

# USPAP Q&A

---

---

Vol. 8, No. 11

November 2006

*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.*

## **Appraisal Fee Paid at Close of Financing Transaction**

### **Question:**

I have a potential lending client that wants to arrange for my appraisal fees to be paid at the closing of each financing transaction. Does USPAP permit this fee arrangement?

### **Response:**

USPAP does not address the time frame for payment of fees. In the situation described there must be a clear agreement that the fee cannot depend on the closing of the financing transaction. Accepting an assignment where the appraisal fee is paid *only* upon successful closing of the transaction is a violation of the Management section of the ETHICS RULE:

*It is unethical for an appraiser to accept an assignment, or to have a compensation arrangement for an assignment, that is contingent on any of the following:*

- 1. the reporting of a predetermined result (e.g., opinion of value);*
- 2. a direction in assignment results that favors the cause of the client;*
- 3. the amount of a value opinion;*
- 4. the attainment of a stipulated result; or*
- 5. **the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.** (Bold added for emphasis)*

One way appraisers can avoid any ambiguity is by having a written agreement with the client detailing the manner in which the appraisal fee will be paid if the transaction does not close.

---

---

### **“Discounted” Appraisal Fees**

**Question:**

Is it a violation of USPAP to offer reduced appraisal fees for clients that send me a large volume of business? Could I also offer a discount for the method of payment, such as collecting the fee from the borrower at the time of inspection?

**Response:**

An appraiser may establish his or her fees based on a number of factors, including the amount of business received, business relationships, method of payment, client-specific requirements, etc. However, appraisers must ensure that they comply with the Management section of the ETHICS RULE.

### **Client Approval for Future Assignments**

**Question:**

Some of my clients include a condition in engagement correspondence that addresses future assignments for the same subject property. Specifically, my acceptance of the assignment requires that I agree to obtain client approval before I accept future assignments related to the subject from another party. Advisory Opinion 27, *Appraising the Same Property for a New Client*, states that USPAP does not require a release to accept the new assignment. Can I accept assignments where the client requires a release for future assignments related to the subject?

**Response:**

Yes. Appraisers are often subject to agreements that exceed the requirements of USPAP. These additional client requirements are permissible so long as they do not conflict with the requirements of USPAP. Although USPAP does not require obtaining approval from a prior client before accepting an assignment to appraise the same property for a new client, a client can establish such a requirement.

### **Communicating Assignment Results Without a Written Report**

**Question:**

My clients sometimes want me to communicate assignment results verbally, instead of issuing a written appraisal report. Does USPAP allow me to do this?

**Response:**

Yes. USPAP defines “report” as follows:

*any communication, written or **oral**, of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment.* (Bold added for emphasis)

Therefore, verbally communicating assignment results constitutes an oral report under USPAP. The use of an oral report must be appropriate given the intended use of the assignment results, and the report must comply with the applicable reporting requirements (i.e. Standards Rules 2-4, 3-4, 5-4, 8-4 and 10-4). The Record Keeping section of the ETHICS RULE also requires that the appraiser's workfile for an oral report include a summary of the oral report and a signed and dated certification.

*Each year the ASB compiles the monthly USPAP Q&A into a publication entitled Frequently Asked Questions, or FAQ's. In addition to compiling the new FAQ's for the year, all of the FAQ's in the publication are reviewed and updated, if necessary, to ensure they represent the most recent guidance from the Board. Frequently Asked Questions is published as an adjunct to each edition of USPAP, and has become a valuable reference for appraisers, users of appraisal services, and regulators. The Frequently Asked Questions publication can be purchased for \$20.00 by visiting the "Foundation Store" page on The Appraisal Foundation website (<https://commerce.appraisalfoundation.org>).*

**For further information regarding  
USPAP Q&A, please contact:**

**John S. Brennan**, Director of  
Research and Technical Issues

**The Appraisal Foundation**  
**1155 15<sup>th</sup> Street, NW, Suite 1111**  
**Washington, DC 20005**

**(202) 624-3044**

**(202) 347-7727 fax**