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## Gauging Competency in Appraisal Review

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While gauging competency in appraisal review is similar to using a limit gauge in order to determine whether a part is within prescribed limits of tolerance, it's not, of course, that simple. An appraiser's competency depends on a number of factors, ranging from experience with the equipment and its market to the intended use of the appraisal and the analytical method best used to value the equipment. This mixture of experience, knowledge, skill and training all contribute to the appraiser's ability to appropriately and thoroughly identify and understand the appraisal situation and then to provide an appraisal that meets USPAP criteria in the 5 areas of accuracy, reasonableness, relevance, adequacy and completeness, as discussed in USPAP Comments regarding Standards Rule 3-3(a).

It turns out that directly judging an appraiser's competency can be a tricky and unrewarding process as well as exposing the reviewer to charges of libel and defamation. A more pertinent and useful approach in appraisal review is to focus on reviewing the appraisal—not the appraiser.

For instance, in an appraisal review report we recently reviewed for the ASA ARM designation process, our reviewer spent several pages explaining why the appraiser who wrote the report under review was incompetent to provide the valuation on this particular type of equipment. Buried later in the report was a complete expose of the appraiser's documented misunderstanding of the equipment being appraised. By re-framing the report to focus on this information, the reviewer was able to "show not tell," leading readers to their own conclusion of incompetency. This change in focus created a clearer review report. Just as importantly, eliminating all statements charging incompetency freed the reviewer from fear of being charged with libel or defamation. Believe it or not, this is an important consideration in appraisal review practice!

An Appraisal Institute article states that defamation lawsuits targeting appraisal reviews are on the rise and suggests that "The best way to minimize the risk of a defamation claim is to stick to the assignment and simply review the appraisal." In the American Society of Appraisers Appraisal Review classes (ARM 201 & 204), we emphasize that this means reviewing the appraisal report and not the appraiser who produced it.

An appraiser's job is to present a report that clearly and competently explains a story of value. An appraisal reviewer's job is to gauge the degree to which that story is supported within prescribed USPAP limits of accuracy, reasonableness, relevance, adequacy and completeness.



## About the Author

**Jack Young, ASA—MTS/ARM, CPA** When Jack was 15 years old he went shopping for a truck. He found a pair of junked 1952 Chevy pickups and spent the summer transforming them into one functional truck. His inventiveness and persistence have been a trademark in his career as well. He went to college for agriculture and ended up with a degree in accounting. Years after his first accounting position with international firm KPMG, he was running an auction company, where he discovered the equipment appraisal industry. He quickly earned accreditation and opened his current business, NorCal Valuation. A few years ago, he earned his accreditation in Appraisal Review and Management and has since become one of the leaders in the field. Jack's CPA experience had already introduced him to the importance of appraisal review. During the S&L crisis of the late 1980s, on the day that the US congress authorized the Uniform Standards of Professional Appraisal Practice (USPAP), Jack was auditing a failed California S&L, surrounded by stacks and file cabinets full of appraisals that were nearly impossible to make sense of.

Over the years, as he continued to review loan files at financial institutions, he experienced first-hand how appraisals became more comparable and standardized under USPAP. Today USPAP is an integral part of the appraisal industry in which Jack works and serves. He is a past president of the northern California chapter of the American Society of Appraisers, serves on the ASA committee for international appraisal review and management, and appraises equipment and machinery throughout California. He also wrote and continues to teach the appraisal review and management accreditation classes currently being offered by the ASA.