the change was not adequately exposed, it will not be included in the 2016-17 changes to USPAP.

Revisions to STANDARD 3

Action:

The Board adopted revisions to STANDARD 3 as outlined in the Fourth Exposure Draft, with the exception of the text that appeared on lines 105-106. The revisions, with deletions shown in ~~strike through~~ and additions shown in underscore text, are as follows:

Standards Rule 3-2

In developing an appraisal review, the reviewer must:

- (a) identify the client and other intended users;**
- (b) identify the intended use of the reviewer's opinions and conclusions;**

Comment: A reviewer must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. A reviewer must not advocate for a client's objectives.

The intended use refers to the use of the reviewer's opinions and conclusions by the client and other intended users; examples include, without limitation, quality control, audit, qualification, or confirmation.

- (c) identify the purpose of the appraisal review, including whether the assignment includes the development of the reviewer's own opinion of value or review opinion related to the work under review;**

Comment: The purpose of an appraisal review assignment relates to the reviewer's objective; examples include, without limitation, to determine if the results of the work under review are credible for the intended user's intended use, or to evaluate compliance with relevant USPAP requirements, client requirements, or applicable regulations.

In the review of an appraisal assignment, the reviewer may provide an opinion of value for the property that is the subject of the work under review.

In the review of an appraisal review assignment, the reviewer may provide an opinion of quality of the work that is the subject of the appraisal review assignment.

- (d) identify the work under review and the characteristics of that work which are relevant to the intended use and purpose of the appraisal review, including:**
 - (i) any ownership interest in the property that is the subject of the work under review;**
 - (ii) the date of the work under review and the effective date of the opinions or conclusions in the work under review;**
 - (iii) the appraiser(s) who completed the work under review, unless the identity is withheld by the client; and**

(iv) the physical, legal, and economic characteristics of the property, properties, property type(s), or market area in the work under review.

Comment: The subject of an appraisal review assignment may be all or part of a report, a workfile, or a combination of these, and may be related to an appraisal or appraisal review assignment.

~~(e) identify the effective date of the reviewer's opinions and conclusions;~~

(fe) identify any extraordinary assumptions necessary in the review assignment;

Comment: An extraordinary assumption may be used in a review assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the reviewer has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the reviewer complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(gf) identify any hypothetical conditions necessary in the review assignment; and

Comment: A hypothetical condition may be used in a review assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the reviewer complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

(hg) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.

Comment: Reviewers have broad flexibility and significant responsibility in determining the appropriate scope of work in an appraisal review assignment.

Information that should have been considered by the original appraiser can be used by the reviewer in developing an opinion as to the quality of the work under review.

Information that was not available to the original appraiser in the normal course of business may also be used by the reviewer; however, the reviewer must not use such information in the reviewer's development of an opinion as to the quality of the work under review.

Standards Rule 3-3

In developing an appraisal review, a reviewer must apply the appraisal review methods and techniques that are necessary for credible assignment results.

- (a) **When necessary for credible assignment results in the review of analyses, opinions, and conclusions, the reviewer must:**
- (i) **develop an opinion as to whether the analyses are appropriate within the context of the requirements applicable to that work;**
 - (ii) **develop an opinion as to whether the opinions and conclusions are credible within the context of the requirements applicable to that work; and**
 - (iii) **develop the reasons for any disagreement.**

Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review, given law, regulations, or intended user requirements applicable to the work under review.

- (b) **When necessary for credible assignment results in the review of a report, the reviewer must:**
- (i) **develop an opinion as to whether the report is appropriate and not misleading within the context of the requirements applicable to that work; and**
 - (ii) **develop the reasons for any disagreement.**

Comment: Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the report, given law, regulations, or intended user requirements applicable to that work.

- (c) **~~When the scope of work includes the reviewer developing his or her own opinion of value or review opinion, the reviewer must comply with the Standard applicable to the development of that opinion~~ assignment includes the reviewer developing his or her own opinion of value or review opinion, the following apply:**
- (i) **The requirements of STANDARDS 1, 6, 7, and ~~or~~ 9 apply to the reviewer's opinion of value for the property that is the subject of the appraisal review assignment.**
 - (ii) **The requirements of STANDARD 3 apply to the reviewer's opinion of quality for the work that is the subject of the appraisal review assignment.**

Comment: These requirements apply to:

- The reviewer's own opinion of value when the subject of the review is the product of an appraisal assignment; or

- The reviewer's own opinion regarding the work reviewed by another when the subject of the review is the product of an appraisal review assignment.

These requirements apply whether the reviewer's own opinion:

- concurs with the opinions and conclusions in the work under review; or
- differs from the opinion and conclusions in the work under review.

When the ~~appraisal review scope of work assignment~~ includes the reviewer developing his or her own opinion of value or review opinion, the following apply:

- The reviewer's scope of work in developing his or her own opinion of value or review opinion may be different from that of the work under review.
- The effective date of the reviewer's ~~appraisal or appraisal review~~ opinion of value may be the same or different from the effective date of the work under review.
- The reviewer is not required to replicate the steps completed by the original appraiser. Those items in the work under review that the reviewer concludes are credible can be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with STANDARD 1, 3, 6, 7, or 9, as applicable, to produce credible assignment results.

Standards Rule 3-4

Each written or oral Appraisal Review Report must be separate from the work under review and must:

- (a) clearly and accurately set forth the appraisal review in a manner that will not be misleading;**
- (b) contain sufficient information to enable the intended users of the appraisal review to understand the report properly; and**
- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, and hypothetical conditions used in the assignment.**

Comment: An Appraisal Review Report communicates the results of an appraisal review, which can have as its subject another appraiser's work in an appraisal or appraisal review assignment.

The report content and level of information in the Appraisal Review Report is specific to the needs of the client, other intended users, the intended use, and requirements applicable to the assignment. The reporting requirements set forth in this Standard are the minimum for an Appraisal Review Report. An appraiser must supplement a report form, when necessary, to ensure that any intended user of the appraiser review is not misled and that the report complies with the applicable content requirements set forth in this Standards Rule.

Standards Rule 3-5

The content of an Appraisal Review Report must be consistent with the intended use of the appraisal review and, at a minimum:

- (a) ~~state the identity of the client and any intended users, by name or type~~ **state the identity of the client, unless the client has specifically requested otherwise; state the identity of any intended users by name or type;**

Comment: An appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. If a client requests that their identity be withheld from the report, the appraiser may comply with this request. In these instances, the appraiser must document the identity of the client in the workfile and must state in the report that the identity of the client has been withheld at the client's request.

- (b) **state the intended use of the appraisal review;**
- (c) **state the purpose of the appraisal review;**
- (d) **state information sufficient to identify:**
- (i) **the work under review, including any ownership interest in the property that is the subject of the work under review;**
 - (ii) **the date of the work under review;**
 - (iii) **the effective date of the opinions or conclusions in the work under review; and**
 - (iv) **the appraiser(s) who completed the work under review, unless the identity is withheld by the client.**

Comment: If the identity of the appraiser(s) in the work under review is withheld by the client, that fact must be stated in the appraisal review report.

- (e) ~~state the effective date of the appraisal review and the date of the appraisal review report;~~
- (f) **clearly and conspicuously:**
- **state all extraordinary assumptions and hypothetical conditions; and**
 - **state that their use might have affected the assignment results.**
- (g) **state the scope of work used to develop the appraisal review;**

Comment: Because intended users' reliance on an appraisal review may be affected by the scope of work, the appraisal review report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant appraisal or appraisal review assistance, the reviewer must state the extent of that assistance. The name(s) of those providing the significant assistance must be stated in the certification, in accordance with Standards Rule 3-6.

- (h) **state the reviewer's opinions and conclusions about the work under review, including the reasons for any disagreement;**

Comment: The report must provide sufficient information to enable the client and intended users to understand the rationale for the reviewer's opinions and conclusions.

- (i) **when the scope of work includes the reviewer's development of an opinion of value or review opinion related to the work under review, the reviewer must:**

(i) **state which information, analyses, opinions, and conclusions in the work under review that the reviewer accepted as credible and used in developing the reviewer's opinion and conclusions;**

(ii) **if applicable, state the effective date of the reviewer's opinion of value;**

(iii) **at a minimum, summarize any additional information relied on and the reasoning for the reviewer's opinion of value or review opinion related to the work under review;**

(iv) **clearly and conspicuously:**

- **state all extraordinary assumptions and hypothetical conditions connected with the reviewer's opinion of value or review opinion related to the work under review; and**
- **state that their use might have affected the assignment results.**

Comment: The reviewer may include his or her own opinion of value or review opinion related to the work under review within the appraisal review report itself without preparing a separate report. However, data and analyses provided by the reviewer to support a different opinion or conclusion must match, at a minimum, except for the certification requirements, the reporting requirements for a(an):

- Appraisal Report for a real property appraisal (Standards Rule 2-2(a));
- Appraisal Report for a personal property appraisal (Standards Rule 8-2(a));
- Appraisal Review Report for an appraisal review (Standards Rule 3-5);
- Mass Appraisal Report for mass appraisal (Standards Rule 6-8); and
- Appraisal Report for business appraisal (Standards Rule 10-2(a)).

- (j) **include a signed certification in accordance with Standards Rule 3-6.**

Standards Rule 3-6

Each written Appraisal Review Report must contain a signed certification that is similar in content to the following form:

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of the work under review and no (or the specified) personal interest with respect to the parties involved.
- I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of the work under review within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of the work under review or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- my compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have (or have not) made a personal inspection of the subject of the work under review. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the subject of the work under review.) (For reviews of a business or intangible asset appraisal assignment, the inspection portion of the certification is not applicable.)
- no one provided significant appraisal or appraisal review assistance to the person signing this certification. (If there are exceptions, the name of each individual(s) providing appraisal or appraisal review assistance must be stated.)

Comment: A signed certification is an integral part of the Appraisal Review Report. A reviewer who signs any part of the appraisal review report, including a letter of transmittal, must also sign the certification.

Any reviewer who signs a certification accepts responsibility for all elements of the certification, for the assignment results, and for the contents of the Appraisal Review Report.

Appraisal review is distinctly different from the cosigning activity addressed in Standards Rules 2-3, 6-9, 8-3, and 10-3. To avoid confusion between these activities, a reviewer performing an appraisal review must not sign the work under review unless he or she intends to accept responsibility as a cosigner of that work.

When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent. The signing appraiser also must have no reason to doubt that the work of those individuals is credible.

The names of individuals providing significant appraisal or appraisal review assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with Standards Rule 3-5(g).

Standards Rule 3-7

To the extent that it is both possible and appropriate, an oral Appraisal Review Report must address the substantive matters set forth in Standards Rule 3-5.

Comment: See the RECORD KEEPING RULE for corresponding requirements.

Rationale:

In the 2014-15 edition of USPAP, STANDARD 3 required that the reviewer identify and report: the date of the work under review; the effective date of the opinions or conclusions in the work under review; the effective date of the appraisal review; and disclose the date of the appraisal review report. The ASB received numerous questions about the various dates in STANDARD 3 and took a closer look at the rationale for requiring these dates.

The effective date of the appraisal review added confusion and did not appear necessary in an appraisal review assignment. This is because the information necessary to understand the perspectives of both the original appraiser and the reviewer are covered with the disclosure of: the date of the report under review; the effective date of the appraisal under review; and the date of the appraisal review.

The majority of the comments received were in favor of eliminating the effective date of the appraisal review, although several contended the effective date of review should not be eliminated. The ASB adopted the deletion of the requirement to identify and report the effective date of an appraisal review.

The ASB became aware of issues in STANDARD 3 that are handled differently than they are in other Standards. The Board revised the language as proposed in the Fourth Exposure Draft to bring STANDARD 3 in line with the language in other Standards. This led to the edits to the Comment to Standards Rule 3-4 and the addition of Standards Rule 3-5(j).

The ASB had exposed, but did not adopt changes to Standards Rule 3-2(d)(i) as the proposed edits did not add clarity to the Standards Rule.

Revisions to the Definition of *Assignment Results* and *Confidential Information* and to the Confidentiality section of the ETHICS RULE

The Board adopted the revisions proposed in the Fourth Exposure Draft, with several exceptions that are explained in the Rationale section that follows the edits. The Board also adopted two paragraphs from the Third Exposure Draft; this too explained in the Rationale. The revisions, with deletions shown in ~~strike through~~ and additions shown in underscore text, are as follows:

ASSIGNMENT RESULTS: An appraiser's opinions or conclusions developed specific to an assignment.

Comment: Assignment results include an appraiser's:

- opinions or conclusions developed in an appraisal assignment, not limited to value;
- opinions or conclusions, developed in an appraisal review assignment, not limited to an opinion about the quality of another appraiser's work; or
- opinions or conclusions developed when performing a valuation service other than an appraisal or appraisal review assignment.

Physical characteristics are not ASSIGNMENT RESULTS.

CONFIDENTIAL INFORMATION: information that is either:

- Identified by the client as confidential when providing it to an appraiser and is not available from any other source.
- Classified as confidential or private by applicable law or regulation.*

*NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." See [GLB-Privacy](#). The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See [GLB-Safeguards-Rule](#). Significant liability exists for appraisers should they fail to comply with these FTC rules.

Confidentiality

An appraiser must protect the confidential nature of the appraiser-client relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.¹ An appraiser must not disclose confidential information or assignment results to anyone other than:

the client;

~~persons~~ parties specifically authorized by the client

state appraiser regulatory agencies;

third parties as may be authorized by due process of law; or

- **a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.**

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form.

An appraiser must ensure that employees, co-workers, sub-contractors, or others who may have access to confidential information or assignment results, are aware of the prohibitions on disclosure of such information or results.

A member of a duly authorized professional peer review committee must not disclose confidential information presented to the committee.

Comment: When all confidential elements of confidential information and assignment results are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

Rationale:

In prior exposure drafts, the rationale in this section provided examples of a possible need to clarify the definitions of assignment results and confidential information in order to allow appraisers to share subject property information that is not identified as confidential by the client. If the client identifies the information as confidential and the appraiser could not obtain the information from another source, the information must be kept confidential.

The ASB adopted proposed changes in the Fourth Exposure Draft to the definitions of assignment results and confidential information that had been edited based on the responses

¹For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of “non-public personal information” provided by consumers to those involved in financial activities “found to be closely related to banking or usual in connection with the transaction of banking.” These activities include “appraising real or personal property.” See [GLB-Privacy](#). The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See [GLB-Safeguards-Rule](#). Significant liability exists for appraisers should they fail to comply with these FTC rules.

received. The changes were put forth to ensure that an appraiser is able to share non-confidential information with other appraisers to facilitate higher-quality appraisals by allowing the exchange of this information.

The language in the proposed Definition of assignment results that listed examples of physical characteristics was not adopted. Similarly, language providing examples of “other sources” in the Definition of confidential information was not adopted. The Board may issue guidance on these topics in the form of Q&As.

The ASB adopted two paragraphs that were exposed in the Third Exposure Draft, which deal with protecting confidential information within the appraiser’s office. The intent was to acknowledge that employees or contractors have access to confidential information as part of a normal working environment and to require the appraiser to ensure that anyone who may have access to that information is made aware of its confidential nature.

The Board did not adopt the paragraph in the Fourth Exposure Draft that would have required notification to clients regarding confidentiality. Also not adopted was an additional bullet point in the list of exceptions to which an appraiser may disclose confidential information or assignment results.

Changes to Reporting Standards

Action:

The Board adopted proposed changes to Standards Rules 2-2(a) and 2-2(b), 8-2(a) and 8-2(b), 10-2(a) and 10-2(b), and 6-8(d). The revisions to Standards Rules 2-2(a), 8-2(a), and, 10-2(a) with deletions shown in ~~striketrough~~ and additions shown in underscore text, are as follows:

The content of an Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum:

- ~~(f) state the identity of the client and any intended users, by name or type;~~
- (i) state the identity of the client, unless the client has specifically requested otherwise; state the identity of any intended users by name or type;**

Comment: An appraiser must use care when identifying the client to ensure a clear understanding and to avoid violations of the Confidentiality section of the ETHICS RULE. In those rare instances when the client wishes to remain anonymous, an appraiser must still document the identity of the client in the workfile but may omit the client's identity in the report.

Comment: An appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be withheld from the report, the appraiser may comply with this request. In these instances, the appraiser must document the identity of the client in the workfile and must state in the report that the identity of the client has been withheld at the client's request.

Types of intended users of the report might include parties such as lenders, employees of government agencies, partners of a client, and a client's attorney and accountant.

Similar corresponding edits will be made to Standards Rule 6-8(d).

The revisions to Standards Rules 2-2(b), 8-2(b), and 10-2(b) with deletions shown in ~~striketrough~~ and additions shown in underscore text, are as follows:

The content of a Restricted Appraisal Report must be consistent with the intended use of the appraisal and, at a minimum:

- (i) state the identity of the client, by name or type unless the client has specifically requested otherwise; and state a prominent use restriction that limits use of the report to the client and warns that the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile;**

Comment: An appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE. If a client requests that the client's identity be withheld from the report, the appraiser may comply with this request. In these instances, the appraiser must document the identity of the client in the workfile and must state in the report that the identity of

~~the client has been withheld at the client's request. An appraiser must use care when identifying the client to ensure a clear understanding and to avoid violations of the Confidentiality section of the ETHICS RULE. In those rare instances when the client wishes to remain anonymous, an appraiser must still document the identity of the client in the workfile but may omit the client's identity in the report.~~

The Restricted Appraisal Report is for client use only. Before entering into an agreement, the appraiser should establish with the client the situations where this type of report is to be used and should ensure that the client understands the restricted utility of the Restricted Appraisal Report.

Rationale:

The ASB recognized that STATEMENT ON APPRAISAL STANDARDS NO. 9 (SMT-9) contained a requirement as to what must be stated in a report in those instances when the client wishes to remain anonymous. This report requirement existed solely in SMT-9 and is not currently part of the STANDARDS RULES. Therefore, the ASB adopted to add language to the appropriate Standards Rules in the reporting Standards requiring a notice in the report that the client's name was omitted based on a request by the client.

The specific language that was adopted is similar to what is currently in SMT-9.

In addition to the notice requirement, the ASB adopted proposed edits to the Comments to Standards Rules 2-2(a)(i), 2-2(b)(i), 8-2(a)(i), 8-2(b)(i), 10-2(a)(i), and 10-2(b)(i) which clarified that the identity of intended users may be stated by name or type.

Language that is included in the current Comment to Standards Rule 2-2(a)(i) regarding examples of types of intended users is not currently part of Standards Rule 8-2(a)(i) and 10-2(a)(i). The ASB adopted the addition of this language to these rules.

The same edits were applied to SR 8-2 and 10-2, and similar edits were made to SR 3-5 and SR 6-8.

In addition, edits to Standards Rules 2-2(b)(i), 8-2(b)(i), and 10-2(b)(i) were adopted to address those situations in which clients have requested that their identity be withheld from a Restricted Appraisal Report.

Other USPAP Edits

Action:

The Board adopted the revisions proposed in the Fourth Exposure Draft to the Comment at the end of Standards Rules 1-2(c) and 7-2(c). The revisions, with additions shown in underscore text, are as follows:

Comment: When reasonable exposure time is a component of the definition for the value opinion being developed, the appraiser must also develop an opinion of reasonable exposure time linked to that value opinion.

Rationale:

USPAP currently requires that the appraiser develop an opinion of reasonable exposure time whenever exposure time is a component of the definition of value being applied. There may be cases when exposure time, but not reasonable exposure time is a component of that value definition and thus, an opinion of reasonable exposure time would not be necessary. In fact, stating such an opinion might even cause confusion. Therefore, the ASB has adopted the revision to the Comment at the end of Standards Rules 1-2(c) and 7-2(c).

Several other edits were proposed in this section of the Fourth Exposure Draft, but were not adopted. These include edits to the Definitions of appraisal, assignment, intended use, and intended user as well as a proposed new Definition of engagement. The Board decided not to adopt the changes to the Definition of assignment and the proposed Definition of engagement because the application of those terms has not been resolved. These changes may be re-exposed with greater detail regarding their application in the future.

Retirement of all STATEMENTS ON APPRAISAL STANDARDS

Action:

The Board adopted retiring the remaining Statements as proposed in the Fourth Exposure Draft. The five remaining Statements are:

- SMT-2: Discounted Cash Flow Analysis
- SMT-3: Retrospective Value Opinions
- SMT-4: Prospective Value Opinions
- SMT-6: Reasonable Exposure Time in Real Property and Personal Property Opinions of Value
- SMT-9: Identification of Intended Use and Intended Users

Rationale:

The Board received numerous comments regarding the possible retirement of the remaining Statements. Some stakeholders believe that the Statements are no longer necessary, that standards related issues are covered in the Rules and Standards, and that issues related to methods and techniques should not be addressed in USPAP. Others believe that additional guidance beyond what is stated in the Rules and Standards is necessary for complete understanding of some issues. While this may be true in some cases, the Statements are not guidance material; it is most appropriate to use other communications from the ASB, such as Advisory Opinions and Frequently Asked Questions, to convey guidance material.

The ASB retired all Statements, and transferred valuable guidance from each Statement into new Advisory Opinions:

- ADVISORY OPINION 33: *Discounted Cash Flow Analysis*
- ADVISORY OPINION 34: *Retrospective and Prospective Value Opinions*
- ADVISORY OPINION 35: *Reasonable Exposure Time in Real and Personal Property Opinions of Value*
- ADVISORY OPINION 36: *Identification and Disclosure of Client, Intended Use, and Intended Users*

Revision of ADVISORY OPINION 7: *Marketing Time Opinions*; creation of ADVISORY OPINION 33: *Discounted Cash Flow Analysis*; ADVISORY OPINION 34: *Retrospective and Prospective Value Opinions*; ADVISORY OPINION 35: *Reasonable Exposure Time in Real and Personal Property Opinions of Value*; and ADVISORY OPINION 36: *Identification and Disclosure of Client, Intended Use, and Intended Users*.

Action:

The Board adopted revisions to ADVISORY OPINION 7: *Marketing Time Opinions*, and created the following new Advisory Opinions:

- ADVISORY OPINION 33: *Discounted Cash Flow Analysis*
- ADVISORY OPINION 34: *Retrospective and Prospective Value Opinions*
- ADVISORY OPINION 35: *Reasonable Exposure Time in Real and Personal Property Opinions of Value*
- ADVISORY OPINION 36: *Identification and Disclosure of Client, Intended Use, and Intended Users*

Rationale:

The guidance that had been included in retired STATEMENTS (2, 3, 4, 6, and 9) has been adapted into respective Advisory Opinions (as stated previously), with administrative edits and revisions to language and guidance that better reflect current practices and terminology.

As exposed, ADVISORY OPINION 33: *Discounted Cash Flow Analysis* would have applied to personal property and intangible assets as well as real property. It was adopted only for real property which is consistent with the Statement that is being retired.

As exposed and initially adopted, ADVISORY OPINION 34: *Retrospective and Prospective Value Opinions* would have applied to real property, personal property, and intangible assets. However, comments provided subsequent to that initial adoption led the ASB to revise the adoption to apply only to real property and personal property which is consistent with the Statement that is being retired.

Please go to The Appraisal Foundation website at www.appraisalfoundation.org to view the adopted Advisory Opinions in the Fourth Exposure Draft of proposed changes for the 2016-17 edition of the *Uniform Standards of Professional Appraisal Practice*, or click on the following link:

<https://netforum.avectra.com/eWeb/DynamicPage.aspx?Site=TAF&WebCode=ASBDrafts>