

ARM E-Journal™



OFFICIAL PUBLICATION

ASA Appraisal Review &
Management Discipline

FEATURED ARTICLES

***USPAP: Requirements
for Clear, Accurate, and
Conspicuous Disclosures***

— *page 20*

***Redundancy in Appraisal
Review Reports: Say
Something Once, Why Say
it Again?***

— *page 24*

***Finding an MTS Appraiser
for Business Valuation
Assignments***

— *page 28*

***Comparing China Appraisal
Services to the Canadian
Appraisal Industry***

— *page 36*



USPAP Requirements of Appraisal Review Practice (Part 2)

— *page 12*



Redundancy in Appraisal Review Reports: Say Something Once, Why Say it Again?

By Jo Crescent, ASA, ARM

Abstract: Suggestions from a litigation client provided guidance on writing an appraisal review report that considers a judge's perspective and compensates for distracted readers.



USPAP and the Judge

For a court case before the Sacramento County United States Court of Appeal, we submitted an appraisal review report in classic CRAC format, as taught in ASA's ARM classes. Within the appraisal review report, we cited Standards Rules 3 and 4 of the Uniform Standards of Appraisal Practice (USPAP). In order to provide an overview of the analysis the appraisal review report would provide, we also cited the comment to USPAP Standards Rule 3-3 (a):

Consistent with the reviewer's scope of work, the reviewer is required to develop an opinion as to the completeness, accuracy, adequacy, relevance, and reasonableness of the analysis in the work under review.¹

The attorney sent back the appraisal review report with just a few comments, one of which was to remind us that the judge would like to be the person who determined whether the report under question was adequate and reasonable. Judges are just like that, he reminded us. They don't like to be told what the verdict is.

We shook our heads. The review report narrative clearly stated (see above) that

¹ 2020-2021 Uniform Standards of Professional Appraisal Practice, The Appraisal Foundation, p. 27. The 2020-2021 edition of USPAP is effective through December 31, 2023.

USPAP set the requirements for a credible appraisal report. But upon re-reading the report, we realized that wasn't repeated throughout. The connection with USPAP criteria rested upon one introductory statement. With the understanding that a judge may not be reading the entire report without interruption, that is clearly not the most practical narrative construction.

The Unintended User

Judges are not usually listed as intended users in an appraisal or appraisal review report. Yet, as an article in a previous issue of the ARM journal reminded us:

On a practical note, reviewers should consider that an unintended user could be the most important person reading the report and that an appraiser might want to keep that reader in mind when composing the report narrative.²

Our client remarked that although a judge's job includes reviewing all material submitted in a case, that review may be more of a skim than an intense read. The judge may also read or revisit sections independently, not always remembering the initial context, especially if glancing at parts of a report during a hearing or trial. In such situations, it isn't reasonable to expect that any reader would retain consistent comprehension. It

² Young, Jack, "Reviewing the Appraisal Scope of Work: The Problem to be Solved," ARM E-Journal, Summer 2022.

Redundancy in Appraisal Review Reports

might be easy to forget that USPAP – not the appraiser or an individual appraisal reviewer – sets the criteria for acceptability of an appraisal report.

We hoped a simple and comprehensive edit would resolve the problem.

Referencing USPAP

This particular appraisal review report had separate sections discussing four of the review criteria presented in the comment to USPAP Standards Rule 3-3 (a): completeness, adequacy, relevance, and reasonableness. To address our client's concern, we added the following phrase to introduce each section:

Credible results, according to USPAP, must include...

This would remind the judge that USPAP, not the appraisal reviewer, was determining the criteria for credible results. The report's conclusion also referenced USPAP, solidifying the connection:

According to the USPAP Scope of Work Rule,³ credible assignment results are supported by relevant evidence and logic to the degree necessary for the intended use. The document [WUR] does not meet accepted appraisal standards: it does not present relevant evidence and logic upon which to form a credible opinion. It lacks completeness, adequacy, relevance, and reasonableness.

³ USPAP, p. 14.

Conclusion

These changes satisfied the client. Although the Talking Heads may suggest one need not say something more than once,⁴ some judicious redundancy may be helpful in reminding the trier of fact that while the judge may be the final word in court, USPAP is the adjudicator of what an appraisal report should be.

Considering the client's remarks, I wondered if it were possible to research judicial reading habits, but internet searches weren't satisfactory.⁵ The lesson from this appraisal review report, though, does shed a brighter light on how appraisal reviewers might compose a more effective review report for court.

About the Author

Jo Crescent, ASA, ARM, is a partner and office manager at NorCal Valuation Inc. In addition to her ARM designation, she has taken several ASA Machinery and Equipment courses. She is content editor for the MTS journal and provided content editing for the current edition of *Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets*, published by ASA's Machinery & Technical Specialties Discipline Committee. This is her first byline in the ARM E-Journal.

⁴ Talking Heads, "Psycho Killer," Talking Heads 77, 1977.

⁵ https://www.americanbar.org/groups/judicial/publications/appellate_issues/2022/winter/reading-in-an-electronic-age-and-writing-for-electronic-readers/