

**Revising the definition of Appraisal Review, and dividing STANDARD 3, *Appraisal Review*, into STANDARD 3, *Appraisal Review, Development* and STANDARD 4, *Appraisal Review, Reporting***

**Action:**

The Board adopted changes proposed in the Third Exposure Draft to edit the definition of Appraisal Review to include its use as an adjective. The Board also adopted the proposed revisions to divide STANDARD 3, *Appraisal Review*, into STANDARD 3, *Appraisal Review, Development* and STANDARD 4, *Appraisal Review, Reporting*. The edits are intended to improve consistency with the other development and reporting standards. Due to the extent of the changes to STANDARD 3 and the addition of STANDARD 4, the specific edits are not shown in underscore and strikethrough text. Changes to STANDARD 6 and a new STANDARD 5 are included in another section of this document:

**APPRAISAL REVIEW:** (noun) the act or process of developing ~~and communicating~~ an opinion about the quality of another appraiser’s work that was performed as part of an appraisal or appraisal review assignment; (adjective) of or pertaining to an opinion about the quality of another appraiser’s work that was performed as part of an appraisal or appraisal review assignment.

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

**STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT**

**In developing an appraisal review, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal review.**

Comment: STANDARD 3 is directed toward the substantive aspects of developing a credible opinion of the quality of another appraiser’s work that was performed as part of an appraisal or appraisal review assignment. The requirements set forth in STANDARD 3 generally follow the appraisal review development process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a convenient checklist.

In this Standard, the term “reviewer” is used to refer to an appraiser performing an appraisal review.

**Standards Rule 3-1**

**In developing an appraisal review, the reviewer must:**

- (a) **be aware of, understand, and correctly employ those methods and techniques that are necessary to produce a credible appraisal review;**

Comment: Changes and developments in economics, finance, law, technology, and society can have a substantial impact on the appraisal profession. To keep abreast of these changes and developments, the appraisal profession is constantly

reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. Each appraiser must continuously improve his or her skills to remain proficient in appraisal review.

The reviewer must have the knowledge and experience needed to identify and perform the scope of work necessary to produce credible assignment results. Aspects of competency for an appraisal review, depending on the review assignment's scope of work, may include, without limitation, familiarity with the specific type of property or asset, market, geographic area, analytic method, and applicable laws, regulations and guidelines.

- (b) not commit a substantial error of omission or commission that significantly affects an appraisal review; and**

Comment: A reviewer must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

- (c) not render appraisal review services in a careless or negligent manner, such as making a series of errors that, although individually might not significantly affect the results of an appraisal review, in the aggregate affects the credibility of those results.**

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal review services in a careless or negligent manner. This Standards Rule requires a reviewer to use due diligence and due care.

### **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 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.

- (f) 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.

**(g) 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 assignment includes the reviewer developing his or her own opinion of value or review opinion, the following apply:**

- (i) The requirements of STANDARDS 1, 5, 7, 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 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 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, 5, 7, or 9, as applicable, to produce credible assignment results.