

NATIONAL ASSOCIATION OF APPRAISERS

# appraiser **focus** magazine

## Unacceptable Practices

The professional code of ethics that guide an appraiser's work, and why they're so essential

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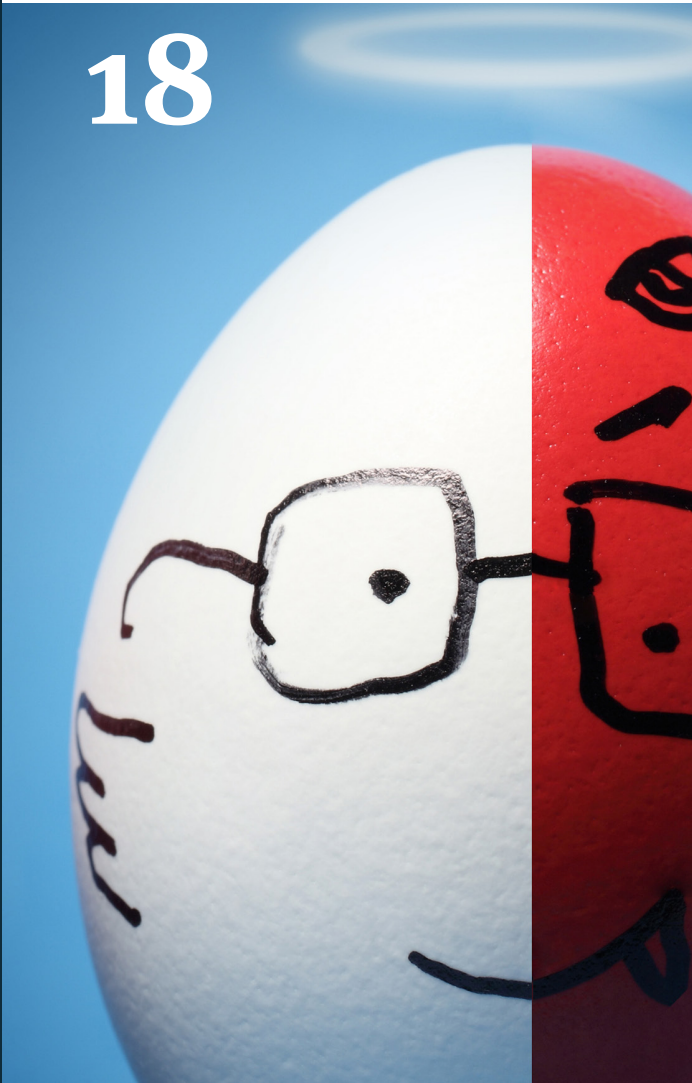
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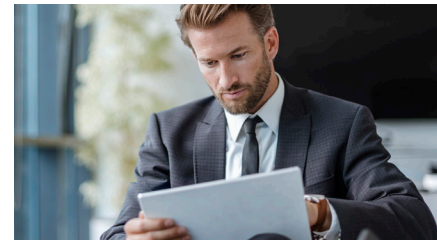
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*Timothy C. Andersen, MNAA*

“Our professional license, no matter the level, from trainee to certification, has performance expectancies that go along with it.”

- Melissa Bond, MNAA

Read more on [pg.18](#)

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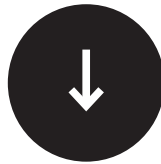
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## A NOTE FROM THE PRESIDENT



**G**oodbye 2020...Hello 2021!  
We hope you and your family have remained safe during this challenging year. At the NAA, we are extremely optimistic and look forward to many good things in the New Year.

We would like to take this opportunity to announce recent changes to the NAA board of directors. We are pleased to announce that our most recent president, Craig Morley, MNAA, has been appointed to the Appraisal Standards Board (ASB) of the Appraisal Foundation. We are confident that Craig will bring a wealth of knowledge, energy and enthusiasm to this position and the NAA wishes him the best in this new endeavor.

With Craig's appointment to the ASB, he is no longer able to serve as president of NAA and so, in accordance with our bylaws, I have ascended from vice president to serve the association as president. Josh Walitt, MNAA, has been appointed vice president and Greg Stephens, MNAA, has agreed to be a pro tem board member to fill Craig's unexpired term.

Tim Andersen, MNAA, and I have been re-elected to the board of directors for 2020-2023. We are happy to announce our newest board member, Melissa Bond, MNAA. (Learn more about Melissa and check out her cover story on page 18.)

We would like to thank all committee members and chairs for your tenure and involvement with the NAA. We

are interested in filling committee positions and expanding all committees as we look to accomplish many goals to benefit the appraisal profession. This is your opportunity to get involved. Roll up your sleeves, get ready, and let's get some good things done for the profession.

We are already hard at work. We are happy to announce the establishment of the NAA Appraiser Relief Fund. It seems like more frequently these days, there are fires, hurricanes, earthquakes, flooding or other unexpected events or personal challenges that impact an appraiser's day-to-day life. This fund is intended to help appraisers who are affected by these events throughout the country with their education, licensing fees and other items that can help them get their businesses up and running again. You can donate at any time by logging on to [naappraisers.org/arf](http://naappraisers.org/arf). It is our intent to create a 501(c)(3) nonprofit organization to manage this fund.

It should also be noted that at our November meeting, the board voted to slightly increase dues from \$100 to \$125 for designated members. This is the association's first dues increase in its 10-year history.

Are you interested in serving on the NAA board of directors? There will be two board member slots available in 2021. We encourage you to nominate someone who you think would be a good candidate for the board's 2021-2024 term. You can also self-nominate if you are willing and interested in serving. These positions will be voted on in February 2021 and installed in April at the ACTS conference.

We are also happy to announce you can represent your association in a variety of ways. The NAA has a new store (naappraisers.org/on-line-store) that offers a range of NAA apparel, including shirts, hats, jackets, sweaters and bags. Set yourself apart by purchasing one, two, three or more of these products and show your support for the association.

The NAA and our Appraisal Summit co-host, Columbia Institute, decided to proceed with The Appraisal Summit this year but had to do so a little differently. We are happy to report that our first virtual conference was a huge success. We had great participation from the attendees, the speakers were wonderful and dynamic (as always), and we even had lot of good networking opportunities outside of the regularly scheduled sessions. Aside from the opening reception, we managed to pull off a few social events, including virtual karaoke, Bingo and Pictionary. It was just a really good time.

This year's Summit reflected on all that has happened in 2020 – the good, the bad, the ugly and the still unknown. As we worked our way through uncharted territory, we asked thought-leaders in the industry to join us at the summit and prepare appraisers for the journey ahead in a talk titled "A Changing Landscape." If you would like to hear from our general session speakers, you can log on to columbiainstitute.net and click on Appraisal Summit. You can purchase one or all of the Appraisal Summit sessions.

If you've never been to a conference, I'd encourage you to attend, whether it's live or virtual. We hope to see you at the next Appraisal Summit in November 2021 in Las Vegas.

As of now, we are planning for our third ACTS conference to be a live event, happening April 14-16, 2021 in Bay St. Louis, Mississippi. Come visit us near the Gulf, get some great CE, meet industry experts, rub elbows with vendors and providers of appraisal services and let's have some fun.

The conference will be hosted by the NAA and Appraiser eLearning. ACTS serves as the NAA's annual meeting where our board of directors and new officers are installed. It will also host the NAA's State Appraisal Organization's Leadership Forum and Membership Meeting. Appraisers will be exposed to current and meaningful Continuing Education that applies directly to the advancement of their professional development.

Our plans include golf, deep sea fishing and we are still planning our 10th anniversary celebration (in the 11th year) at our Cajun on the Coast event. We hope that you plan to attend the conference and this celebration. Don't miss out on the fun!

We intend to have our annual membership meeting, live as well as virtual, on April 14. Please don't miss this opportunity to find out firsthand what the NAA is doing and what our plans are for the future.

Well that's it for now. If you have any questions or comments, please feel free to reach out to me at bryan@reynoldsappraisalservice.com. ■

Sincerely,



**Bryan Reynolds, MNAA**  
President, NAA

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# WELCOME new MEMBERS



The NAA would like to welcome the following new members from around the country.

**JAMES ABBOTT, MNAA**

*Palm Coast, Florida*

**THOMAS ANDREWS, MNAA**

Andrews Appraisal Service, Inc.  
*Franklin, Tennessee*

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**ALAN BERRY, MNAA**

Prospect Appraisal  
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**ROBERT BLANTON, MNAA**

North Georgia Resource  
*Cumming, Georgia*

**MICHAEL BRACHER, MNAA**

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**BRIAN COE, MNAA**

Coe Appraisals  
*Maryville, Tennessee*

**KELLY CORRYN, MNAA**

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**JASON COVINGTON, MNAA**

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**TED DAVIS, MNAA**

Priority Valuation  
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**MISTY DEAN, MNAA**

Optimal Appraisal Solutions, LLC  
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**PATRICK FELVEY, MNAA**

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**STACEY FLUELLEN, MNAA**

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**MONTE GAW, MNAA**

Monte Gaw Appraisal Service/  
Horizon Realty & Auction  
*Cookeville, Tennessee*

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Charles R. Glassing, MSA, AAR  
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**CHARLES GREEN, MNAA**

*Ocean Springs, Mississippi*

**DAVID GRIFFITH, MNAA**

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**H. RICK KLINE, MNAA**

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**KENNETH KUCHNICKI, MNAA**

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**JAMES LINGEMAN, MNAA**

Lingeman Valuation & Consulting (LVC)  
*Amboy, Washington*

**ANDREW MILLER, MNAA**

*Hickory, Kentucky*

**JAMES MORRIS, MNAA**

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**JENNIFER O'NEILL, MNAA**

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Danbury, Connecticut

**GEORGE PAQUETTE, MNAA**

Altisource | Springhouse  
Costa Mesa, California

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# Helping appraisers get back on their feet

**THE NAA IS PROUD TO ANNOUNCE THE ESTABLISHMENT OF THE APPRAISER RELIEF FUND.**

This fund has been created to help appraisers affected by natural disasters and other unexpected events re-establish their businesses by helping cover the cost of education, licensing fees and other items to help them get up and running again. Please help your fellow appraisers who are in need by supporting the Appraiser Relief Fund.

**You can make a donation by visiting [naappraisers.org/arf](http://naappraisers.org/arf).**

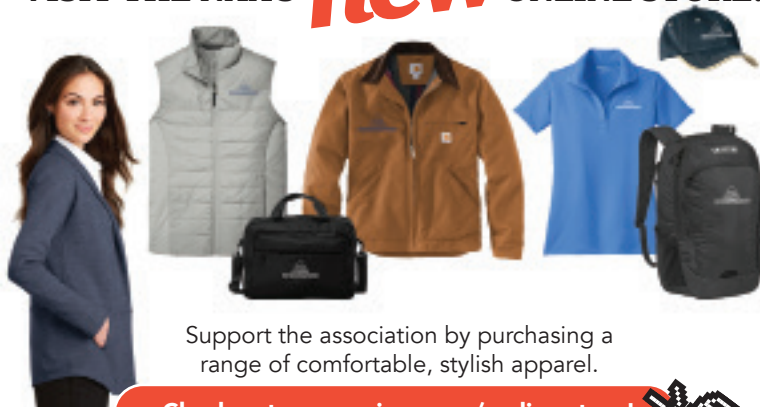
All the proceeds of this fund will go directly to helping appraisers.

### Thank you to our recent donors:

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**If you have any questions, please contact us at [info@naappraisers.org](mailto:info@naappraisers.org).**

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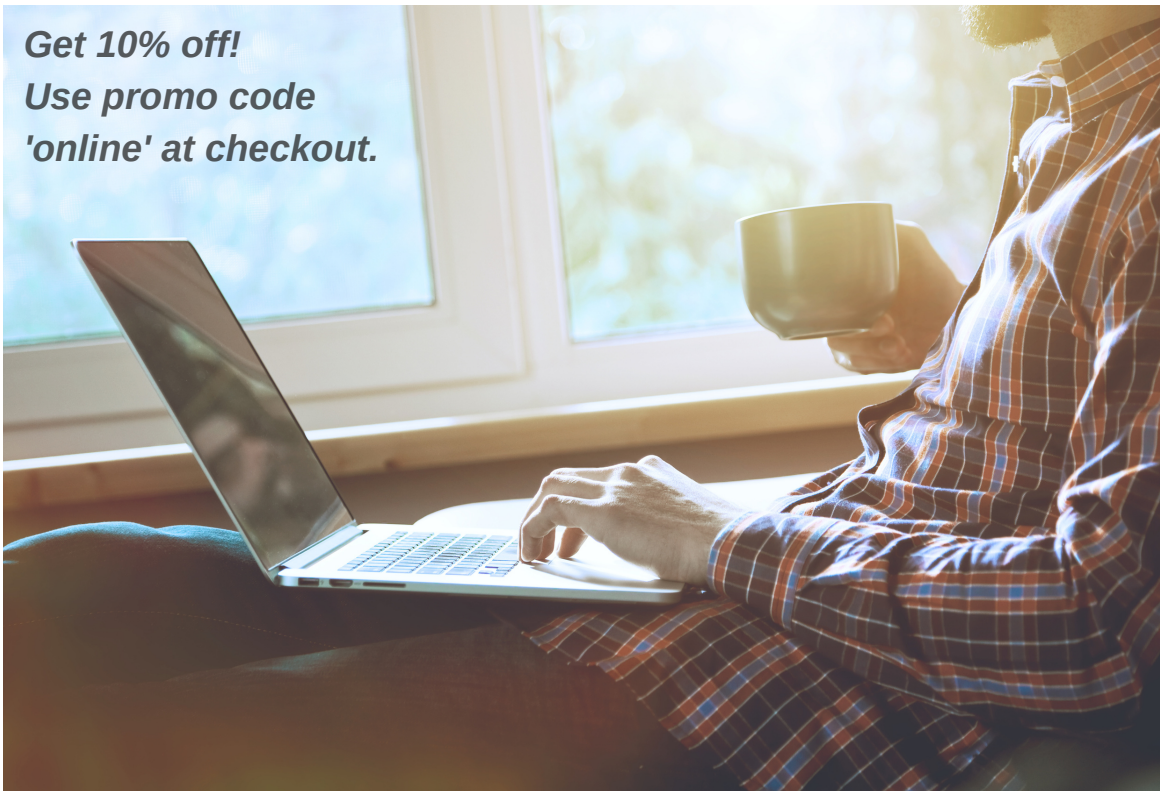
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**Lisa Desmarais, MNAA**

**p.10 PAREA: An alternative to the supervisor/trainee models**



Recognized as an appraisal industry leader, Lisa Desmarais, MNAA, has more than 25 years of experience in the field. In April 2020, she was named vice president of Appraisal Issues for The Appraisal Foundation. Prior to that, Desmarais served on both The Appraisal Foundation's Appraisal Standards and Appraisal Practices boards. Desmarais previously owned a residential appraisal firm, where she was involved in all facets of the appraisal process. In addition to mentoring aspiring appraisers and teaching seminars, she has published several papers and has served as a peer reviewer. Desmarais was also a member of a number of appraisal task forces and research groups dating back to 2011 and has served as an expert witness in numerous hearings and court cases.

**Scott Cullen, MNAA**

**p.12 The genius of sensitivity analysis**



Scott Cullen, MNAA, is a boots-in-the-snow Certified Residential Appraiser from Minneapolis/St. Paul with more than 20 years of experience. He is a co-founder of Solomon, a suite of cloud-based calculators that help more than 700 appraisers daily to quickly support their adjustments using the recognized technique of depreciated cost analysis. Cullen's calculators come with licensed cost data built-in, making it easy and economical to support your sales grid adjustments. Beyond grid adjustments, Solomon supports other assignment results, such as effective age, remaining economic life and site value.

**Joshua Walitt, MNAA**

**p.14 Changes ahead for the 2022-2023 edition of USPAP**



Joshua Walitt is the principal consultant for Walitt Solutions. He provides short- and long-term consulting services related to compliance, valuation, education, review, and investigations. Clients include lending institutions, appraisers, appraisal management companies, attorneys, accountants, education providers, regulators, and others. With over 20 years of experience, Walitt's skillset includes appraisal, banking, regulations, policy, training, licensing, audit, and enforcement. His core goal is to foster clients' efficiency, accuracy, compliance, and growth through appropriate methodology and technology, sound reasoning and communication skills, and proper oversight.

**Hamp Thomas, MNAA**

**p.16 The ANSI 2020**



Hamp Thomas, MNAA, is the founder and president of the Institute of Housing Technologies and the president of Carolina Appraisers & Real Estate. The author of numerous real estate courses, webinars and videos, Thomas recently established the new HMS (Home Measurement Specialist) Certification program, which provides interested parties with a broad understanding of how to measure, calculate, and communicate residential square footage. Thomas is a Certified Residential Appraiser, Certified Distance Education instructor, state-approved real estate and appraisal continuing education instructor, Accredited Buyer's Representative, Realtor Institute graduate, member of the National Association of Appraisers, and a Realtor.

**Melissa Bond, MNAA**

**p.20 Unacceptable practices**



Melissa Bond, MNAA, is a Certified Residential Appraiser licensed in Mississippi and Louisiana. Since 1994, she has been the sole proprietor of a real property appraisal practice, which specializes in fee appraising for VA, FHA, Fannie Mae, title companies, attorneys and school districts. Bond is also a state compliance reviewer, performing investigative reviews for USPAP-compliance adherence. As a Continuing Education provider, Bond has developed numerous CE courses. As an appraiser advocate for licensees, she has assisted appraisers in defending themselves when faced with a consumer complaint before a licensing board.

**Timothy C. Andersen, MNAA**

**p.20 The definition of misleading and the problems that came with it**



Timothy C. Andersen, MNAA, has been a real estate appraiser and consultant since 1986. He has SRPA and MAI designations and is an AQB Certified USPAP instructor. Andersen is an active member of NAA, an affiliate member of the Association of Texas Appraisers and an adjunct instructor at the Columbia Institute. Previously, he had a real estate brokerage specializing in high-end condominiums. He earned a master's degree in real estate appraisal from The University of St. Thomas in Minneapolis.

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# FOCUS ON PAREA

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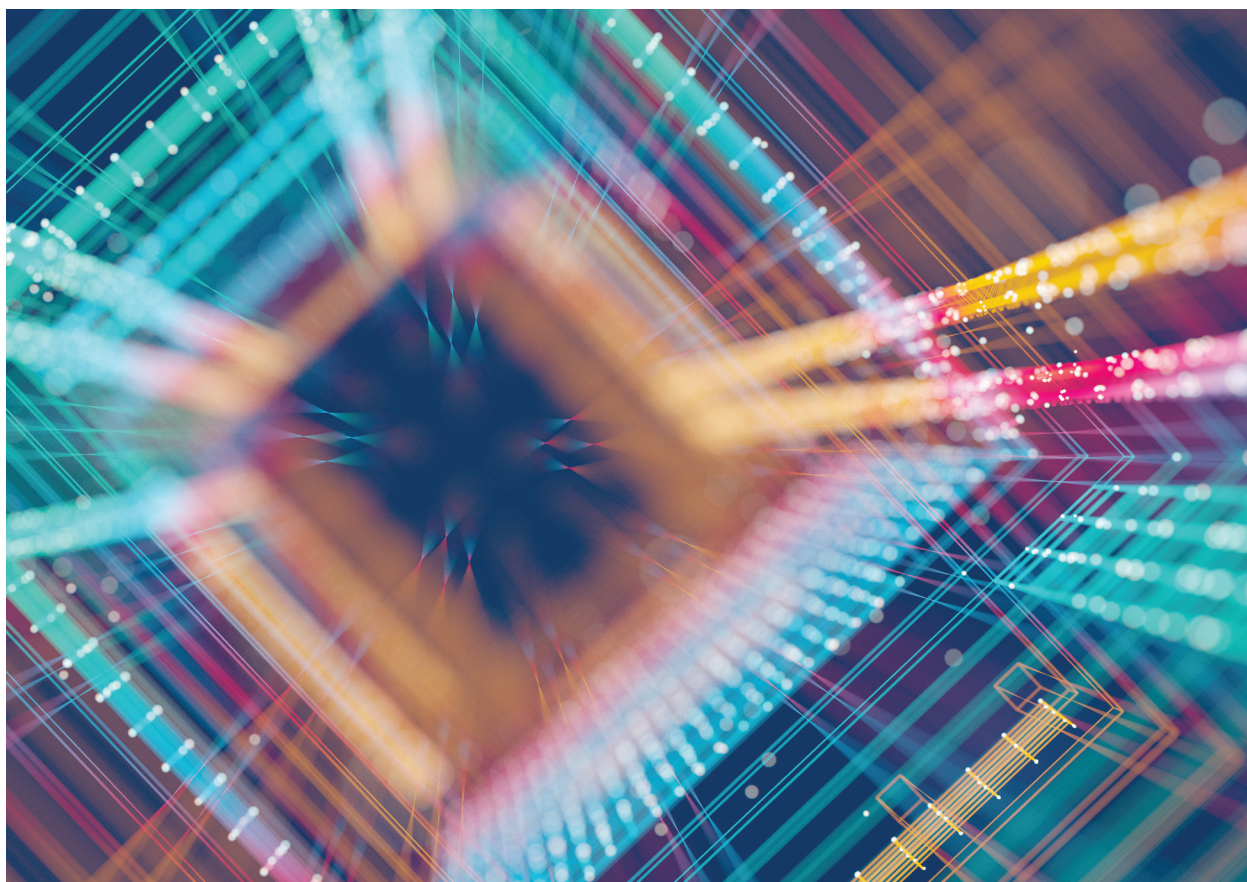
**Lisa Desmarais, MNAA**  
Vice president of Appraisal Issues at The Appraisal Foundation



*"New pathways open doors to our profession, providing aspiring appraisers from across the country the opportunity to gain experience and help our profession grow."*

## PAREA: An alternative to the supervisor/trainee model

A new training method is set to pave the way for aspiring appraisers



**AT THE APPRAISAL FOUNDATION,** we field questions from current and aspiring appraisers on a daily basis. These can range from how the Uniform Standards of Professional Appraisal Practice may apply to a specific situation to where one can find a course. But, when we speak with aspiring appraisers, we often hear the same question: **How can I find a supervisor to help me gain the required experience if there are no supervisors in my area?**

Since 1989, when the Appraisal Qualifications Board (AQB) drafted the very first set of education, experience, and exam criteria for aspiring appraisers, the only model available to gain experience was to find a seasoned, quali-

fied appraiser who could act as a supervisor.

This model was very effective and has continued to help trainees obtain valuable experience over the years. But, like in every profession, things change, and the AQB realized that there was a need for an innovative alternative. The AQB's answer is the Practical Applications of Real Estate Appraisal (PAREA). These new minimum criteria provide another pathway for aspiring appraisers to fulfill their experience requirements by taking advantage of innovative technology.

PAREA is designed to offer practical experience in a virtual environment, combining appraisal theory and methodology in real-world simulations through a wide range of

online and virtual reality technologies.

Trainees will be able to enroll in a PAREA-approved program once they have completed all of their qualifying education, and the program will provide virtual training across the wide range of scenarios a licensed or certified residential appraiser may encounter in the real world. This includes having participants develop USPAP-compliant appraisals.

These new criteria are not meant to replace the supervisor/trainee model, which has been successful for decades. This is simply a new alternative to help more folks enter the appraisal profession with the experience they need to be successful.

PAREA participants will not have supervisors, but they will receive periodic mentoring to ensure sufficient demonstration of experience and understanding before moving forward in the program.

Just like their counterparts participating in the supervisor/trainee model, those successfully completing PAREA

must also pass the national licensing and certification exam for the appropriate credential level. This ensures that aspiring appraisers, regardless of how they gain their experience, are held to the same high standards as they enter the profession.

Now that the AQB has done the work of developing these new criteria, we hope states will adopt PAREA as an acceptable pathway in their state credentialing process when PAREA goes into effect on January 1, 2021.

We are anxious to see what new, state-of-the-art programs will be developed to prepare the appraisers of tomorrow,

and we hope the marketplace will be quick to adopt these criteria and develop PAREA-compliant programs.

New pathways open doors to our profession, providing aspiring appraisers from across the country the opportunity to gain experience and help our profession grow into one that is more reflective of the United States we live in today. ■

*"PAREA is designed to offer practical experience in a virtual environment, combining appraisal theory and methodology in real-world simulations through a wide range of online and virtual reality technologies."*

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## FOCUS ON SENSITIVITY ANALYSIS

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Sale Price/Gross Liv. Area	\$	sq.ft.	\$	209.64 sq.ft.	\$	199.38 sq.ft.	\$	194.67 sq.ft.
Data Source(s)	Inspection	NStarMLS #5626141		NStarMLS #5543082		NStarMLS #5496327		
Verification Source(s)	Assessor	PID 123234675		PID 123234877		PID 123234994		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	
Sales or Financing Concessions		ArmLth Conv;0		ArmLth FHA:9000	-9,000	ArmLth Conv;0	0	
Date of Sale/Time		s11/20:c10/20		s11/20:c10/20		s11/20:c10/20		
Location	N;Res	N;Res		N;Res		N;Res		
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple		Fee Simple		
Site	10,000sf	10,000sf		10,000sf		10,000sf		
View	N;Res;	N;Res;		N;Res;		N;Res;		
Design (Style)	DT1;Ranch	DT1;Ranch		DT1;Ranch		DT1;Ranch		
Quality of Construction	Q4	Q4		Q4		Q4		
Actual Age	30	28		32		70		
Condition	C3	C3		C3		C3		
Above Grade	Total Bdrms. Baths	Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths		
Room Count	6 3 2	6 3 2		6 3 2		6 3 2		
Gross Living Area	1,500 sq.ft.	1,400 sq.ft.	+6,000	1,600 sq.ft.	-6,000	1,500 sq.ft.		
Basement & Finished Rooms Below Grade		0sf		0sf		0sf		
Functional Utility	Average	Average		Average		Average		
Heating/Cooling	FWA/CA	FWA/CA		FWA/CA		FWA/CA		
Energy Efficient Items	Typical	Typical		Typical		Typical		
Garage/Carport	2ga2dw	2ga2dw		3ga2dw	-6,500	2ga2dw		
Porch/Patio/Deck	Deck	Deck		Deck		Encl Porch	-4,000	
Net Adjustment (Total)		<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 6,000	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -21,500	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -4,000	
Adjusted Sale Price of Comparables		Net Adj. 2.0 % Gross Adj. 2.0 %	\$ 299,500	Net Adj. 6.7 % Gross Adj. 6.7 %	\$ 297,500	Net Adj. 1.4 % Gross Adj. 1.4 %	\$ 288,000	

Proximity to Subject								
Sale Price	\$		\$	293,500	\$	319,000	\$	292,000
Sale Price/Gross Liv. Area	\$	sq.ft.	\$	209.64 sq.ft.	\$	199.38 sq.ft.	\$	194.67 sq.ft.
Data Source(s)	Inspection	NStarMLS #5626141		NStarMLS #5543082		NStarMLS #5496327		
Verification Source(s)	Assessor	PID 123234675		PID 123234877		PID 123234994		
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	
Sales or Financing Concessions		Table Only		Table Only		Table Only		
Date of Sale/Time		Table Only		Table Only		Table Only		
Location	N;Res	Table Only		Table Only		Table Only		
Leasehold/Fee Simple	Fee Simple	Table Only		Table Only		Table Only		
Site	10,000sf	Table Only		Table Only		Table Only		
View	N;Res;	Table Only		Table Only		Table Only		
Design (Style)	DT1;Ranch	Table Only		Table Only		Table Only		
Quality of Construction	Q4	Table Only		Table Only		Table Only		
Actual Age	30	\$264	28	-528	32	+528	70	+10,560
Condition	C3		C3		C3		C3	
Above Grade	Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths		Total Bdrms. Baths	
Room Count	6 3 2		6 3 2		6 3 2		6 3 2	
Gross Living Area	1,500 sq.ft.	\$60	1,400 sq.ft.	+6,000	1,600 sq.ft.	-6,000	1,500 sq.ft.	
Basement & Finished Rooms Below Grade			0sf		0sf		0sf	
Functional Utility	Average	Table Only	Average		Average		Average	
Heating/Cooling	FWA/CA	Table Only	FWA/CA		FWA/CA		FWA/CA	
Energy Efficient Items	Typical	Table Only	Typical		Typical		Typical	
Garage/Carport	2ga2dw		2ga2dw		3ga2dw	-6,500	2ga2dw	
Porch/Patio/Deck	Deck		Deck		Deck		Encl Porch	-4,000
Net Adjustment (Total)			<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 5,472	<input type="checkbox"/> + <input checked="" type="checkbox"/> -	\$ -20,972	<input checked="" type="checkbox"/> + <input type="checkbox"/> -	\$ 6,560
Adjusted Sale Price of Comparables			Net Adj. 1.9 % Gross Adj. 2.2 %	\$ 298,972	Net Adj. 6.6 % Gross Adj. 6.9 %	\$ 298,028	Net Adj. 2.2 % Gross Adj. 5.0 %	\$ 298,560

condition, room count, GLA and garage stalls. Each have quantities that can be used directly as predictor variables. For location, view, style and other variables that are not quantified, you can move forward by assigning dummy variables such as 1 for average and 2 for superior.

The caveat is that this works for only one variable with other adjustments already applied to get down to

adjusted sale price. It is a great solution when you notice a correlation in the grid between adjusted sale price and any other single variable. This form of sensitivity analysis finds the adjustment rate, and it tells you if the adjustment is warranted. R<sup>2</sup> is called the coefficient of correlation. If there is low correlation, you have a way to support your analysis that no adjustment is warranted. ■

# FOCUS ON USPAP

Joshua Walitt, MNAA  
Principal Consultant at Walitt Solutions



*“Proposed changes for the 2022-2023 edition of USPAP did not satisfactorily resolve the issues that were on the table... This is good news for appraisers and users of appraisal services.”*

## Changes ahead for the 2022-2023 edition of USPAP

Understanding the proposed revisions and weighing their benefit



**DURING THE APPRAISAL FOUNDATION'S** Appraisal Standards Board November meeting, it was made clear that the Third Exposure Draft of proposed changes for the 2022-2023 edition of USPAP did not satisfactorily resolve the issues that were on the table.

This is good news for appraisers and users of appraisal services, in that there will be one more oppor-

tunity for public comment on the changes.

The National Association of Appraisers encourages appraisers to submit feedback during the comment period that will follow the issuance of the Fourth Exposure Draft, anticipated in mid-December 2020.

Here's a brief summary of some of the significant proposals from the unsatisfactory draft:

### SECTION 1

Section 1 of the Third Exposure Draft relates to a “new requirement for including inspections in scope of work reporting.” The rationale explains in part:

*The major change being proposed is to expand the scope of work reporting in Standards 2, 4, 6, and 8 so that appraisers are required to disclose whether or not an inspection was performed. Additional requirements would be to provide information about the extent of inspection and the party or parties who performed it. If no inspection was performed, then the appraiser would be required to indicate how information about relevant property characteristics was collected.*

Feedback from several commenters pointed out that the Scope of Work Rule already requires that extents and types of inspections of tangible property, research of data, and analyses be disclosed in the report, so lengthening the reporting Standards is unnecessary.

Additionally, commenters noted that appraisers regularly conduct research separate from any inspection, but the proposed additions to the reporting Standards would imply the disclosure of such research would only be required if no inspection had occurred, which is clearly contrary to the Scope of Work Rule.

Section 1 also proposed removing the following comment from the reporting Standards, since it is already clearly stated in the Scope of Work

Rule (to which all the reporting Standards refer):

*Summarizing the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.*

Some commenters believed that the statement should be repeated (and therefore remain) in the reporting Standards because of the importance of the statement. However, others believed that repeating the statement verbatim eight times in the reporting Standards did not make it any more or less important compared to being stated once in the Scope of Work Rule.

#### SECTION 4

Related to the inspection issue discussed in Section 1, Section 4 addresses proposed changes to the certification Standards Rules, such as 2-3, 4-3, and so on, specifically related to the certification statement related to the appraiser’s inspection (or lack of one). The proposal is to change the following:

*I have (or have not) made a personal inspection of the property that is the subject of this report.*

to

*I have disclosed in this report whether or not the property that is the subject of the work under review was inspected associated with the review, and, if so, the extent of the inspection and by what party or parties it was conducted.*

The proposal relies upon the disclosure requirements of the Scope of Work Rule and the reporting Standards to ensure the report discloses the extent of inspection for intended users to understand.

Some commenters feared that changing the certification statement would result in disciplinary actions with state regulators, while others believed the change (or removal of the certification sentence entirely) would not lead to non-compliance

because a report can include such a sentence as long as it is truthful (even if it is not required).

Many commenters have expressed, and continue to express, that the binary “yes” or “no” certification statement is outdated and not informative, considering the many types and extents of inspections in today’s world. Emphasis, they argue, should be on the disclosure of inspections required by the Scope of Work Rule so it is meaningful and understandable to the intended user, rather than a limited-meaning sentence.

#### SECTION 6

The ASB is proposing multiple changes to definitions, including removing the definition of “misleading,” which was added to USPAP in 2020. Feedback to the ASB includes concern that the current definition could mean that unintentional typographical errors imply the report is misleading, which may have serious consequences for an appraiser with a state regulator. Similar concerns were expressed prior to the ASB adding it to USPAP. Other current commenters express the removal could create confusion and litigation errors.

The ASB proposes changing the definition of “signature” to accommodate authentications of works that are performed electronically, such as with IDs and passwords as well as pen-to-paper or other traditional signature methods.

One of the most significant proposals to definitions is changing the defined term “personal inspection” to “inspection.” Notably, the words “personal” and “physical” would be removed:

**INSPECTION:** *An observation performed to assist in collecting information about relevant property characteristics in a valuation service. [The comment that currently follows the definition would remain unchanged.]*

This proposed change must be considered in light of the reporting Standards, the Scope of Work Rule, and the certification discussed in prior sections of the draft, particularly related to the disclosure of not only the extent of any inspections, but also the parties performing any inspections. Commenters are concerned that the proposed definition has no clear bounds in terms of the people, the timing, and the types of activities that would be an “observation” (and therefore an “inspection”).

#### SECTION 8

Section 8 of the Third Exposure Draft addresses stylistic changes related to pronoun usage. In general, the ASB is proposing replacing singular pronouns (he, she) with “they” or “their.”

Various concerns were expressed, including whether such usage is appropriate in technical writing, possible confusion over whether “they” is referring to one person or multiple people in certain contexts, and a suggestion to simply reword the components so there was no need for a pronoun. Other commenters were concerned that any confusion from the usage of plural pronouns could cause litigation problems.

*The National Association of Appraiser’s comment letter to the ASB can be found at [naappraisers.org/news](http://naappraisers.org/news). The NAA encourages its members to be familiar with the exposure and revision process, to attend (virtually or in person) the ASB’s public meetings, and to provide feedback to the ASB during the comment periods based on appraisers’ experiences and concerns.* ■



# FOCUS ON MEASURING

**NAA's Mission PROMOTE:** Encourage continued education and high standards of conduct.

**Hamp Thomas, MNAA**

Founder and president of the Institute of Housing Technologies, President of Carolina Appraisers & Real Estate



*"The biggest problem we have is that there are too many different methods of measuring square footage. We want everyone to measure according to ANSI."*

## The ANSI 2020

With the latest draft of proposed ANSI revisions out for comment, it might be 2021 before we see an updated version of this essential standard



**THERE HAS BEEN** lots of discussion recently about the ANSI Standard and the upcoming update. Like the overall topic of square footage in general, there are so many different opinions on this topic. That’s probably one of the reasons we don’t have a nationally mandated “standard” in the real estate or appraisal industries. For now, the best thing we can do is try to make what we have available better, and this update gives us the chance to voice our opinions.

The ANSI Z765-2013 is the latest edition of the residential measurement standard we all know. Every time I get asked the question, “Why should I use ANSI?” I always say, “ANSI is the name, the most trusted name in the business.”

Everyone who works in fields that count square footage – like those in real estate, appraising, mortgage lending, architecture or home building – knows the name ANSI. But this standard is currently mandated for appraisers in Kentucky only. The biggest problem we have is that there are too many different methods of measuring square footage. We want everyone to measure according to ANSI, but until the real estate industry’s MLS and the tax records

system get on board, we are always going to have problems with inaccurate valuations, based solely on the wrong square footage details. We’ve heard these issues before, but nothing seems to change.

We also have an issue with people who quote ANSI without truly knowing what that means. They really don’t know the rules of ANSI or have never looked at a copy. But, many professionals will quote rules from ANSI, almost like an arrow they take out of the quiver anytime someone has a question about square footage. Even if they are not sure about the answer, if they claim the measurement was done according to ANSI, it’s the end of the conversation. No one argues with the ANSI standard. About 75-80% of all real estate professionals probably don’t know the standard well enough to argue a point without looking up something first.

Let’s talk about the ANSI 2020 update. The first draft came out in February 2020 and had a rule about measuring sloped ceilings so that you would add for the exterior wall for only one exterior wall. Public comments were accepted through March 23, 2020. After the first draft was released, Appraiser eLearning held a special webinar on the update

and asked appraisers to submit comment asking that the sloped ceiling measurement be one of two options – either add for both walls or add for no exterior walls. There were 44 comments submitted with 40 concerning this particular measurement. That’s appraisers in action and proof that you can have an influence in changing your industry and the day-to-day practices.

A second draft was released in September 2020 with comments accepted until early November. Once again, Appraiser eLearning held a special webinar, during which Bryan Reynolds and I went through the proposed changes and the issues with those changes, in our opinions. And once again, we asked appraisers to make comments asking the ANSI committee to clarify the sketch and comments in the proposed update. If we are lucky enough to motivate a change in the proposed sketch, then there will have to be another public comment period, then a meeting, and then a vote to approve a final edition. The chances of this being released in 2020 are highly unlikely.

This debate over the measurement of rooms with sloped ceilings has been going on long before ANSI was first released. If you talk to appraisers across the country, a large group adds for the width of both exterior walls when you have a room with two sloped ceilings. There is another group, adamant that you do not add for the width of any exterior walls when sloped ceilings are present. I’ve been teaching this method for many years, but currently you can measure by either method and make a claim that you have adhered to the ANSI standard. That is a problem a “standard” is meant to solve.

So, the “ANSI Z765-2020: Square Footage – Method for Calculating” may very well be changed to the 2021 edition, considering the disagreement over the measurement of rooms with sloped ceilings with a few other small changes in wording.

Another 2020 change has to do with “Finished Area.” From the 2013 edition, that is defined as “an enclosed area of a house that is suitable for year-round use.” The proposed changes for the 2020 edition included a mention that geographic region be considered, so that the space’s walls, floors and ceilings are similar to the rest of the house.

Some changes seem pretty straight forward, but time will tell what specifics will be cemented in the next edition. ■

## THE History OF ANSI

**GO TO**  
[homeinnovation.com/Z765](http://homeinnovation.com/Z765)  
 to see the proposed 2020  
 draft and the Public



### ANSI WAS FIRST RELEASED IN 1996

and was created at the request of the Greater New Orleans Home Builder’s Association. It is a voluntary standard. **But, if you claim to follow it, you must follow it 100%.** You can’t use only the parts you like or agree with. It was updated in 2003, in 2013 (without revision), and the most recent edition was slated for 2020. That’s one reason why these changes are so important, because it may be a very long time before any additional changes might be considered. It is currently known as



Many times I am asked about the actual document and if there are additional sections or components. The actual ANSI document contains three pages of

formal “rules,” six pages with sketch examples, and two pages in an Annex that is not an enforceable part of the standard. For a subject as complex as measuring residential square footage, this is limited data and often leaves many measurements subjective. But, remember that the ANSI standard was created to be simple enough to be understood by a teenager and was not originally designed or intended to be used as a source for teaching the art of home measurement or used by appraisers. It is very good for what it is, but it does leave many measurements without answers. What it does so well is provide a level of trust and a degree of liability protection that no other name can offer. In this industry, in this day and time, using ANSI is simply a smart business practice. Proposal Report.

ANSI is available from one source.  
 The Home Innovation Research Labs at [homeinnovation.com](http://homeinnovation.com)

# Unacceptable Practices Melissa Bond, MNAA

The professional code of ethics that guide an appraiser's work, and why they're so essential

**I**ndependent. Impartial. Objective. These are the adjectives used to describe a competent appraiser in the profession's key handbook, the Uniform Standards of Professional Appraisal Practice.

Also highlighted in USPAP is an appraiser's need to provide services in a manner similar to his or her peers, those who have expertise and competency in a similar type of assignment.

But by definition, this means that an appraiser's peer group has the potential to change from one assignment type to the next. After all, not all appraisers in a specific geographic location possess the same skill level, knowledge base, level of expertise, or the same access to pertinent data sources.

Fannie Mae's Selling Guide also outlines the traits of a qualified appraiser, specifying that lenders must work with appraisers who:

- Describe the property and neighborhood in factual, unbiased terms
- Consider all factors that have an effect on value
- Are objective and unbiased in developing the opinion of market value

USPAP's Advisory Opinion 21 specifies the levels of service provided by a competent appraiser, noting that its Ethics Rule – which requires integrity, impartiality



**When the work is unacceptable Fannie Mae's Selling Guide is clear in its definition of unacceptable appraisal work, providing detailed examples of improper practices.**

**Here's a rundown:**



Development of or reporting an opinion of market value that is not supportable by market data or is misleading

Failure to adequately analyze and report any current contract of sale, option, offering, or listing of the subject AND the prior sales of the subject and the comparables

Not supporting adjustments in the sales comparison approach

Development of an appraisal or reporting an appraisal in a manner or direction that favors the cause of either the client or any related party, the amount of the opinion of value, the attainment of a specific result, or the occurrence of a subsequent event in order to receive compensation or employment for performing the appraisal or in anticipation of receiving future assignments



**!** Failure to use comps that are most locationally and physically similar to subject

Development of a valuation conclusion based on factors that local, state, or federal law designate as discriminatory



and objectivity – must be adhered during the completion of the following services:

- **Valuation Services** An appraiser has an obligation to not misrepresent his/her role when providing services
- **Appraisal Practice** All services performed as part of appraisal practice must comply with USPAP *Preamble, Definitions, Ethics Rule, Competency Rule, Jurisdictional Exception Rule*
- **Appraisal and Appraisal Review** All Standards Rules apply *Standards 1 – 10, Preamble, Definitions, Ethics Rule, Comp Competency Rule, Jurisdictional Exception Rule, Scope of Work Rule, and Record Keeping Rule*



AO-21 also provides the appraiser with a list of Valuation Services, along with examples of categorized services. The appraiser has a professional responsibility to recognize the capacity in which he/she is performing and providing services. This also includes a responsibility of inquiry into the client's expectations of that appraiser. The expectations of the client and other intended users place a burden upon the appraiser to act ethically and competently and to comply with USPAP.

### KNOWLEDGE AND EXPERIENCE

Without a doubt, the knowledge and the experience of a licensed appraiser is foundational to the credibility of a submitted appraisal report.

Appraisers are required to be geographically competent, meaning they have a solid understanding of the market in which they are working. The appraiser must also be competent regarding the specific property type that is being valued. This means he/she has the requisite knowledge regarding the property and has access to the necessary and appropriate data sources that are available within that marketing area.

USPAP allows room for an appraiser to *become* competent should they accept an assignment and find they are lacking the necessary knowledge. But Fannie Mae is not as flexible, requiring an appraiser to already have the required knowledge base prior to accepting the assignment.

When completing an appraisal, the scope of work should be guided by the complexity of the assignment. If the 1004 Form is not sufficient to adequately describe the subject property or document the analysis and valuation process, it is incumbent upon the appraiser to include all exhibits and addenda necessary to provide a complete understanding and support for the valuation conclusion.

Misrepresentation of the physical characteristics of the subject, improvements, or comparable sales

Failure to comment on negative factors

Inappropriate comp selection

Creation of comp sales by combing vacant land sales and contract purchase price of a home that has been built or will be built on the land

Failure to make adjustments when they are clearly indicated

Development of a valuation conclusion based on sex, race, color, religion, handicap, nation origin, familial status, or other protected classes of either the prospective owners or the occupants of the subject or properties in the vicinity of the subject

Use of comps in the valuation process when the appraiser has not personally inspected the exterior of the comparable property

Use of adjustments that do not reflect market reaction differences between the subject and comps



Development of or reporting an appraisal in a manner that is inconsistent with the requirements of the USPAP in place as of the effective date of the appraisal

Use of data, particularly comp sales data, provided by parties that have a financial interest in the sale or in the financing of the subject property without the appraiser's verification for the information from a disinterested source

Fannie Mae has an extensive and specific list of unacceptable practices (as detailed on the bottom of the previous page). But I'd like to make my own addition to this list, one that specifically addresses the Appraiser Certification. Let me explain:

The 1004 Form for a residential appraisal is designed to report an appraisal of a one-unit property or a one-unit property with an accessory dwelling unit. This form is based on an interior and exterior inspection of the subject property by the appraiser who is signing the report on the left side of page six. (This is not referring to the *temporary flexibilities*.)

**Remember, this particular form was designed by Fannie Mae, and in it there is an Appraiser's Certification statement, which requires the appraiser to certify the following:**

*I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in be in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.*

But here's the problem: In some cases, appraisers complete this form, certifying the statement above, *without personally performing a visual interior and exterior site inspection.*

Believe it or not, is it common for some appraisers to allow most or all of the work to be completed by others, and then apply a digital signature to the report.

**Here are some situations that illustrate how this may come to be:**

**1.** → An appraiser has an unlicensed individual perform the site inspection, research, analyze, and provide an opinion of value for the appraisal report. Then, the appraiser signs his or her name and submits the report to the client. The appraiser's rationale for this is that they have trained the unlicensed individual, so they can rely on the work that is being performed in their name.

**2.** → Two appraisers work in the same office; both are on a Fee Panel for a particular client. One of these appraisers considers herself semi-retired. Therefore, when an assignment comes in to her, she allows that other appraiser in her office to perform the site inspection, research, analyze, and provide an opinion of value for the appraisal report. This other appraiser will sign the name of the so-called semi-retired appraiser and submit the report to the client. The semi-retired appraisers' rationale for this practice is to double the amount of work that comes into the office.

**3.** → One appraisal firm has several licensed appraisers but only one certified appraiser. The certified appraiser only performs the site inspection/visit; then, he turns over the field data to another appraiser in his office to do the research, analyzing, and report writing – including an opinion of value. The certified appraiser does not review the report prior to submission. The appraiser's rationale for this practice is that he has trained the licensed appraisers and has confidence in their skill level. He believes they have the ability to produce credible assignment results; therefore he feels no need for micro-managing the licensed appraisers.

**4.** → An appraiser and a broker share an office; they are long-standing business associates. The appraiser passes away. The broker still accepts appraisal assignments that are sent to the deceased appraiser. When the appraisal assignments are received, the broker's staff accepts the assignment. At this point, the broker's staff calls the appraisers in the local area asking if anyone would perform the assignment on behalf of the deceased appraiser. The rationale for this broker's action was that he wished to keep the appraisal workload coming into the office.

As we can see from each of the examples listed above, USPAP guidance was violated by the actions, or inactions, for the signing appraisers in each of our four situations. Maintaining public trust is the basis for the development of USPAP. I think we would all



agree that these four examples display multiple areas of concern and, without question, there is an attempt to deceive inherent in each scenario.

Now, the Scope of Work Rule states that the appraiser must determine and perform the scope of work necessary to develop credible assignment results. If we look further at the comment section of this rule, we will find that the scope of work includes, but is not limited to, the extent to which tangible property is inspected. Well, that brings us right back around to the 1004 Form of Appraiser's Certification statement that we previously discussed.

If you or I just happened to be one of those appraisers listed in the four scenarios mentioned, perhaps we need to mend our ways. Could it be possible that each of those appraisers did not realize they were acting in opposition to guidance and instruction? Well, maybe. So, what would be a solution to that?



### MENDING OUR WAYS

Have you ever considered starting an appraisers' roundtable or appraisers' lunch group? Or perhaps you already have something like this in your area but you've never attended. Please let me encourage you to do so. Attendance, involvement and networking are a key to understanding your peers and your peers' actions in certain situations. This also affords you the opportunity to grow your business and expand your knowledge base.

My appraiser roundtable meets for lunch periodically

and just discusses the market, general practices, methodology and the latest news. No agenda, just discussion. What a benefit! I also have another small group of four appraisers who meet every other month for lunch. Again, there's no specific agenda, but just an exchange of ideas for best practices.

Make it a practice to attend quality Continuing Education courses. Take the time to stop and read the guidance that is available to you. Grab a cup of coffee or a cold drink and entertain yourself one day by actually reading the Appraiser's Certification statements on the 1004 Form. When you are finished, read the Statement of Assumptions and Limiting Conditions on the 1004 Form. Then, when you've had a chance to absorb it all, read every pre-printed Fannie Mae form that you utilize. Chances are, it will cause you to make some minor changes in your practice. If it doesn't, then congratulations, you must be doing things the right way.

In conclusion, I'd like to stress that work performance, integrity, and ethical obligations are clearly and definitively outlined for us. Our professional license, no matter the level, from trainee to certification, has performance expectancies that go along with it. Those expectancies include clear delineations between acceptable practices and unacceptable practices. Set yourself apart by being the appraiser who does not take the path of least resistance. Remember the adage "integrity means doing the right thing when no one is looking." Let this be your business motto. It's definitely mine. ■

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Bay St. Louis, MI



# OPINION OF VALUE

**NAA's Mission PROVIDE:** Offer services designed to benefit our membership.

Timothy C. Andersen, MNAA  
Real estate appraiser and consultant



*If I can ever be of help to you in any area of real estate appraisal, please contact me at [tim@theappraisersadvocate.com](mailto:tim@theappraisersadvocate.com).*

## The definition of misleading and the problems that came with it

USPAP took steps to define a key term, but the clarification only caused more confusion



### BY NOW YOU HAVE LIKELY HEARD THE NEWS.

Some would say the good news. Others would merely say the news. I suppose it's in the eye – or ear – of the beholder. Regardless, it is news, and so it merits our comment and analysis since it affects us as appraisers.

As you many of you are aware, until January 1, 2020, USPAP never contained a definition of the terms *to mislead* or *misleading*. This omission existed in spite of the fact that the USPAP document uses both terms throughout its entirety. But because neither term was clearly defined, there were appraisers (as well as some state appraisal boards) who referred to “a misleading appraisal,” but what, ex-

actly, that meant was unclear.

This spurred a change to the 2020-2021 USPAP edition so that a definition was included.

But now, as we work on the 2022-2023 USPAP edition, The Appraisal Foundation's Appraisal Standards Board has formally proposed a removal of that term and its definition from USPAP. And here's why.

Here is the current definition in its entirety from the 2020-2021 USPAP document:

To mislead: Intentionally or *unintentionally* misrepresenting, misstating, or concealing relevant facts or conclusions” (emphasis added).

IN PODCASTS AND BLOGS POSTS, MANY HAVE POINTED OUT SOME OF THE PROBLEMS WITH THIS DEFINITION:

- 1 ← Because of the inclusion of the word *unintentionally*, something in a report as simple and innocent as a typo or transposed numerals could qualify as “misleading.” This calls into question the integrity of the entire report, as well as the reputation of the authoring appraiser. A typo or a transcribed numeral should not accomplish this.

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- 2 ← What is a “relevant fact?” For that matter, what is an *irrelevant* fact? For example, other than the notice of whether a house is in a flood zone, the typical SFR appraisal and report makes no issue of soil composition of the underlying site. Yet the quality of the underlying soil speaks to the site’s overall utility. Utility, of course, speaks to use. And the uses to which a site can feasibly be put determine in large part its value. Thus, does such an omission constitute the concealing of a relevant fact?

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- 3 ← It is typical for appraisers to omit an analytical discussion of the subject’s zoning, other than to state the major, general zoning classification. So, say an appraiser were to indicate in the report the subject’s zoning was R-1. Nevertheless, if the appraiser omits an analytical discussion of the *ramifications* and *implications* of that zoning classification, has the appraiser misrepresented, misstated, or concealed a relevant fact since zoning is a component of highest and best, this of market value, too?

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- 4 ← Per USPAP SR1-3(a), there are five components to market analysis, and highest and best use (which, by the way, is different from the four-component model in the 15th edition of *The Appraisal of Real Estate*, and different from Fannie Mae’s highest and best use analytical requirements). Suppose the appraiser were to fail to identify and analyze the effect on use and value of the reasonably probable modifications of any land use regulations encumbering the subject. Does this all-too-frequent omission ascend to the definition of misleading?

There are more such questions. But these four examples are sufficient to illustrate the potential problems there are with this the current definition, as well as the need to clarify it. Or, as suggested, to eliminate it.

Numerous appraisers and appraisal groups have used various platforms to raise the issue of this definition with The Appraisal Foundation and the ASC. Some did so openly, publicly, and sensationally. Others were more (how shall we say?) mature in voicing their opposition. But the point is, that opposition, whether sensational or mature, worked.

In the second draft of the proposed 2022-2023 USPAP, TAF/ASC shows the definition of misleading with a ~~strickethru~~ (strickethru) of the typeface. So, the proposal is to remove it, not merely change it. Further, in that proposal draft, there was no replacement for that definition, either.

But there was another matter to consider, too. From the opposition, it was also clear that *to mislead*, per the current USPAP definition, was not merely to make a sanctionable mistake. It was to make any mistake at all. Via that definition, any mistake at all could ascend to the level of an ethics violation, depending on the whim of the enforcing state appraisal board.

In and of itself, to violate ethics is a serious infraction of the rules. Its seriousness comes from the fact that it stems from a choice freely made, not merely ignorance, not merely inadvertence. It is that choice that makes a knowledge of ethics is so important.

We cannot choose to be ethical unless we have alternatives from which to choose. Nor can we choose to be unethical until we understand the difference between what is and what is not ethical.

USPAP’s definition basically made an intentional act of misleading a clear ethics violation. That is as it should be (and, frankly, already was). However, via its language, USPAP’s definition also made unintentional acts into misleading acts. Thus, an act of innocent inadvertence was just as egregiously unethical as was an unethical act made with forethought, after deliberation and consideration.

It is in failing to differentiate between an act of inadvertence and an act of deliberation, so that they are both considered unethical, that the problem arises.

So, we appraisers brought these inconsistencies to the attention of the good folks at The Appraisal Foundation and the Appraisal Standards Board. And because of this feedback, TAF/ASC chose to rescind the definition and return to the status quo ante.

What we learn from this is that working together on a challenge brings results. That’s something we appraisers, who are generally way too eager to throw each other under the bus (hear that review appraisers!?), need to remember in the future. ■



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