

USPAP Q&A

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This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. The ASB USPAP Q&A is issued to inform appraisers, regulators, and users of appraisal services of the ASB responses to questions raised by regulators and individuals; to illustrate the applicability of the Uniform Standards of Professional Appraisal Practice (USPAP) in specific situations; and to offer advice from the ASB for the resolution of appraisal issues and problems.

The 2006 edition of the Uniform Standards of Professional Appraisal Practice becomes effective on July 1, 2006. To assist with this transition, the Appraisal Standards Board has created a document (available on The Appraisal Foundation website at www.appraisalfoundation.org) to answer some of the most common questions about the 2006 USPAP and Scope of Work. We have reprinted several of those questions and answers below.

2006 USPAP and Scope of Work

Question #1:

What are the major changes in the 2006 USPAP related to the scope of work and departure concepts?

Response:

The biggest changes are elimination of the DEPARTURE RULE and introduction of the SCOPE OF WORK RULE. The most visible change in appraisal practice is the discontinued use of the terms “Complete” and “Limited” to describe the appraisal process. There are numerous related changes, but these are the main focus.

Question #2:

What is scope of work?

Response:

In basic terms, the scope of work is the work an appraiser performs to develop assignment results. USPAP defines “scope of work” as the type and extent of research and analyses in an assignment. Note that this definition excludes reporting.

Question #3:

Will the changes in the 2006 USPAP change the steps an appraiser takes in developing assignment results from what is done now?

Response:

No. The SCOPE OF WORK RULE has no requirements that were not in USPAP before. It's a matter of emphasis. The process of problem identification and the development of an appropriate scope of work, both previously existing USPAP requirements, are emphasized more in the SCOPE OF WORK RULE and the 2006 USPAP.

Question #4:

Has any advice been issued to help understand the SCOPE OF WORK RULE and its use?

Response:

Yes, the ASB issued two new Advisory Opinions:

- AO-29 *An Acceptable Scope of Work*; and
- AO-28 *Scope of Work Decision, Performance, and Disclosure*

Question #5:

How does an appraiser know if the scope of work is adequate?

Response:

The same way appraisers know now. Appraisers will continue to use their training, experience and judgment to determine a scope of work that produces credible assignment results.

Question #6:

Who determines the scope of work?

Response:

It is the appraiser's responsibility to determine and perform the appropriate scope of work.

Question #7:

Is a scope of work specified by the client acceptable?

Response:

It is if that scope of work allows the appraiser to develop credible assignment results. If the scope of work specified by the client does not allow the development of credible assignment results, the appraiser needs to discuss changing the scope of work or withdraw from the assignment.

Question #8:

What's important to know about "credible"?

Response:

Whether or not assignment results are credible is always measured in the context of the intended use of the assignment. This means that credibility is relative, not absolute. Assignment results that are credible for one intended use may not be credible for another intended use.

Question #9:

Does the SCOPE OF WORK RULE introduce any new reporting requirements?

Response:

No. The SCOPE OF WORK RULE does emphasize that the appraiser must report the scope of work performed in the assignment, but this requirement has been in USPAP for many years.

The requirement to report the scope of work takes on greater significance because intended users rely on this disclosure to understand the research and analyses performed in the assignment, rather than relying on the simple (and potentially misleading) labels Complete Appraisal and Limited Appraisal.

Question #10:

Is a separate section in the report needed for the scope of work description?

Response:

No. USPAP does not dictate where information must be included in reports. The scope of work performed may be described in one section or throughout the report.

Question #11:

Does the report need to explain what wasn't done in an assignment?

Response:

Possibly. In addition to the disclosure of research and analyses performed, disclosure of research and analyses not performed might be needed to allow users of the report to understand your scope of work. The report must explain why the cost approach, sales comparison approach or income approach was not developed. It may also be necessary to disclose other research and analysis not performed.

Question #12:

Have the reporting labels been deleted from USPAP?

Response:

No. The report types identified in USPAP have not changed. Self-Contained Report, Summary Report and Restricted Use Appraisal Report are still the report options for real and personal property appraisals. Appraisal Report and Restricted Use Appraisal Report are still the report options for business or intangible asset appraisals.

**For further information regarding
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