

USPAP Myths, Misconceptions, Common Errors and Deficiencies

I. Myths and Misconceptions about USPAP

A. USPAP Myths

1. **Myth:** The Appraisal Standards Board is composed of banking regulators and/or appraisal regulators.

Response: False. The Board is actually composed of individuals with a variety of expertise and backgrounds. In fact, most are practicing appraisers.

2. **Myth:** The COMPETENCY RULE requires that you specifically make a comment that you are competent.

Response: False. This Rule actually requires that the appraiser be able to complete the assignment competently.

3. **Myth:** If an appraiser is asked to appraise a property of a type he or she has never appraised before, the COMPETENCY RULE prohibits that appraiser from accepting the assignment.

Response: False. This Rule allows the appraiser to become competent during the assignment, by personal study, association with an appraiser who has the necessary knowledge/experience, or retention of others who possess the necessary knowledge/experience.

4. **Myth:** STANDARD 6 applies only to tax assessment officials.

Response: False. STANDARD 6 applies to all mass appraisals, including those for ad valorem taxation.

5. **Myth:** The results of an Automated Valuation Model (AVM) are always an appraisal.

Response: False. It depends. As discussed in AO-18, *Use of an Automated Valuation Model*, an AVM's output *is not, in itself, an appraisal report*. If an appraiser is asked to simply enter property characteristics provided by the client, but not alter the input or affect the AVM's output, he or she is only acting as an AVM operator. However, if the appraiser goes beyond these steps, or develops an opinion as to the accuracy or validity of the output, then it would constitute an appraisal and the appraiser would have to comply with USPAP. Refer to AO-18 for additional information.

6. **Myth:** It is unethical for a person who is both an appraiser and a broker to provide a BPO (Broker's Price Opinion) or CMA (Competitive Market Analysis).

Response: False. USPAP allows an individual who can legally provide multiple services to do so, as long as the service is outside of appraisal practice, and he or she does not misrepresent his or her role. (See the ETHICS RULE.)

7. **Myth:** Jurisdictional exception is an option that an appraiser may use for work involving the government.

Response: False. A jurisdictional exception is an assignment condition that occurs automatically if applicable in an assignment. It is not an option or choice on the part of either the appraiser or the client. (See the JURISDICTIONAL EXCEPTION RULE.)

8. **Myth:** Using a sale over a year old is a violation of USPAP.

Response: False. USPAP does not prescribe any time period for the use of comparable sales. Standards Rule 1-4(a) only requires that the appraiser *analyze such comparable sales data as are available to indicate a value conclusion*. Qualifying clients may, however, have additional supplemental standards that address such requirements. (See the SUPPLEMENTAL STANDARDS RULE.)

9. **Myth:** When providing an appraisal based upon an extraordinary assumption or a hypothetical condition, the appraiser must also provide an opinion of value without the condition.

Response: False. Standards Rule 2-1(c) requires only that the appraisal report clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.

10. **Myth:** When reviewing an appraisal, a reviewer must not provide his/her own opinion of value.

Response: False. Like all of USPAP, STANDARD 3 provides a great deal of flexibility in terms of scope of work. The scope of work may or may not include an opinion of value by the reviewer.

11. **Myth:** All appraisals must address marketing time.

Response: False. USPAP requires the appraiser to analyze exposure time for appraisal assignments involving market value. Some clients have supplemental standards that may also require an analysis of marketing time.