



**TELECONFERENCE/VIRTUAL
REAL ESTATE APPRAISERS BOARD**
Virtual, 4822 Madison Yards Way, Madison
Contact: Valerie Payne (608) 266-2112
August 4, 2020

The following agenda describes the issues that the Board plans to consider at the meeting. At the time of the meeting, items may be removed from the agenda. Please consult the meeting minutes for a description of the actions of the Board.

AGENDA

9:00 A.M.

OPEN SESSION – CALL TO ORDER – ROLL CALL

- A. Adoption of Agenda (1-3)**
- B. Approval of Minutes of May 5, 2020 (4-5)**
- C. Conflicts of Interest
- D. Introductions, Announcements and Recognition**
 - 1. New Member: David Wagner, Certified General Appraiser Member – 5/1/2022
- E. Administrative Matters – Discussion and Consideration**
 - 1. Department, Staff, and Board Updates
 - 2. Board Members – Term Expiration Dates
- F. Administrative Rule Matters – Discussion and Consideration (6)**
 - 1. Scope Statement for SPS 85, Relating to Real Estate Appraisers **(7-12)**
 - 2. Pending or Possible Rulemaking Projects
- G. Second Exposure Draft – 2022-2023 Uniform Standards of Professional Appraisal Practice (USPAP) – Discussion and Consideration (13-35)**
- H. COVID-19 – Discussion and Consideration**
- I. Report from Real Estate Appraisers Application Advisory Committee
- J. Discussion and Consideration of Items Added After Preparation of Agenda
 - 1. Introductions, Announcements and Recognition
 - 2. Administrative Matters
 - 3. Election of Officers
 - 4. Appointment of Liaisons and Alternates
 - 5. Delegation of Authorities
 - 6. Education and Examination Matters

7. Credentialing Matters
8. Practice Matters
9. Legislative and Policy Matters
10. Administrative Rule Matters
11. Liaison Reports
12. Board Liaison Training and Appointment of Mentors
13. Informational Items
14. Division of Legal Services and Compliance (DLSC) Matters
15. Presentations of Petitions for Summary Suspension
16. Petitions for Designation of Hearing Examiner
17. Presentation of Stipulations, Final Decisions and Orders
18. Presentation of Proposed Final Decisions and Orders
19. Presentation of Interim Orders
20. Petitions for Re-Hearing
21. Petitions for Assessments
22. Petitions to Vacate Orders
23. Requests for Disciplinary Proceeding Presentations
24. Motions
25. Petitions
26. Appearances from Requests Received or Renewed
27. Speaking Engagements, Travel, or Public Relation Requests, and Reports

K. Public Comments

CONVENE TO CLOSED SESSION to deliberate on cases following hearing (s. 19.85(1)(a), Stats.); to consider licensure or certification of individuals (s. 19.85(1)(b), Stats.); to consider closing disciplinary investigations with administrative warnings (ss. 19.85(1)(b), and 440.205, Stats.); to consider individual histories or disciplinary data (s. 19.85(1)(f), Stats.); and to confer with legal counsel (s. 19.85(1)(g), Stats.).

L. Deliberation on Division of Legal Services and Compliance Matters

- 1. Case Closings**
 - a. 19 APP 017 – A.L.K. **(36-46)**
- 2. Proposed Stipulations, Final Decisions, and Orders**
 - a. 19 APP 015 – Robert C. Lewis **(47-53)**

M. Report of Decisions by DSPS Chief Legal Counsel for the Following Cases Delegated on May 5, 2020

- 1. Stipulation, Final Decision and Order**
 - a. 19 APP 002 – Gerald J. Long **(54-62)**
- 2. Orders Fixing Costs**
 - a. Thomas M. Prock (DHA Case Number SPS-19-0021/DLSC Case Number 13 APP 092)
 - b. Shara L. Dahlik (DHA Case Number SPS-19-0018/DLSC Case Number 17 APP 038)

N. Deliberation of Items Added After Preparation of the Agenda

1. Education and Examination Matters
2. Credentialing Matters
3. DLSC Matters
4. Monitoring Matters

5. Professional Assistance Procedure (PAP) Matters
6. Petitions for Summary Suspensions
7. Petitions for Designation of Hearing Examiner
8. Proposed Stipulations, Final Decisions and Orders
9. Proposed Interim Orders
10. Administrative Warnings
11. Review of Administrative Warnings
12. Proposed Final Decisions and Orders
13. Matters Relating to Costs/Orders Fixing Costs
14. Case Closings
15. Board Liaison Training
16. Petitions for Assessments and Evaluations
17. Petitions to Vacate Orders
18. Remedial Education Cases
19. Motions
20. Petitions for Re-Hearing
21. Appearances from Requests Received or Renewed

O. Consulting with Legal Counsel

RECONVENE TO OPEN SESSION IMMEDIATELY FOLLOWING CLOSED SESSION

P. Vote on Items Considered or Deliberated Upon in Closed Session, if Voting is Appropriate

Q. Open Session Items Noticed Above Not Completed in the Initial Open Session

ADJOURNMENT

NEXT MEETING: AUGUST 4, 2020

MEETINGS AND HEARINGS ARE OPEN TO THE PUBLIC, AND MAY BE CANCELLED WITHOUT NOTICE.

Times listed for meeting items are approximate and depend on the length of discussion and voting. All meetings are held at 4822 Madison Yards Way, Madison, Wisconsin, unless otherwise noted. In order to confirm a meeting or to request a complete copy of the board's agenda, please call the listed contact person. The board may also consider materials or items filed after the transmission of this notice. Times listed for the commencement of disciplinary hearings may be changed by the examiner for the convenience of the parties. Interpreters for the hearing impaired provided upon request by contacting the Affirmative Action Officer at 608-266-2112, or the Meeting Staff at 608-266-5439.

**TELECONFERENCE/VIRTUAL
REAL ESTATE APPRAISERS BOARD
MEETING MINUTES
MAY 5, 2020**

PRESENT: Carl Clementi, Jennifer Coates, Thomas Kneesel, Dennis Myers

STAFF: Valerie Payne, Executive Director; Jameson Whitney, Legal Counsel; Megan Glaeser, Bureau Assistant; and other DSPS Staff

CALL TO ORDER

Carl Clementi, Chairperson, called the meeting to order at 9:04 a.m. A quorum was confirmed with four (4) members present.

ADOPTION OF AGENDA

MOTION: Dennis Myers moved, seconded by Jennifer Coates, to adopt the agenda as published. Motion carried unanimously.

APPROVAL OF MINUTES OF FEBRUARY 11, 2020

MOTION: Jennifer Coates moved, seconded by Thomas Kneesel, to approve the minutes of February 11, 2020 as published. Motion carried unanimously.

CLOSED SESSION

MOTION: Dennis Myers moved, seconded by Jennifer Coates, to convene to Closed Session to deliberate on cases following hearing (s. 19.85(1)(a), Stats.); to consider licensure or certification of individuals (s. 19.85(1)(b), Stats.); to consider closing disciplinary investigations with administrative warnings (ss. 19.85(1)(b), and 440.205, Stats.); to consider individual histories or disciplinary data (s. 19.85(1)(f), Stats.); and to confer with legal counsel (s. 19.85(1)(g), Stats.). Carl Clementi, Chairperson, read the language of the motion aloud for the record. The vote of each member was ascertained by voice vote. Roll Call Vote: Carl Clementi-yes; Jennifer Coates-yes; Thomas Kneesel-yes; and Dennis Myers-yes. Motion carried unanimously.

The Board convened into Closed Session at 9:51 a.m.

DIVISION OF LEGAL SERVICES AND COMPLIANCE (DLSC) MATTERS

Proposed Stipulations, Final Decisions and Orders

19 APP 002 – Gerald J. Long

MOTION: Thomas Kneesel moved, seconded by Carl Clementi, to delegate to DSPS Chief Legal Counsel the Board's authority to preside over and resolve the matter of disciplinary proceedings against Gerald J. Long, DLSC Case Number 19 APP 002. Motion carried unanimously.

19 APP 013 – Tyler P. Biesterveld

MOTION: Dennis Myers moved, seconded by Carl Clementi, to adopt the Findings of Fact, Conclusions of Law and Order in the matter of disciplinary proceedings against Tyler P. Biesterveld, DLSC Case Number 19 APP 013. Motion carried unanimously.

DELIBERATION ON MATTERS RELATING TO ORDERS FIXING COSTS

Thomas M. Prock (DHA Case number SPS-19-0021/DLSC Case Number 13 APP-092)

MOTION: Jennifer Coates moved, seconded by Dennis Myers, to delegate to DSPS Chief Legal Counsel the Board's authority to preside over and resolve the matter of disciplinary proceedings against Thomas M. Prock, DHA Case number SPS-19-0021/DLSC Case Number 13 APP 092. Motion carried. Abstained: 1 (Clementi)

Shara L. Dahlik (DHA Case Number SPS-19-0018/DLSC Case Number 17 APP 038)

MOTION: Jennifer Coates moved, seconded by Carl Clementi, to delegate to DSPS Chief Legal Counsel the Board's authority to preside over and resolve the matter of disciplinary proceedings against Shara L. Dahlik, DHA Case Number SPS-19-0018/DLSC Case Number 17 APP 038. Motion carried. Abstained: 1 (Kneesel)

RECONVENE TO OPEN SESSION

MOTION: Dennis Myers moved, seconded by Jennifer Coates, to reconvene into Open Session. Motion carried unanimously.

The Board reconvened into Open Session at 10:10 a.m.

**VOTE ON ITEMS CONSIDERED OR DELIBERATED UPON IN CLOSED SESSION,
IF VOTING IS APPROPRIATE**

MOTION: Dennis Myers moved, seconded by Jennifer Coates, to affirm all motions made and votes taken in Closed Session. Motion carried unanimously.

(Be advised that any recusals or abstentions reflected in the Closed Session motions stand for the purposes of the affirmation vote.)

ADJOURNMENT

MOTION: Jennifer Coates moved, seconded by Thomas Kneesel, to adjourn the meeting. Motion carried unanimously.

The meeting adjourned at 10:20 a.m.

AGENDA REQUEST FORM

1) Name and Title of Person Submitting the Request: Dale Kleven Administrative Rules Coordinator		2) Date When Request Submitted: 7/23/20 Items will be considered late if submitted after 12:00 p.m. on the deadline date: ▪ 8 business days before the meeting	
3) Name of Board, Committee, Council, Sections: Real Estate Appraisers Board			
4) Meeting Date: 8/4/20	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page? Administrative Rule Matters – Discussion and Consideration 1. Scope Statement for SPS 85, Relating to Real Estate Appraisers 2. Pending or Possible Rulemaking Projects	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session <input type="checkbox"/> Both	8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes (Fill out Board Appearance Request) <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if required:	
10) Describe the issue and action that should be addressed:			
11) Authorization			
Signature of person making this request <i>Dale Kleven</i>		Date <i>July 23, 2020</i>	
Supervisor (if required)		Date	
Executive Director signature (indicates approval to add post agenda deadline item to agenda) Date			
Directions for including supporting documents: 1. This form should be attached to any documents submitted to the agenda. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, Provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			

STATEMENT OF SCOPE

Department of Safety and Professional Services

Rule No.: Chapter SPS 85

Relating to: Real estate appraisers

Rule Type: Permanent

1. Finding/nature of emergency (Emergency Rule only):

N/A

2. Detailed description of the objective of the proposed rule:

The objectives of the rule are to 1) implement 2019 Wisconsin Act 143 and 2) adopt a change made to the real property appraiser classifications within the Appraiser Qualifications Board's *Real Property Appraiser Qualification Criteria*.

3. Description of the existing policies relevant to the rule, new policies proposed to be included in the rule, and an analysis of policy alternatives:

Under prior law, the spouse of a service member could obtain a temporary reciprocal credential. 2019 Wisconsin Act 143 entitles service members, former service members who were discharged within the prior four years under conditions other than dishonorable, and spouses of service members or former service members to obtain a reciprocal credential if the person resides in Wisconsin and is in good standing with the governmental authorities in every jurisdiction outside Wisconsin that have granted the individual a credential that qualifies the individual to perform acts authorized under the appropriate credential granted by the department or credentialing board. The credential may be renewed indefinitely.

On May 15, 2020, the Appraiser Qualifications Board adopted a change to the real property appraiser classifications within the *Real Property Appraiser Qualification Criteria*. Specifically, the Licensed Residential Real Property Appraiser classification was changed from applying to complex one-to-four residential units having a transaction value of less than \$250,000 to those having a transaction value of less than \$400,000. The change will go into effect on January 1, 2021.

The proposed rule will update ch. SPS 85 to reflect the above-described changes to reciprocal credentials and real property appraiser classifications. The alternatives of either partially updating or not updating these rules to reflect the changes would be less beneficial to affected entities.

4. Detailed explanation of statutory authority for the rule (including the statutory citation and language):

Section 440.09 (5), Stats., provides that "[t]he department or credentialing board, as appropriate, may promulgate rules necessary to implement this section."

Section 458.03 (1) (e), Stats., requires the department to "[p]romulgate rules specifying the types of real estate that may be appraised by licensed appraisers."

5. Estimate of amount of time that state employees will spend developing the rule and of other resources necessary to develop the rule:

80 hours

6. List with description of all entities that may be affected by the proposed rule:

Wisconsin credentialed real estate appraisers and individuals applying for a Wisconsin credential as a real estate appraiser.

7. Summary and preliminary comparison with any existing or proposed federal regulation that is intended to address the activities to be regulated by the proposed rule:

The Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA), 12 U.S.C. 3331 et seq., (Title XI) was enacted in 1989. Under FIRREA, insured financial institutions and insured credit unions are required to obtain the services of a state certified or licensed appraiser for appraisals conducted in connection with “federally related transactions.”

Under FIRREA, all states that certify real estate appraisers for purposes of conducting appraisals in federally related transactions must assure compliance with the criteria established by the Appraiser Qualifications Board (AQB). The criteria established by the AQB are set forth in the *Real Property Appraiser Qualification Criteria and Interpretations of the Criteria* (Criteria). The AQB Criteria includes the minimum experience, examination, qualifying education, and continuing education requirements that must be satisfied by an individual in order to obtain and maintain a certified appraiser credential.

The regulations in the proposed rule will comply with the AQB Criteria.

8. Anticipated economic impact of implementing the rule (note if the rule is likely to have a significant economic impact on small businesses):

The proposed rule is anticipated to have minimal to no economic impact on small businesses and the state’s economy as a whole.

Contact Person: Dale Kleven, Administrative Rule Coordinator, DSPSAdminRules@wisconsin.gov, (608) 261-4472

Approved for publication:

Approved for implementation:

Authorized Signature

Authorized Signature

Date Submitted

Date Submitted

Under prior law, the spouse of a service member could obtain a temporary reciprocal credential granted by DSPS or a board attached to DSPS. 2019 Wisconsin Act 143 expanded the availability of a reciprocal credential to include service members, former service members, and the spouses of former service members. The Act also provides that a reciprocal credential granted to a service member, former service member, or the spouse of a service member or former service member expires on the same renewal date as the credential that corresponds to the reciprocal credential, and that the reciprocal credential may be renewed by paying the applicable fee and satisfying the requirements that apply to renewing the corresponding credential. Also, under the Act, DSPS or a board attached to DSPS may promulgate rules necessary to implement the Act.

(c) For purposes of par. (b), the period shall be the period beginning on March 12, 2020, and ending on the 60th day after the end of the period covered by the public health emergency declared on March 12, 2020, by executive order 72.

(d) A renewal that occurs subsequent to the period described in par. (c) is not subject to the late renewal fee under sub. (3) (a) if the application to renew the credential is received before the next applicable renewal date. Notwithstanding the applicable provisions in chs. 440 to 480, the applicable credentialing board may, for that next applicable renewal date, provide an exemption from or reduction of continuing education or other conditions for renewal.

History: 1991 a. 39 ss. 3305, 3313; 1991 a. 78, 160, 167, 269, 278, 315; 1993 a. 3, 16, 102, 105, 107, 443, 463, 465; 1993 a. 490 ss. 228 to 230, 274, 275; 1995 a. 27, 233, 321, 322, 461; 1997 a. 27, 75, 81, 96, 156, 191, 237, 261, 300; 1999 a. 9, 32; 2001 a. 16, 70, 74, 80, 89; 2003 a. 150, 270, 285, 327; 2005 a. 25, 31, 242, 292, 297, 407; 2007 a. 20, 174, 189; 2009 a. 28, 29, 106, 130, 174, 282, 355, 360; 2011 a. 160, 190, 258; 2013 a. 20, 240, 244, 358; 2015 a. 3, 16, 55, 116; 2015 a. 195 s. 83; 2015 a. 258; 2017 a. 82, 113, 329, 364; 2019 a. 49 s. 1; 2019 a. 185.

440.09 Reciprocal credentials for service members, former service members, and their spouses. (1) In this section:

(a) “Former service member” means a person who was discharged from the U.S. armed forces under conditions other than dishonorable within 4 years of the date on which the service member or the spouse of the service member applies for a reciprocal credential under this section.

(b) “Service member” means a member of the U.S. armed forces, a reserve unit of the U.S. armed forces, or the national guard of any state.

(c) “Spouse” includes the spouse of a person who died while in service in the U.S. armed forces or in forces incorporated as part of the U.S. armed forces.

(2) The department and each credentialing board shall grant a reciprocal credential to an individual who the department or credentialing board determines meets all of the following requirements:

(a) The individual applies for a reciprocal credential under this section on a form prescribed by the department or credentialing board.

(b) The individual is a service member, a former service member, or the spouse of a service member or former service member and resides in this state.

(c) The individual holds a license, certification, registration, or permit that was granted by a governmental authority in a jurisdiction outside this state that qualifies the individual to perform the acts authorized under the appropriate credential granted by the department or credentialing board.

(d) The individual pays the fee specified under s. 440.05 (2).

(f) The individual is in good standing with the governmental authorities in every jurisdiction outside this state that have granted the individual a license, certification, registration, or permit that qualifies the individual to perform acts authorized under the appropriate credential granted by the department or credentialing board.

(2m) If an individual is unable to provide documentation that the individual is a service member, former service member, or the spouse of a service member or former service member, the individual may submit an affidavit to the department or credentialing board, as appropriate, stating that the individual is a service member, former service member, or the spouse of a service member or former service member.

(3) (a) A reciprocal credential granted under this section expires on the applicable renewal date specified in s. 440.08 (2) (a), except that if the first renewal date specified in s. 440.08 (2) (a) after the date on which the credential is granted is within 180 days of the date on which the credential is granted, the credential expires on the 2nd renewal date specified in s. 440.08 (2) (a) after the date on which the credential is granted.

(b) The department or credentialing board, as appropriate, shall grant a renewed reciprocal credential to an applicant who pays the renewal fee specified under s. 440.05 (2) and satisfies the requirements that apply for renewing that credential.

(4) The department or credentialing board, as appropriate, shall expedite the issuance of a reciprocal credential granted under this section.

(5) The department or credentialing board, as appropriate, may promulgate rules necessary to implement this section.

History: 2011 a. 210; 2019 a. 143.

440.11 Change of name or address. (1) An applicant for or recipient of a credential who changes his or her name or moves from the last address provided to the department shall notify the department of his or her new name or address within 30 days of the change in writing or in accordance with other notification procedures approved by the department.

(2) The department or any examining board, affiliated credentialing board or board in the department may serve any process, notice or demand on the holder of any credential by mailing it to the last-known address of the holder as indicated in the records of the department, examining board, affiliated credentialing board or board.

History: 1987 a. 27; 1991 a. 39; 1993 a. 107; 1997 a. 27; 2017 a. 329.

440.12 Credential denial, nonrenewal and revocation based on tax or unemployment insurance contribution delinquency. Notwithstanding any other provision of chs. 440 to 480 relating to issuance or renewal of a credential, the department shall deny an application for an initial credential or credential renewal or revoke a credential if any of the following applies:

(1) The department of revenue certifies under s. 73.0301 that the applicant or credential holder is liable for delinquent taxes.

(2) The department of workforce development certifies under s. 108.227 that the applicant or credential holder is liable for delinquent unemployment insurance contributions.

History: 1997 a. 237; 2013 a. 36.

Cross-reference: See also ch. SPS 9, Wis. adm. code.

440.121 Credential denial, nonrenewal, and revocation based on incompetency. Notwithstanding any other provision of chs. 440 to 480 relating to issuance or renewal of a credential, the department shall deny an application for an initial credential or credential renewal or revoke a credential issued to an individual for whom the department receives a record of a declaration under s. 54.25 (2) (c) 1. d. stating that the individual is incompetent to apply for a credential under chs. 440 to 480.

History: 2005 a. 387.

440.13 Delinquency in support payments; failure to comply with subpoena or warrant. (1) In this section:

(b) “Memorandum of understanding” means a memorandum of understanding entered into by the department of safety and professional services and the department of children and families under s. 49.857.

(c) “Support” has the meaning given in s. 49.857 (1) (g).

(2) Notwithstanding any other provision of chs. 440 to 480 relating to issuance of an initial credential or credential renewal, as provided in the memorandum of understanding:

(a) With respect to a credential granted by the department, the department shall restrict, limit, or suspend a credential or deny an application for an initial credential if the credential holder or applicant is delinquent in paying support or fails to comply, after appropriate notice, with a subpoena or warrant issued by the department of children and families or a county child support agency under s. 59.53 (5) and related to support or paternity proceedings.

(b) With respect to credential renewal, the department shall deny an application for renewal if the applicant is delinquent in paying support or fails to comply, after appropriate notice, with a subpoena or warrant issued by the department of children and

May 15, 2020

The Appraiser Qualifications Board adopted the below proposed changes from the [Second Exposure Draft of a Proposed Change to the Real Property Appraiser Qualification Criteria – Licensed Residential Scope of Practice](#) effective **January 1, 2021**. To read the full exposure draft with the rationale for the proposed changes, please click [here](#), or go to the [Exposure Draft](#) page on Foundation’s website: www.appraisalfoundatio.org.

1 **REAL PROPERTY APPRAISER CLASSIFICATIONS**

2 **LICENSED RESIDENTIAL REAL PROPERTY APPRAISER**

3 **I. General**

- 4 A. The Licensed Residential Real Property Appraiser classification applies to the
5 appraisal of non-complex one-to-four residential units having a transaction value
6 less than \$1,000,000, and complex one-to-four residential units having a
7 transaction value less than ~~\$250,000~~ \$400,000.

8 **GUIDE NOTES**

9 ~~**AQB GUIDE NOTE 3 (GN-3)**~~

10 ~~With respect to the In pre-January 1, 2008 Real Property Appraiser Qualification Criteria~~
11 ~~for the Licensed Residential and Certified Residential classifications, the following~~
12 ~~paragraph appeared in the scope of practice section:~~

13 *The scope of practice identified herein represents the consensus of the Appraiser*
14 *Qualifications Board. The Federal Financial Institutions Regulatory Agencies, as*
15 *well as other agencies and regulatory bodies, permit the Certified Residential (or*
16 *Licensed) classification to appraise properties other than those identified within*
17 *these Criteria. Individuals should refer to agency regulations and state law to*
18 *determine the type of property that may be appraised by the Certified Residential*
19 *(or Licensed) appraiser.*

20 ~~During the Criteria Exposure Draft and revision process, the AQB determined that this~~
21 ~~paragraph was more explanatory guidance than actual AQB Criteria. As a result, it was~~
22 ~~removed from the Criteria effective January 1, 2008.~~

23 However, while it is not contained in the post-2008 *Criteria*, it should be noted that the
24 paragraph italicized above still reflects the consensus of the AQB. The scope of practice
25 for the Licensed Residential and Certified Residential classifications did not change in
26 2008. Federal and state agencies continue to establish scope of practice thresholds that
27 are specific to their particular needs.

28 For example, because federally-related transactions less than \$250,000 fall below the
29 regulatory *de minimus* established by the Federal Financial Institution Regulatory
30 Agencies, the scope of practice restrictions placed on individuals who can appraise
31 commercial and residential properties below that threshold for financial institutions are
32 few, if any.

33 The AQB continues to encourage individuals to refer to agency regulations and state law
34 to determine the type of property that may be appraised by the Licensed Residential and
35 Certified Residential classifications.

AGENDA REQUEST FORM

1) Name and Title of Person Submitting the Request: Dale Kleven Administrative Rules Coordinator		2) Date When Request Submitted: 7/23/20 Items will be considered late if submitted after 12:00 p.m. on the deadline date: ▪ 8 business days before the meeting	
3) Name of Board, Committee, Council, Sections: Real Estate Appraisers Board			
4) Meeting Date: 8/4/20	5) Attachments: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	6) How should the item be titled on the agenda page Second Exposure Draft – 2022-2023 Uniform Standards of Professional Appraisal Practice (USPAP) – Discussion and Consideration	
7) Place Item in: <input checked="" type="checkbox"/> Open Session <input type="checkbox"/> Closed Session <input type="checkbox"/> Both		8) Is an appearance before the Board being scheduled? <input type="checkbox"/> Yes (Fill out Board Appearance Request) <input checked="" type="checkbox"/> No	9) Name of Case Advisor(s), if required:
10) Describe the issue and action that should be addressed: 			
11) Authorization			
Signature of person making this request <i>Dale Kleven</i>		Date <i>July 23, 2020</i>	
Supervisor (if required)		Date	
Executive Director signature (indicates approval to add post agenda deadline item to agenda) Date			
Directions for including supporting documents: 1. This form should be attached to any documents submitted to the agenda. 2. Post Agenda Deadline items must be authorized by a Supervisor and the Policy Development Executive Director. 3. If necessary, Provide original documents needing Board Chairperson signature to the Bureau Assistant prior to the start of a meeting.			



Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

APPRAISAL STANDARDS BOARD

TO: All Interested Parties

FROM: Wayne R. Miller, Chair, Appraisal Standards Board

RE: Second Exposure Draft of proposed changes for the 2022-23 edition of the *Uniform Standards of Professional Appraisal Practice (USPAP)*

DATE: May 28, 2020

The goal of the *Uniform Standards of Professional Appraisal Practice (USPAP)* is to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers. With this goal in mind, the Appraisal Standards Board (ASB) regularly solicits and receives comments and suggestions for improving USPAP. Proposed changes are intended to improve USPAP understanding and enforceability, and thereby achieve the goal of promoting and maintaining public trust in appraisal practice.

The ASB is currently considering changes for the 2022-23 edition of USPAP.

Appraisal Standard Board Chair Wayne Miller and Appraisal Foundation Vice President of Appraisal Issues Lisa Desmarais will host a webinar to discuss this Second Exposure Draft on June 18, 2020 at 1:00 PM ET (10:00 AM PT). Register [here](#) to attend the webinar.

All interested parties are encouraged to comment in writing to the ASB before the deadline of July 30, 2020. Respondents should be assured that each member of the ASB will thoroughly read and consider all comments. Comments are also invited during the ASB Virtual Public Meeting on July 31, 2020 at 1:00 PM ET (10:00 AM PT). Click [here](#) to register.

Written comments on this exposure draft can be submitted by email:
ASBcomments@appraisalfoundation.org

IMPORTANT NOTE: All written comments will be posted for public viewing, exactly as submitted, on the website of The Appraisal Foundation. Names may be redacted upon request.

The Appraisal Foundation reserves the right not to post written comments that contain offensive or inappropriate statements.

If you have any questions regarding the attached exposure draft, please contact Aida Dedajic, Director of Engagement at The Appraisal Foundation, via e-mail at aida@appraisalfoundation.org or by calling (202) 624-3058.

Introduction

The ASB issued a Concept Paper entitled *Evaluation Standards in USPAP* on September 3, 2019 and solicited comments. Then, on October 16, 2019 the ASB held a live-streamed public hearing, which included presentations and discussion about evaluations with lenders, regulators, and appraisal organizations and with meeting attendees. On December 17, 2019, the ASB solicited further comments in a survey to a number of stakeholders. The survey included questions about whether the ASB should review various specific issues that have been identified during the past several years, including:

- the impact of current technology in creating uncertainties about what constitutes a “true copy” of a report in the RECORD KEEPING RULE and about where signatures are required.
- report labels and continuing discussion about a possible single set of minimum reporting requirements authorizing the appraiser to decide what extent of reporting (beyond the minimum) is appropriate for each appraisal.
- whether the personal inspection (“I have or have not”) disclosure in the Certification is adequate or should be broader.
- whether the topic of significant appraisal assistance should be reviewed, including whether to require disclosure of significant assistance provided by non-appraisers.
- whether any DEFINITIONS should be added, subtracted, or modified.

Many of these topics are complex, and the ASB is grateful to all who have provided their input to the concept paper, public hearing, survey, and prior exposure draft. This input has been invaluable in assisting the ASB in fulfilling its mission to promote and maintain a high level of public trust in appraisal practice by establishing requirements for appraisers.

Based upon considerable reflection about the issues facing appraisers and users of appraisal services, the ASB introduced a First Exposure Draft of proposed changes for the 2022-23 edition of USPAP on February 13, 2020 and has substantially revised this for a Second Exposure Draft following thoughtful comments submitted in response.

New Direction

In response to stakeholder input about changes in the market for appraisals, the ASB for many years has been considering the idea of a single set of minimum reporting requirements. The reason has been to offer the appraiser broad flexibility and significant

responsibility for appropriate reporting in a manner parallel to the Scope of Work Rule provisions for appraisal development. An added reason for exploring this idea stemmed from new pressures upon appraisers related to the increased use of real property evaluations. The ASB has studied this topic thoroughly and understands that many ethical, competent real property appraisers are seeking to comply with USPAP in the performance of evaluations. One difficulty in doing so has been the requirement to label a report as either an Appraisal Report or a Restricted Appraisal Report. This requirement conflicts with assignment conditions for certain evaluations that may require a different title for an evaluation or that may, for example, require a statement that “this is not an appraisal.”

Discussions over the past several years about modifying reporting standards indicate that the issue of real property evaluations is not the only reason for reviewing USPAP reporting requirements. Appraisers from other disciplines have also opined that the SCOPE OF WORK RULE has reduced the necessity for some of the traditionally required statements in the reporting standards.

To address this issue, in the First Exposure Draft, the ASB proposed a set of minimum reporting standards rules, which offered considerable flexibility to the appraiser. As is often the case, the response to the First Exposure Draft was mixed. Many appraisers favor a single set of simple, clear reporting requirements for STANDARDS 2, 8, and 10. Others contend that the flexibility inherent in the minimum requirements proposed in the First Exposure Draft would make it more difficult for appraisers to be certain that they are complying with USPAP and might lead to similar uncertainty for regulators.

The ASB agrees, in principle, with the following comment in the December 2019 survey:

“USPAP should establish minimum guidelines– not be a comprehensive document for all potential issues. The appraiser should be able to agree on a scope of work with the client and report the result accordingly without having to worry about not providing everything under the sun to avoid an unintentional violation of an obscure USPAP item.”

While empathizing with the frustration expressed in the comment, after considering all of the feedback received, the ASB has reached a different conclusion about the proposed solution. The ASB considers that adding too much flexibility to USPAP would reduce simplicity and clarity to the extent that unintentional violations may increase rather than decrease. Thus, the ASB is working to reduce the likelihood of an unintentional violation of a USPAP reporting standards rule by setting requirements that are clear and simple.

The ASB also concludes that public trust in the appraisal profession will not be enhanced if lack of clarity makes it difficult to determine whether an appraisal report complies with USPAP. Of paramount importance to the Board when considering any potential revisions to USPAP is the issue of public trust. This umbrella of public trust, therefore, remains the primary consideration of the ASB in putting forth the concepts contained in this document.

**Second Exposure Draft of Proposed Changes for the 2022-23 edition of
*Uniform Standards of Professional Appraisal Practice (USPAP)***

**Issued: May 28, 2020
Comment Deadline: July 30, 2020**

Each section of this exposure draft begins with a rationale for the proposed changes to USPAP. The rationale is identified as such and does not have line numbering. Where proposed changes to USPAP are noted, the exposure draft contains line numbers. This difference is intended to distinguish for the reader those parts that explain the changes to USPAP from the proposed changes themselves.

When commenting on various aspects of the exposure draft, it is very helpful to reference the line numbers, fully explain the reasons for concern or support, provide examples or illustrations, and suggest any alternatives or additional issues that the ASB should consider.

Unless otherwise noted, where text is proposed to be deleted from USPAP, that text is shown as ~~strikethrough~~. For example: ~~This is strikethrough text proposed for deletion~~. Text that is proposed to be added to USPAP is underlined. For example: This is text proposed for insertion.

This exposure draft includes proposed revisions to USPAP.

For ease in identifying the various issues being addressed, the exposure draft is presented in sections.

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Section 1: Reporting Standards for STANDARDS RULES 2, 8, and 10

Rationale

Three changes are being proposed for STANDARDS RULES 2, 8, and 10.

1. In response to changes in the market for appraisals, the ASB is proposing a modification of the requirement to label a report. Under the proposed change, each report must indicate which of the two report options in Standards Rules 2-2, 8-2 or 10-2 is used. This may be accomplished by either stating in the report that it is an Appraisal Report or a Restricted Appraisal Report, or by stating whether the report is **intended** to comply with Standards Rule 2-2(a) or 2-2(b), Standards Rule 8-2(a) or 8-2(b), or Standards Rule 10-2(a) or 10-2(b). In this proposal, the majority of appraisal reports will continue to be labeled or titled as an Appraisal Report or a Restricted Appraisal Report. However, if assignment conditions require that an appraiser use a different title for the report, such as Evaluation Report, the appraiser may use that title but must indicate within the report which report option is used.
2. Following the suggestion by a reader of the First Exposure Draft, the ASB is also proposing to reword the first three introductory paragraphs in STANDARDS RULES 2-2, 8-2, and 10-2. This rewording adds to the simplicity and clarity but does not introduce material changes.
3. Finally, in response to a suggestion to rephrase the Comment to STANDARDS RULES 2-2(a)(ii), 2-2(b)(ii), 8-2(a)(ii), 8-2(b)(ii), the ASB is proposing to delete the phrase *in order to satisfy disclosure requirements*. While the phrase was intended to provide explanation, it might be interpreted as limiting the applicability of the Comment. Therefore, for the sake of clarity, the ASB is proposing to remove it.

Proposed Revision to STANDARDS RULE 2-2, CONTENT OF A REAL PROPERTY APPRAISAL REPORT

1 **The content and level of information provided in an appraisal report must be**
2 **appropriate for the intended use and intended users of the appraisal.**

3 **Each written real property appraisal report must indicate which of the two report**
4 **options in Standards Rule 2-2 is used, either:**

- 5 • **by stating that it is an Appraisal Report or Restricted Appraisal Report; or,**
- 6 • **if a different title or label is used, by stating whether the report is intended to**
7 **comply with the requirements of Standards Rule 2-2(a) or Standards Rule 2-**
8 **2(b).**

9 **The use of a different report title or label does not exempt an appraiser from**
10 **adherence to USPAP.**

11 Comment: Some examples of other report titles or labels that are commonly used in
12 appraisal practice are Evaluation Report, Comprehensive Written Business
13 Valuation Report, Comprehensive Valuation Report, or Abbreviated Valuation
14 Report.

15 **An appraiser must supplement a report form, when necessary, to ensure that any**
16 **intended user of the appraisal is not misled and that the report complies with the**
17 **applicable content requirements.**

18 ~~Each written real property appraisal report must be prepared under one of the~~
19 ~~following options and prominently state which option is used: Appraisal Report or~~
20 ~~Restricted Appraisal Report.~~

21 ~~An appraiser may use any other label in addition to, but not in place of, the labels set~~
22 ~~forth in this Standards Rule for the type of report provided. The use of additional~~
23 ~~labels such as analysis, consultation, evaluation, study, or valuation does not~~
24 ~~exempt an appraiser from adherence to USPAP.~~

25 ~~The report content and level of information requirements in this Standards Rule are~~
26 ~~minimums for each type of report. An appraiser must supplement a report form,~~
27 ~~when necessary, to ensure that any intended user of the appraisal is not misled and~~
28 ~~that the report complies with the applicable content requirements.~~

29 (a) ~~The content of an Appraisal Report must be appropriate for the intended use~~
30 ~~of the appraisal and, at a minimum: At a minimum, a real property Appraisal~~
31 ~~Report must:~~

32 (i) ~~state the identity of the client; or if the client requested anonymity, state~~
33 ~~that the identity is withheld at the client's request but is retained in the~~
34 ~~appraiser's workfile;~~

35 Comment: Because the client is an intended user, they must be identified in
36 the report as such. However, if the client has requested anonymity the
37 appraiser must use care when identifying the client to avoid violations of the
38 Confidentiality section of the ETHICS RULE.
39

40 (ii) ~~state the identity of any other intended user(s) by name or type;~~

41 Comment: A party receiving a copy of an Appraisal Report ~~in order to satisfy~~
42 ~~disclosure requirements~~ does not become an intended user of the appraisal
43 unless the appraiser identifies such party as an intended user as part of the
44 assignment.

Proposed Revisions to STANDARDS RULE 2-2(b), CONTENT OF A REAL PROPERTY APPRAISAL REPORT

45 **(b) ~~The content of a Restricted Appraisal Report must be appropriate for the~~**
46 **~~intended use of the appraisal and, at a minimum: At a minimum, a real~~**
47 **~~property Restricted Appraisal Report must:~~**

48 **(i) state the identity of the client, or if the client requested anonymity, state**
49 **that the identity is withheld at the client's request but is retained in the**
50 **appraiser's workfile;**

51 Comment: Because the client is an intended user, they must be identified in
52 the report as such. However, if the client has requested anonymity the
53 appraiser must use care when identifying the client to avoid violations of the
54 Confidentiality section of the ETHICS RULE.

55 **(ii) state the identity of any other intended user(s) by name;**

56 Comment: A Restricted Appraisal Report may be provided when the client is
57 the only intended user; or, when additional intended users are identified by
58 name.

59 A party receiving a copy of a Restricted Appraisal Report ~~in order to satisfy~~
60 ~~disclosure requirements~~ does not become an intended user of the appraisal
61 unless the appraiser identifies such party as an intended user as part of the
62 assignment.

Proposed Revisions to STANDARDS RULE 8-2, CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT

63 **The content and level of information provided in an appraisal report must be**
64 **appropriate for the intended use and intended users of the appraisal.**

65 **Each written personal property appraisal report must indicate which of the two**
66 **report options in Standards Rule 8-2 is used, either:**

- 67 • **by stating that it is an Appraisal Report or Restricted Appraisal Report; or,**
- 68 • **if a different title or label is used, by stating whether the report is intended to**
69 **comply with the requirements of Standards Rule 8-2(a) or Standards Rule 8-**
70 **2(b).**

71 **The use of a different report title or label does not exempt an appraiser from**
72 **adherence to USPAP.**

73 Comment: Some examples of other report titles or labels that are commonly used in
74 appraisal practice are Evaluation Report, Comprehensive Written Business
75 Valuation Report, Comprehensive Valuation Report, or Abbreviated Valuation
76 Report.

77 ~~Each written personal property appraisal report must be prepared under one of the~~
78 ~~following options and prominently state which option is used: Appraisal Report or~~
79 ~~Restricted Appraisal Report.~~

80 ~~An appraiser may use any other label in addition to, but not in place of, the labels set~~
81 ~~forth in this Standards Rule for the type of report provided. The use of additional~~
82 ~~labels such as analysis, consultation, evaluation, study, or valuation does not~~
83 ~~exempt an appraiser from adherence to USPAP.~~

84 ~~The report content and level of information requirements in this Standards Rule are~~
85 ~~minimums for each type of report.~~

86 (a) ~~The content of an Appraisal Report must be appropriate for the intended use~~
87 ~~of the appraisal and, at a minimum: At a minimum, a personal property~~
88 ~~Appraisal Report must:~~

89 (i) ~~state the identity of the client, or if the client requested anonymity, state~~
90 ~~that the client's identity is withheld at the client's request but is retained in the~~
91 ~~appraiser's workfile;~~

92 Comment: Because the client is an intended user, they must be identified in
93 the report as such. However, if the client has requested anonymity the
94 appraiser must use care when identifying the client to avoid violations of the
95 Confidentiality section of the ETHICS RULE.

96 (ii) ~~state the identity of any other intended user(s) by name or type;~~

97 Comment: A party receiving a copy of an Appraisal Report ~~in order to satisfy~~
98 ~~disclosure requirements~~ does not become an intended user of the appraisal
99 unless the appraiser identifies such party as an intended user as part of the
100 assignment.

Proposed Revisions to STANDARDS RULE 8-2(b), CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT

101 (b) ~~The content of a Restricted Appraisal Report must be appropriate for the~~
102 ~~intended use of the appraisal and, at a minimum: At a minimum, a personal~~
103 ~~property Restricted Appraisal Report must:~~

104 **(i) state the identity of the client, or if the client requested anonymity, state**
105 **that the identity is withheld at the client’s request but is retained in the**
106 **appraiser’s workfile;**

107 Comment: Because the client is an intended user, they must be identified in
108 the report as such. However, if the client has requested anonymity the
109 appraiser must use care when identifying the client to avoid violations of the
110 Confidentiality section of the ETHICS RULE.

111 **(ii) state the identity of any other intended user(s) by name;**

112 Comment: A Restricted Appraisal Report may be provided when the client is
113 the only intended user; or, when additional intended users are identified by
114 name.

115 A party receiving a copy of a Restricted Appraisal Report ~~in order to satisfy~~
116 ~~disclosure requirements~~ does not become an intended user of the appraisal
117 unless the appraiser identifies such party as an intended user as part of the
118 assignment.

Proposed Revisions to STANDARDS RULE 10-2, CONTENT OF A BUSINESS APPRAISAL REPORT

119 **The content and level of information provided in an appraisal report must be**
120 **appropriate for the intended use and intended users of the appraisal.**

121 **Each written appraisal report for an interest in a business enterprise or intangible**
122 **asset must indicate which of the two report options in Standards Rule 10-2 is used,**
123 **either:**

- 124 • **by stating that it is an Appraisal Report or Restricted Appraisal Report; or,**
- 125 • **if a different title or label is used, by stating whether the report is intended to**
126 **comply with the requirements of Standards Rule 10-2(a) or Standards Rule 10-**
127 **2(b).**

128 **The use of a different report title or label does not exempt an appraiser from**
129 **adherence to USPAP.**

130 Comment: Some examples of other report titles or labels that are commonly used in
131 appraisal practice are Evaluation Report, Comprehensive Written Business
132 Valuation Report, Comprehensive Valuation Report, or Abbreviated Valuation
133 Report.

134 **(a) At a minimum, a business Appraisal Report must:**

135 ~~Each written appraisal report for an interest in a business enterprise or intangible~~
136 ~~asset must be prepared in accordance with one of the following options and~~
137 ~~prominently state which option is used: Appraisal Report or Restricted Appraisal~~
138 ~~Report.~~

139 ~~An appraiser may use any other label in addition to, but not in place of, the labels set~~
140 ~~forth in this Standards Rule for the type of report provided. The use of additional~~
141 ~~labels such as analysis, consultation, evaluation, study, or valuation does not~~
142 ~~exempt an appraiser from adherence to USPAP.~~

143 ~~The report content and level of information requirements in this Standards Rule are~~
144 ~~minimums for both types of report.~~

145 ~~(a) The content of an Appraisal Report must be appropriate for the intended use~~
146 ~~of the appraisal and, at a minimum:~~

Proposed Revisions to STANDARDS RULE 10-2(b), CONTENT OF A BUSINESS APPRAISAL REPORT

147 ~~(b) The content of a Restricted Appraisal Report must be appropriate for the~~
148 ~~intended use of the appraisal and, at a minimum: At a minimum, a business~~
149 ~~Restricted Appraisal Report must:~~

Section 2: Signing the Certification

Signing the Certification

The ASB is continuing to propose revised language related to signing the certification. The wording has been modified in response to comments on the First Exposure Draft.

As background, a survey question on this issue elicited widespread agreement that a signature is an essential indication that the appraiser is accepting responsibility for the work and all elements of the certification. Most but not all agreed that technological developments have not (yet) had an impact upon their ability to sign an appraisal report.

However, it was pointed out that:

- *“It is becoming more common (in appraisal as well as other professions and industries) that a webpage, app, or software is the reporting tool, with no distinctions between “pages,” “sections,” or “headings.” Often, the report is “signed” by entering a password or credential on a separate Submit screen where the appraiser’s acknowledgement is associated with the entire set of data, rather than one particular component of the data (such as certification statements); and the report is delivered with no “pages”, “breaks”, or “sections” per se. Gone are the days of paper pages; today, there are electronic computer files and data streams. In these cases, how would the ASB propose that practitioners or regulators differentiate between a “signed report” and a “signed certification?”*
- *“...the requirement that “an appraiser who signs any part of the appraisal report... must also sign this certification”, which cannot be reconciled with the definitions of “signature” and “report” nor with other areas of USPAP. After all, if the signature applies to the entire report (per Definitions), how can Standards Rule 2-3 then state that a signature elsewhere in the report somehow does NOT extend to the certification?”*

The ASB proposes to retain the requirement for a signed certification because most appraisers strongly support it and have (so far) not indicated that there are technological difficulties. However, the ASB is proposing a revision of STANDARDS RULES 2-3(b), 4-3(b), 6-3(b), 8-3(b), and 10-3(b) to make clear that USPAP does not specify a particular method for signing a certification.

Two additional proposals are modifications to Standards Rules 2-3(c), 4-3 (c), 6-3(c), 8-3(c), and 10-3(c). The first change is a change to the wording to read “must” rather than “is required to” for consistency with other standards rules. The second change is a revision to the wording of the Comment to the rule, based upon a suggestion from a reader of the First Exposure Draft. The new wording is proposed to be simpler and emphasize the main point, which is that the appraiser’s disclosure of the extent of assistance “...may be in any part(s) of the report.”

Proposed Revision to STANDARDS RULES 2-3(b) and 2-3(c), CERTIFICATION

- 150 (b) An appraiser who signs any part of the appraisal report, including a letter of
151 transmittal, must also sign a certification by using a generally-accepted
152 method of attestation such as, but not limited to, signature (hand-written,
153 electronic, digital, et al.) or password.

154 Comment: In an assignment that includes only assignment results developed by the
155 real property appraiser(s), any appraiser who signs a certification accepts full
156 responsibility for all elements of the certification, for the assignment results, and for
157 the contents of the appraisal report. In an assignment that includes personal
158 property, business or intangible asset assignment results not developed by the real
159 property appraiser(s), any real property appraiser who signs a certification accepts
160 full responsibility for the real property elements of the certification, for the real
161 property assignment results, and for the real property contents of the appraisal
162 report.

- 163 (c) When a signing appraiser has relied on work done by appraisers and others
164 who do not sign the certification, the signing appraiser is responsible for the
165 decision to rely on their work.

166
167 (i) ~~The signing appraiser is required to~~ must have a reasonable basis for
168 believing that those individuals performing the work are competent; and

169 (ii) The signing appraiser must have no reason to doubt that the work of those
170 individuals is credible.

171 Comment: ~~Although~~ While a certification must contain the names of individuals
172 providing significant real property appraisal assistance, ~~it is not required that a~~
173 ~~summary~~ the disclosure of the extent of their assistance may be located ~~in a~~
174 ~~certification.~~ This disclosure may be in any part(s) of the report.

Proposed Revision to STANDARDS RULES 4-3(b) and 4-3(c), CERTIFICATION

- 175 (b) A reviewer who signs any part of the appraisal review report, including a letter
176 of transmittal, must also sign a certification by using a generally-accepted
177 method of attestation such as, but not limited to, signature (hand-written,
178 electronic, digital, et al.) or password.

179 Comment: Any reviewer who signs a certification accepts responsibility for all
180 elements of the certification, for the assignment results, and for the contents of the
181 appraisal review report.

182 Appraisal review is distinctly different from the cosigning activity addressed in
183 Standards Rules 2-3, 6-3, 8-3, and 10-3. To avoid confusion between these

184 activities, a reviewer performing an appraisal review must not sign the work under
185 review unless he or she intends to accept responsibility as a cosigner of that work.

186 **(c) When a signing appraiser has relied on work done by appraisers and others**
187 **who do not sign the certification, the signing appraiser is responsible for the**
188 **decision to rely on their work.**

189 **(i) The signing appraiser is ~~required to~~ must have a reasonable basis for**
190 **believing that those individuals performing the work are competent; and**

191 **(ii) The signing appraiser must have no reason to doubt that the work of those**
192 **individuals is credible.**

193 Comment: ~~Although~~ While a certification must contain the names of individuals
194 providing significant appraisal or appraisal review assistance, ~~it is not required~~
195 ~~that a summary~~ the disclosure of the extent of their assistance may be located in
196 ~~a certification. This disclosure may be~~ in any part(s) of the report.

Proposed Revision to STANDARDS RULES 6-3(b) and 6-3(c), CERTIFICATION

197 **(b) An appraiser who signs any part of the appraisal report, including a letter of**
198 **transmittal, must also sign a certification: by using a generally-accepted**
199 **method of attestation such as, but not limited to, signature (hand-written,**
200 **electronic, digital, et al.) or password.**

201 Comment: In an assignment that includes only assignment results developed by the
202 real property appraiser, any appraiser who signs a certification accepts full
203 responsibility for all elements of the certification, for the assignment results, and for
204 the contents of the appraisal report. In an assignment that includes personal
205 property assignment results not developed by the real property appraiser(s), any
206 real property appraiser who signs a certification accepts full responsibility for the real
207 property elements of the certification, for the real property assignment results, and
208 for the real property contents of the appraisal report.

209 In an assignment that includes only assignment results developed by the personal
210 property appraiser(s), any appraiser who signs a certification accepts full
211 responsibility for all elements of the certification, for the assignment results, and for
212 the contents of the appraisal report. In an assignment that includes real property
213 assignment results not developed by the personal property appraiser(s), any
214 personal property appraiser who signs a certification accepts full responsibility for
215 the personal property elements of the certification, for the personal property
216 assignment results, and for the personal property contents of the appraisal report.

217 **(c) When a signing appraiser has relied on work done by appraisers and others**
218 **who do not sign the certification, the signing appraiser is responsible for the**
219 **decision to rely on their work.**

220 (i) ~~The signing appraiser is required to~~ must have a reasonable basis for
221 believing that those individuals performing the work are competent; and

222 (ii) The signing appraiser must have no reason to doubt that the work of those
223 individuals is credible.

224 Comment: ~~Although~~ While a certification must contain the names of individuals
225 providing significant mass appraisal assistance, ~~it is not required that a summary~~
226 the disclosure of the extent of their assistance may be located ~~in a certification.~~
227 ~~This disclosure may be~~ in any part(s) of the report.

Proposed Revision to STANDARDS RULES 8-3(b) and 8-3(c), CERTIFICATION

228 (b) An appraiser who signs any part of the appraisal report, including a letter of
229 transmittal, ~~must also sign a certification.~~ by using a generally-accepted
230 method of attestation such as, but not limited to, signature (hand-written,
231 electronic, digital, et al.) or password.

232 Comment: In an assignment that includes only assignment results developed by the
233 personal property appraiser(s) from the same personal property specialty, any
234 appraiser who signs a certification accepts full responsibility for all elements of the
235 certification, for the assignment results, and for the contents of the appraisal report.
236 In an assignment involving appraisers with expertise in different specialties (e.g.,
237 antiques, fine art, or machinery and equipment), an appraiser who signs a
238 certification may accept responsibility only for the elements of the certification,
239 assignment results, and report contents specific to the appraiser's specialty. The
240 role of each appraiser signing a certification must be disclosed in the report.

241 In an assignment that includes real property, business or intangible asset
242 assignment results not developed by the personal property appraiser(s), any
243 personal property appraiser who signs a certification accepts full responsibility for
244 the personal property elements of the certification, for the personal property
245 assignment results, and for the personal property contents of the appraisal report.

246 (c) **When a signing appraiser has relied on work done by appraisers and others
247 who do not sign the certification, the signing appraiser is responsible for the
248 decision to rely on their work.**
249

250 (i) ~~The signing appraiser is required to~~ must have a reasonable basis for
251 believing that those individuals performing the work are competent; and

252 (ii) The signing appraiser must have no reason to doubt that the work of those
253 individuals is credible.

254 Comment: ~~Although~~ While a certification must contain the names of individuals
255 providing significant personal property appraisal assistance, it is not required that
256 a summary the disclosure of the extent of their assistance may be located in a
257 certification. ~~This disclosure may be~~ in any part(s) of the report.

Proposed Revision to STANDARDS RULES 10-3(b) and 10-3(c), CERTIFICATION

258 **(b) An appraiser who signs any part of the appraisal report, including a letter of**
259 **transmittal, must also sign a certification by using a generally-accepted**
260 **method of attestation such as, but not limited to, signature (hand-written,**
261 **electronic, digital, et al.) or password.**

262 Comment: In an assignment that includes only assignment results developed by the
263 business and/or intangible asset appraiser(s), any appraiser who signs a certification
264 accepts full responsibility for all elements of the certification, for the assignment
265 results, and for the contents of the appraisal report. In an assignment that includes
266 real property or personal property assignment results not developed by the business
267 and/or intangible asset appraiser(s), any business and/or intangible asset appraiser
268 who signs a certification accepts full responsibility for the business and/or intangible
269 asset elements of the certification, for the business and/or intangible asset
270 assignment results, and for the business and/or intangible asset contents of the
271 appraisal report.

272 **(c) When a signing appraiser has relied on work done by appraisers and others**
273 **who do not sign the certification, the signing appraiser is responsible for the**
274 **decision to rely on their work.**

275 **(i) The signing appraiser ~~is required to~~ must have a reasonable basis for**
276 **believing that those individuals performing the work are competent; and**

277 **(ii) The signing appraiser must have no reason to doubt that the work of those**
278 **individuals is credible.**

279 Comment: ~~Although~~ While a certification must contain the names of individuals
280 providing significant business and/or intangible asset appraisal assistance, it is
281 not required that a summary the disclosure of the extent of their assistance may
282 be located in a certification. ~~This disclosure may be~~ in any part(s) of the report.
283

Section 3: Disclosure Obligations section of the SCOPE OF WORK RULE

Rationale

Two revisions are proposed to the Disclosure Obligations section of the SCOPE OF WORK RULE as follows:

1. Add a clause in the Comment to the Disclosure section of the SCOPE OF WORK RULE, indicating that, if relevant, disclosure of research may include describing the level of inspection.

The intent of this proposal is to help interpret the Scope of Work disclosure requirements by clarifying that in some cases it may be appropriate to explain the level of inspection. Given the current changes and multiple options available to appraisers on how to perform inspections, it is important for appraisers to communicate clearly so intended users are able to understand how the inspection, if any, was performed.

2. Deleting the first sentence of this Comment (*Proper disclosure is required because clients and other intended users rely on the assignment results*), was suggested by a reader of the First Exposure Draft. The comment questioned why this type of explanation is considered necessary only in the Scope of Work Rule. Rather than add a similar explanation in all of the Rules and Standards, the ASB proposes to delete it here.

Proposed Revision to the SCOPE OF WORK RULE

284 **DISCLOSURE OBLIGATIONS**

285 **The report must contain sufficient information to allow the client and other intended**
286 **users to understand the scope of work performed. The information disclosed must**
287 **be appropriate for the intended use of the assignment results.**

288 Comment: ~~Proper disclosure is required because clients and other intended users rely~~
289 ~~on the assignment results.~~ Sufficient information includes disclosure of research and
290 analyses performed and might also include disclosure of research and analyses not
291 performed. This disclosure could also include information about the level of inspection.

292 The appraiser has broad flexibility and significant responsibility in the level of detail
293 and manner of disclosing the scope of work in the appraisal report or appraisal review
294 report. The appraiser may, but is not required to, consolidate the disclosure in a
295 specific section or sections of the report, or use a particular label, heading or
296 subheading. An appraiser may choose to disclose the scope of work as necessary
297 throughout the report.

Section 4: DEFINITIONS

Rationale

With the goal of helping to make USPAP easier to understand, the ASB is proposing some changes to the DEFINITIONS, as follows:

- The definitions of the terms *appraiser*, *assignment elements*, and *personal inspection* have been amended to add further clarity.
- The proposed definitions of *significant appraisal assistance* and *summarize* have also been amended from the versions proposed in the First Exposure Draft. The proposed definition of *state* is presented as exposed in the earlier exposure draft. If adopted, *significant appraisal assistance*, *state* and *summarize* would be new USPAP definitions.
- The ASB considered the topic of significant appraisal assistance: its definition and disclosure requirements. To address this issue, the ASB proposes to define the term – indicating that it is limited to expertise provided by appraisers in support of a particular assignment. In addition the ASB plans to issue guidance in the form of a Q&A to clarify that USPAP permits (but does not require) disclosing assistance that was provided by non-appraisers such as reports from technical specialists or third-party inspectors.
- The definition of the term *misleading* has been deleted. Stakeholders expressed concern that a simple typographical error in a report could be viewed as *misleading* under the current definition. The ASB notes that the CONDUCT section of the ETHICS RULE prohibits the appraiser from communicating results with the intent to mislead or defraud, and from allowing others to do so. Further, the development standards (STANDARDS 1, 3, 5, 7, and 9) address the appraiser’s responsibility to “*not commit a substantial error of omission or commission that significantly affects an appraisal.*” Therefore, the ASB has concluded the appraiser’s responsibilities to avoid errors of both commission (intent) and omission (errors) are clear.
- The words *such as* have been added to the term *assignment elements* to clarify that it applies not only to appraisals but also to appraisal review and mass appraisal assignments.

This Second Exposure Draft includes modified wording and the removal of several previously proposed terms.

Proposed Revision to the DEFINITIONS

298 **APPRAISER:** one who engages in appraisal practice and is expected to perform valuation
299 services competently and in a manner that is independent, impartial, and objective.

300 **ASSIGNMENT ELEMENTS:** Specific information needed to identify the appraisal or
301 appraisal review problem, such as: client and any other intended users; intended use of the
302 appraiser’s opinions and conclusions; type and definition of value; effective date of the

303 appraiser's opinions and conclusions; subject of the assignment and its relevant
304 characteristics; and assignment conditions.

305 ~~**MISLEADING:** Intentionally or unintentionally misrepresenting, misstating, or concealing~~
306 ~~relevant facts or conclusions.~~

307 **PERSONAL INSPECTION:** a-an in-person, physical observation of the subject property
308 performed by an appraiser to assist in gathering information about identifying-relevant
309 property characteristics in a valuation service.

310 Comment: An appraiser's personal inspection is typically limited to those things
311 readily observable without the use of special testing or equipment. Appraisals of
312 some types of property, such as gems and jewelry, may require the use of
313 specialized equipment. An inspection by an appraiser is not the equivalent of an
314 inspection by an inspection professional (e.g., a structural engineer, home inspector,
315 or art conservator).

316 **SIGNIFICANT APPRAISAL ASSISTANCE:** Research, analysis, or other assistance that
317 affects the assignment results and is provided by another appraiser explicitly in support of a
318 particular assignment.

319 **STATE:** to report with a minimal presentation of information.

320 **SUMMARIZE:** to report with more detail than a minimal presentation of information.

Section 5: Other Edits to Improve Clarity of USPAP

Rationale

The Board proposes three edits for clarity and consistency:

1. The addition of the word *transfer* as a clarification in STANDARDS RULES 1-5(a), 2-2(a)(x)(3), 2-2(b)(xii)(3), 7-5(a), 8-2(a)(x)(3), 8-2(b)(xii)(3), and 9-4(b);
2. A revision of STANDARDS RULE 8-2(b)(xii)(3) to make it consistent with STANDARDS RULE 8-2(a)(x)(3); and
3. The removal of a Comment in STANDARDS RULES 2-2(a)(viii), 2-2(b)(x), 8-2(a)(viii), 8-2(b)(x), 10-2(a)(ix), and 10-2(b)(xi) because it repeats wording already present in the SCOPE OF WORK RULE.

The following edits add the broader word, *transfer*, to the narrower term, *sale*. Adding the word, *transfer*, is not intended to create a new requirement. It gives greater clarity to an existing requirement.

Proposed Revision to STANDARDS RULE 1-5, SALE AGREEMENTS, OPTIONS, LISTINGS, AND PRIOR SALES, AND OTHER TRANSFERS

- 321
- 322 **When the value opinion to be developed is market value, an appraiser must, if such**
- 323 **information is available to the appraiser in the normal course of business:**
- 324 **(a) analyze all agreements of sale, options, and listings of the subject property**
- 325 **current as of the effective date of the appraisal; and**
- 326 **(b) analyze all sales and other transfers of the subject property that occurred**
- 327 **within the three (3) years prior to the effective date of the appraisal.**

Proposed Revision to STANDARDS RULE 2-2, CONTENT OF A REAL PROPERTY APPRAISAL REPORT

- 328 **(a)(x)(3) summarizing the results of analyzing the subject sales and other**
- 329 **transfers, agreements of sale, options, and listings in accordance with**
- 330 **Standards Rule 1-5;**
- 331 **(b)(xii)(3) summarizing the results of analyzing the subject sales and other**
- 332 **transfers, agreements of sale, options, and listings in accordance with**
- 333 **Standards Rule 1-5; and**

334 **Proposed Revision to STANDARDS RULE 7-5, SALE AGREEMENTS, OPTIONS,**
335 **LISTINGS, AND PRIOR SALES, AND OTHER TRANSFERS**

- 335 **When necessary for credible assignment results, an appraiser must, if such**
336 **information is available to the appraiser in the normal course of business:**
337 **(a) analyze all agreements of sale, validated offers or third-party offers to sell,**
338 **options, and listings of the subject property current as of the effective date**
339 **of the appraisal if warranted by the intended use of the appraisal; and**
- 340 **(b) analyze all prior sales and other transfers of the subject property that**
341 **occurred within a reasonable and applicable time period if relevant given the**
342 **intended use of the appraisal and property type.**

**Proposed Revision to STANDARDS RULE 8-2(a)(x)(3), CONTENT OF A PERSONAL
PROPERTY APPRAISAL REPORT**

- 343 **(3) summarizing the results of analyzing the subject property's sales and other**
344 **transfers, agreements of sale, options, and listings when, in accordance with**
345 **Standards Rule 7-5, it was necessary for credible assignment results and if**
346 **such information was available to the appraiser in the normal course of**
347 **business;**

Along with adding the clarification that the analysis of *other transfers* is also to be reported, additional minor edits are being proposed to STANDARDS RULE 8-2(b), CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT. These changes resolve a discrepancy in the wording of SR8-2(a)(x)(3) and SR8-2(b)(xii)(3) by making their language identical.

**Proposed Revision to STANDARDS RULE 8-2(b)(xii), CONTENT OF A PERSONAL
PROPERTY APPRAISAL REPORT**

- 348 **(xii) provide sufficient information to indicate that the appraiser complied with**
349 **the requirements of STANDARD 7 by:**
- 350 **(1) stating the appraisal methods and techniques employed;**
351 **(2) stating the reasons for excluding the sales comparison, cost, or income**
352 **approach(es) if any have not been developed;**
353 **(3) summarizing the results of analyzing the subject sales and other**
354 **transfers, agreements of sale, options, and listings when, in accordance**
355 **with Standards Rule 7-5, it was necessary for credible assignment**
356 **results and if such information was available to the appraiser in the**
357 **normal course of business; and**

358 **Comment: If such information is unobtainable, a statement on the efforts**
359 **undertaken by the appraiser to obtain the information is required. If such**

360 information is irrelevant, a statement acknowledging the existence of the
361 information and citing its lack of relevance is required.

Proposed Revision to STANDARDS RULE 9-4(b), APPROACHES TO VALUE

- 362 **(b) An appraiser must, when necessary for credible assignment results, analyze**
363 **the effect on value, if any, of:**
- 364 **(i) the nature and history of the business enterprise or intangible asset;**
 - 365 **(ii) financial and economic conditions affecting the business enterprise**
366 **or intangible asset, its industry, and the general economy;**
 - 367 **(iii) past results, current operations, and future prospects of the**
368 **business enterprise**
 - 369 **(iv) past sales and other transfers of capital stock or other ownership**
370 **interests in the business enterprise or intangible asset being appraised;**
 - 371 **(v) sales and other transfers of capital stock or other ownership**
372 **interests in similar business enterprises;**
 - 373 **(vi) prices, terms, and conditions affecting past sales and other**
374 **transfers of similar ownership interests in the asset being appraised or**
375 **a similar asset; and**
 - 376 **(vii) economic benefit of tangible and intangible assets.**

Comment on (i)-(vii): This Standards Rule directs the appraiser to study the prospective and retrospective aspects of the business enterprise in terms of the economic and industry environment within which it operates.

The ASB is proposing to delete the Comment in STANDARDS RULES 2-2(a)(viii), 8-2(a)(viii), 8-2(b)(x), 10-2(a)(ix), 10-2(b)(xi) because it is repeated verbatim from the DISCLOSURE OBLIGATIONS section of the SCOPE OF WORK RULE.

Proposed Revision to STANDARDS RULE 2-2(a)(viii), CONTENT OF A REAL PROPERTY APPRAISAL REPORT

- 377 **(viii) summarize the scope of work used to develop the appraisal;**

378 ~~Comment: Summarizing the scope of work includes disclosure of research~~
379 ~~and analyses performed and might also include disclosure of research and~~
380 ~~analyses not performed.~~

Proposed Revision to STANDARDS RULE 2-2(b)(x), CONTENT OF A REAL PROPERTY APPRAISAL REPORT

- 381 **(x) state the scope of work used to develop the appraisal;**
382 ~~Comment: Stating the scope of work includes disclosure of research and~~
383 ~~analyses performed and might also include disclosure of research and~~
384 ~~analyses not performed.~~

Proposed Revision to STANDARDS RULE 8-2(a)(viii), CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT

- 385 **(viii) summarize the scope of work used to develop the appraisal;**
386 ~~Comment: Summarizing the scope of work includes disclosure of research~~
387 ~~and analyses performed and might also include disclosure of research and~~
388 ~~analyses not performed.~~

Proposed Revision to STANDARDS RULE 8-2(b)(x), CONTENT OF A PERSONAL PROPERTY APPRAISAL REPORT

- 389 **(x) state the scope of work used to develop the appraisal;**
390 ~~Comment: Stating the scope of work includes disclosure of research and~~
391 ~~analyses performed and might also include disclosure of research and~~
392 ~~analyses not performed.~~

Proposed Revision to STANDARDS RULE 10-2(a)(ix), CONTENT OF A BUSINESS APPRAISAL REPORT

- 393 **(ix) summarize the scope of work used to develop the appraisal;**
394 ~~Comment: Summarizing the scope of work includes disclosure of research~~
395 ~~and analyses performed and might also include disclosure of research and~~
396 ~~analyses not performed.~~

Proposed Revision to STANDARDS RULE 10-2(b)(xi), CONTENT OF A BUSINESS APPRAISAL REPORT

- 397 **(xi) state the scope of work used to develop the appraisal;**
398 ~~Comment: Stating the scope of work includes disclosure of research and~~
399 ~~analyses performed and might also include disclosure of research and~~
400 ~~analyses not performed.~~