

Credible Appraisal Report

I once observed an office of distinguished attorneys become very confused over a very simple inventory list, which lacked detail, and which bore the label at the top "Appraisal." The part of the document, which was causing so much difficulty, was a column labeled Fair Market Value. The only thing placed in the column underneath this label was a bunch of numbers with dollar signs in front -- nothing else. When asked about this document, I explained that hanging a sign around a horse with the word "tractor" on it did not make the horse a tractor, even if someone had painted the horse green. In the very same way, the inventory list that was causing so much consternation amongst the attorneys was not an appraisal just because someone had hung the word "appraisal" on it.

Black's Law Dictionary defines an appraisal as "a valuation or an estimation of value of property by disinterested persons of suitable qualifications" and "the process of ascertaining a value of an asset or liability that involves expert opinion rather than explicit market transactions." Using this as our operating definition, we can see that appraising is not an avocation. Rather, it is a recognized profession, and meets all the accepted requirements as such. Familiarity with the pertinent market, according to our definition, is not sufficient. Credible appraisals come from appraisers, who appraise in accordance with recognized standards, and who have the appropriate expertise. Capable appraisers provide reports that are consistent, understandable, logical and within the expectations of the industry and the judiciary. Appraisal reports are all about requisite uniformity, ethical observance, adherence to accepted principles, and communication. The U.S. Court of Appeals, in the court case as referenced above, explicitly states that professional expert appraisers must have appraisal training, appraisal experience and appraisal education, which comes from appraisal organizations that have strict standards, to which their members must adhere.

Writing a credible appraisal requires an appraiser to identify the appraisal problem, understand the process necessary to solve the problem, properly execute the pertinent research and analysis and prepare a report, which meets industry standards. Reports, which do not demonstrate that the appraiser fully comprehends these essentials and in which the proof of this understanding is not abundantly apparent and properly evidenced, are not credible in the eyes of the judiciary and will not pass peer review.

In 1989, The Congress of the United States, in order to codify and standardize the appraisal and the appraisal process, established The Appraisal Foundation as the source of appraisal standards and appraiser qualifications. The Appraisal Foundation first published and copyrighted, in 1987, the Uniform Standards of Professional Appraisal Practice (USPAP), which is the generally accepted and recognized standard of appraisal practice in the United States. Appraisals, which meet industry standards, are not simple, formless, unfounded "proclamations" of value. To the contrary, appraisals, which conform to USPAP, have many elements, which are compulsory and obligatory. USPAP is a means to measure an appraiser's competency and an appraisal report's compliance with recognized professional methodology, procedures and standards.

The Appraisal Standard Board, ASB, of The Appraisal Foundation annually develops, publishes, interprets, and amends the Uniform Standards of Professional Appraisal Practice on behalf of appraisers and users of appraisal services. In 2003, the ASB will publish its 12th edition of USPAP. Competent appraisal practice requires an explication of what is being appraised, why it is being appraised, and how it is being appraised. USPAP provides specific, legally accepted definitions, rules and methodology under which appraisal reports are to be prepared.

USPAP has established binding requirements from which the appraiser and the appraisal report cannot depart. Every USPAP compliant personal property appraisal report contains 17 specific elements identified in USPAP. Without these elements, the appraisal is not considered to be credible by the industry, and by the judiciary.