



STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT AND REPORTING

In performing an appraisal review, an appraiser acting as a reviewer must develop and report a credible opinion as to the quality of another appraiser's work and must clearly disclose the scope of work performed in the assignment.¹

Comment: Appraisal review is the act or process of developing and communicating an opinion about the quality of all or part of the work of another appraiser, including an appraisal report, appraisal review report, or appraisal consulting report. The reviewer's opinion about quality must encompass the completeness, adequacy, relevance, appropriateness, and reasonableness of the work under review, developed in the context of the requirements applicable to that work.

The COMPETENCY RULE applies to the reviewer, who must correctly employ those recognized methods and techniques necessary to develop credible appraisal review opinions and also avoid material errors of commission or omission. A misleading or fraudulent appraisal review report violates the ETHICS RULE.

Appraisal review requires the reviewer to prepare a separate report or a file memorandum setting forth the scope of work and the results of the appraisal review.

The appraisal review requirements in this Standard do not apply to:

- the activity of "review" or "audit" in the context of other professions, such as accounting;
- an appraiser's study of work prepared by other types of experts, such as engineers or other consultants, or to work prepared by an appraiser in an appraisal consulting assignment under STANDARDS 4 and 5;
- review of an appraiser's work by nonappraisers, such as in "administrative reviews"; and
- the overall management for, or a quality control process of, a mass appraisal

Appraisal review is also distinctly different from the cosigning activity addressed in Standards Rules 2-3, 5-3, 6-8, 8-3, and 10-3. To avoid confusion between these activities, a reviewer performing an appraisal review must not sign the work under review unless he or she intends to accept the responsibility of a cosigner of that work.

Standards Rule 3-1 (This Standards Rule contains binding requirements from which departure is not permitted.)

In developing an appraisal review, the reviewer must:

- (a) identify the reviewer's client and intended users, the intended use of the reviewer's opinions and conclusions, and the purpose of the assignment;²**

Comment: The intended use is in the context of the client's use of the reviewer's opinions and conclusions; examples include, without limitation, quality control, audit, qualification, or confirmation. The purpose of the assignment relates to the reviewer's objective; examples include, without limitation, to evaluate compliance with relevant USPAP requirements, with a client's requirements, or with applicable regulations.

A reviewer must ascertain whether the purpose of the assignment includes the development of his or her own opinion of value about the subject property of the work under review.

If the purpose of the assignment includes the reviewer developing his or her own opinion of value about the subject property of the work under review, that opinion is an appraisal whether it:

- concurs with the opinion of value in the work under review, as of the date of value in that work or a different date of value; or
- differs from the opinion of value in the work under review, as of the date of value in that work or a different date of value.

- (b) identify the:**

- (i) subject of the appraisal review assignment,**
- (ii) date of the review,**
- (iii) property and ownership interest appraised (if any) in the work under review,**
- (iv) date of the work under review and the effective date of the opinion or conclusion in the work under review,**
and
- (v) appraiser(s) who completed the work under review, unless the identity was withheld;**

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, appraisal review, or appraisal consulting assignment.

- (c) identify the scope of work to be performed;**

Comment: A reviewer must take appropriate steps to identify the precise extent of the review process to be completed in an assignment. The reviewer must have sound reasons in support of the scope of work decision, and the resulting opinions and conclusions developed in the assignment must be credible and consistent with the intended use of the review.

In making the scope of work decision, the reviewer must identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an appraisal 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 SR 3-2(d) for extraordinary assumptions.

The appraisal review must be conducted in the context of market conditions as of the effective date of the opinion in the work being reviewed. Information available to the reviewer that could not have been available to the appraiser as of or subsequent to the date of the work being reviewed must not be used by a reviewer in the development of an opinion as to the quality of the work under review.

When the scope of work of the assignment includes a requirement for the reviewer to develop his or her own opinion of value, the following apply:

- The reviewer's scope of work in developing his or her own opinion of value 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 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 and in compliance with the applicable development Standard (STANDARD 1, 4, 6, 7, or 9) can be extended to the reviewer's value opinion development process on the basis of an extraordinary assumption by the reviewer. Those items not deemed to be credible or in compliance must be replaced with information or analysis by the reviewer, developed in conformance with STANDARD 1, 4, 6, 7, or 9, as applicable, to produce a credible value opinion.
- The reviewer may use additional information available to him or her that was not available to the original appraiser in the development of his or her value opinion; however, the reviewer must not use such information as the basis to discredit the original appraiser's opinion of value.

(d) develop an opinion as to the completeness of the material under review, given the scope of work applicable in the assignment;

Comment: The reviewer is required to develop an opinion as to the completeness of the work under review within the context of the requirements applicable to that work.

(e) develop an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data, given the scope of work applicable in the assignment;

Comment: When reviewing a mass appraisal report and considering the propriety of any adjustment to value for isolated differences in data, the reviewer must develop an opinion as to the use of the coefficients from decomposition of a statistical model.

(f) develop an opinion as to the appropriateness of the appraisal methods and techniques used, given the scope of work applicable in the assignment, and develop the reasons for any disagreement; and

(g) develop an opinion as to whether the analyses, opinions, and conclusions are appropriate and reasonable, given the scope of work applicable in the assignment, and develop the reasons for any disagreement.

Comment: When reviewing a mass appraisal report, the reviewer must develop an opinion as to the standards of accuracy and adequacy of the mass appraisal testing performed and develop the reasons for any disagreement.

Standards Rule 3-2 (This Standards Rule contains binding requirements from which departure is not permitted.)

In reporting the results of an appraisal review, the reviewer must:³

(a) state the identity of the client, by name or type, and intended users; the intended use of the assignment results; and the purpose of the assignment;

(b) state the information that must be identified in accordance with Standards Rule 3-1(b);

Comment: If the identity of the appraiser(s) in the work under review was withheld, state that fact in the review report.

(c) state the nature, extent, and detail of the review process undertaken (i.e., the scope of work) identified in accordance with Standards Rule 3-1(c) ;

Comment: When any portion of the work involves significant appraisal, appraisal review, or appraisal consulting assistance, the reviewer must state the extent of that assistance. The signing reviewer must also state the name(s) of

those providing the significant assistance in the certification, in accordance with SR 3-3.

(d) state the opinions, reasons, and conclusions required in Standards Rule 3-1(d–g), given the scope of work identified in compliance with Standards Rule 3-1(c);

Comment: When the scope of an appraisal review assignment includes the reviewer expressing his or her own opinion of value, the reviewer must:

1. state which information, analyses, opinions, and conclusions in the material under review that the reviewer accepted as credible and used in developing the reviewer's opinion of value;
2. summarize any additional information relied on and the reasoning and basis for the reviewer's opinion of value; and
3. state any assumption, extraordinary assumption, and limiting condition connected with the reviewer's opinion of value and indicate the impact on value of any extraordinary assumption.

The reviewer may include his or her own value opinion within the appraisal review report itself without preparing a separate appraisal report. However, changes to the report content by the reviewer to support a different value conclusion must match, at a minimum, the reporting requirements for a Summary Appraisal Report for a real property appraisal [SR 2-2(b)] and a personal property appraisal [SR 8-2(b)], an appraisal consulting report for real property appraisal consulting [SR 5-2], a mass appraisal report for mass appraisal [SR 6-7], and an appraisal report for business appraisal [SR 10-2(a)].

(e) include all known pertinent information; and

Comment: The reviewer must be certain that the information provided is sufficient for the client and intended users to adequately understand the rationale for the reviewer's opinion and conclusions.

(f) include a signed certification in accordance with Standards Rule 3-3.

Standards Rule 3-3 (This Standards Rule contains binding requirements from which departure is not permitted.)

Each written appraisal review report must contain a signed certification that is similar in content to the following form:

I certify that, to the best of my knowledge and belief:

- the facts and data reported by the reviewer and used in the review process are true and correct.
- the analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation is not contingent on an action or event resulting from the analyses, opinions, or conclusions in this review or from its use.
- my analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the subject property of the work under review. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the subject property of the work under review.)
- no one provided significant appraisal, appraisal review, or appraisal consulting assistance to the person signing this certification. (If there are exceptions, the name of each individual(s) providing appraisal, appraisal review, or appraisal consulting assistance must be stated.)

Comment: A signed certification is an integral part of the appraisal review report. A reviewer who signs any part of the appraisal review report, including a letter of transmittal, must also sign this cert

Any reviewer(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal review report.

When a signing reviewer(s) has relied on work done by others who do not sign the certification, the signing reviewer is responsible for the decision to rely on their work. The signing reviewer(s) is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

The names of individuals providing significant appraisal, appraisal review, or appraisal consulting assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with SR 3-2(c).

For reviews of business or intangible asset appraisal reports, the inspection portion of the above certification is not applicable.

Standards Rule 3-4 (This Standards Rule contains specific requirements from which departure is permitted. See DEPARTURE RULE.)

An oral appraisal review report must address the substantive matters set forth in Standards Rule 3-2.

Comment: Testimony of a reviewer concerning his or her appraisal review opinions and conclusions is an oral report in which the reviewer must comply with the requirements of this Standards Rule.

See the Record Keeping section of the ETHICS RULE for corresponding requirements.

¹ See Advisory Opinion [AO-6](#).

² See Statement on Appraisal Standards No. [9 \(SMT-9\)](#). See also Advisory Opinion [AO-20](#). References to the Advisory Opinions are for guidance only and do not incorporate Advisory Opinions into the Standards Rules.

³ See Statement on Appraisal Standards No. [9 \(SMT-9\)](#). See also Advisory Opinion [AO-20](#). References to the Advisory Opinions are for guidance only and do not incorporate Advisory Opinions into the Standards Rules.

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