MEMORANDUM

DATE	:	**April 20, 2012**
TO	:	**Mr. James "J" R. Hambric and Dr. Etty Retno Wulandari**
FROM	:	**Mark F. Bates, MAI, CRE, FRICS**
CC	:	
SUBJECT	:	**Guidelines for Preparing Review Appraisal Reports**

GUIDELINES FOR PREPARING REVIEW APPRAISAL REPORTS

Introduction

In performing the review of an appraisal report, reporting the results of the review is just as important as the review itself. The reviewer must form an opinion as to the completeness of the appraisal report under review and report the results of the review that is logical and convincing.

The reviewer typically completes a desk review, a field review or a combination of the two. The exact process will vary depending on the scope of the assignment and the type of property (appraisal) under review.

There are common features that are found in review appraisals. It is noted that the Indonesia Assessment Standard (SPI 2007) includes a section on Appraisal Review in Section PPPI 14. We also make reference to the U.S. Uniform Standards of Professional Appraisal Practice (USPAP) 2010-11, Standards 3, Appraisal Review – Development and Reporting (Appendix). International Valuation Standards 2010 (IVS 2010) does not include and Appraisal Review Standard.

SEADI is a joint project of the U.S. Agency for International Development and the Republic of Indonesia.
Allianz Tower, Level 27. Unit D Jl. HR. Rasuna Said Superblok 2, Kawasan Kuningan Persada, Jakarta Selatan 12980, INDONESIA

Qualifications of the Reviewer

Typically a reviewer is an appraiser licensed by an appropriate authority with knowledge of the property type being reviewed and familiarity with the market in which the property is situated. In developing an appraisal review, the reviewer must be aware of, understand, and correctly employ those methods and techniques that are necessary to produce a credible appraisal review. The reviewer determines whether the property appraiser's conclusions are consistent with the data reported and with other available information. The reviewer analyzes the data assembled by the appraiser and by reasoning and judgment, forms an opinion or conclusion with respect to the reasonableness of the facts presented, analysis performed and conclusion of value.

The reviewer should be academically qualified in the appraisal techniques applied in the appraisal report. Jurisdictional licensing implies a minimum level of education consisting of broad-based valuation courses. Additionally, the reviewer should stay current on trends impacting the appraisal profession by completing continuing education covering topics related to the types of appraisals the reviewer may be asked to evaluate.

The reviewer should have the ability to read between the lines of an appraisal report and intuitively understand the logic and thought processes presented by the property appraiser. The reviewer should have the confidence to review a peer's work and provide a constructive evaluation in a fair and professional manner. The reviewer's task is to objectively evaluate the technical aspects of the appraisal and determine if the conclusion is logical and convincing.

It is unrealistic to expect someone without training as an appraiser to review an appraisal and pass judgment on an appraiser's work. It is possible for a non-appraiser to "fact check" an appraisal which is typically completed by utilizing a compliance checklist form (See Sample in Appendix). Check list items are general in nature and do not include items unfamiliar to non-appraisers. Users of appraisal services such as lenders and government agencies typically have licensed appraisers on staff to complete any required review function or subcontract appraisal review work to licensed appraisers outside the organization.

The Review Process

The primary initial responsibility of the review appraiser (reviewer) is to understand the property appraiser's scope of work to determine if the correct property interest was appraised.

The reviewer should become familiar with the scope of the assignment, the appraisal report, and the appropriate market area. Such understanding is best accomplished by reviewing the data presented and examining the description of the appraised property and comparable sales.

A personal understanding of local economics which affect the real estate market is particularly useful. The reviewer is responsible for checking mathematical calculations, the estate (property interest) being appraised, land records if available, land and building size, location maps, and construction plans if provided. The reviewer should assess the property appraiser's qualifications; identify any legal issues; and evaluate the presented data and analysis for qualitative and quantitative sufficiency. Only then can the reviewer determine if the report conforms with applicable standards and regulations.

The steps taken in the review process include:

- Reading the entire report, taking notes on items which may require further clarification. Ensure that the correct property interest is appraised; and that the interest appraised and the property description match the scope of the assignment.
- Determine if the presented facts are correct, if the assumptions are appropriate, the approaches to value are properly implemented, and the data presented is applicable to the subject property.
- Analyze and compare all facts and information available to help assess the acceptability of the appraisal and reliability of the final opinion of value.
- Determine whether the final opinion of value is reasonable and supported by the appraisal, as well as any other information available.

- The reviewer must be comfortable and competent to review the type of property being appraised.

Following the technical review of the appraisal, a report should be prepared to document his/her findings and support the reviewer's conclusion. The review appraiser should comment on the strengths and weaknesses of the appraisal report and provide any needed supplemental data and analysis.

The level and type of review should be commensurate with the scale and complexity of the property being appraised. Adhering to a standardized checklist without thoughtful commentary and discussion as part of the review does not accomplish the ultimate goal of assuring an appraisal is written in a convincing and logical manner resulting is a reliable conclusion of value.

Appraisal Review Procedures

There are generally three accepted methods for preparing a technical appraisal review: narrative report, exceptional report, and form report. The narrative review provides a detailed explanation of all aspects of the review process from describing the scope of work of the review assignment and summarizing key components of the property being appraised to itemizing comments describing the strengths and weaknesses of the property appraisal. This process summarizes the important elements of the appraisal, usually commenting on all parts of the appraisal, and records the reviewer’s analysis and conclusions.

Conversely, the exceptional review approach records only significant and exceptional findings and actions taken by the reviewer. The exceptional approach is typically used for higher-level reviews within an organization when the first-level review is a detailed narrative review report.

A form review report reduces the documentation associated with reviewing an appraisal. The form report does not abbreviate the review process. Specific forms are developed for specific institutional or agency needs. Use of a form review requires only that the reviewer summarize information about the property which was appraised, and respond to the strengths and weaknesses in the property

appraisal. There should be sufficient flexibility in the format to elaborate on items needing clarification or further explanation.

For all three types of reviews, an appraisal review checklist is helpful and often employed. Checklists help a reviewer organize the review process and ensure that no section of the property appraisal is overlooked and to further assure that the appraisal complies with the intended scope of work. Strict adherence to a checklist will usually result in the qualitative aspects of the appraisal report being overlooked and can be a distraction where box checking overwhelms the review process. The checklist should not determine the acceptability or unacceptability of the appraisal. It should be applied as a tool to help the reviewer organize the review process. Most checklists are designed to the specific criteria of the institution or agency that uses them and applied as a supplement to the overall review process.

Generally, an appraisal review should not duplicate the work that was adequately performed in the appraisal. The review report merely needs to summarize the appraisal so a third party can read the review and have an understanding of what the appraisal contains and how well it complies with the requirements under which it was prepared.

As referenced earlier, technical reviews may be a desk review, a field review, or a partial field review. Following is a description of the major characteristics associated with these types of technical reviews:

Desk Review

- made without field inspection of the appraised property or the sales data used in the analysis;
- a review checklist is often used by the reviewer as an aid to organize the review process;
- data contained within the appraisal report may or may not be confirmed;
- additional competitive market data are not usually identified by the reviewer;
- calculations in the report are checked for accuracy;

- appraisal principle applications and techniques are evaluated for their appropriateness;
- may include confirmation of compliance with a particular client's policy requirements;

Field Review

- the most significant difference between a desk review and a field review is the level of evaluation. In addition to the desk review items, a field review includes at least a property inspection of the appraised property and the sales used in the analysis;
- data contained within the appraisal report may be confirmed with independent sources; and
- additional competitive market data may be identified and analyzed by the reviewer.

Reporting Results of the Appraisal Review

There are several choices available to the reviewer in reporting the results of the review. The choices include:

- approval
- acceptance without approval
- rejection
- the reviewer steps into the role of an appraiser.

Approval

The reviewer should approve or recommend for approval the appraisal report if it is prepared to the standards under which it is written, follows current agency or organization policy, is based on the proper premises, adequately supports the value opinion, is consistent with the review appraiser's personal knowledge, and is in compliance with applicable standards. The reviewer should not approve an appraisal with speculative or unreasonable limiting conditions and assumptions.

Any significant weaknesses, differences, and discrepancies noted during the review should be resolved prior to approval.

The reviewer should not approve an inadequate report or an inadequately supported value opinion unless the reviewer can support the value with personal analysis of facts and data cited in the appraisal, or from other independently derived information. The reviewer may add vital support to the appraisal by providing supplemental information or analysis and may approve the appraisal report citing the additional data or analysis as support so long as the appraiser's value opinion is not changed. When the review appraiser does identify the need for supplemental information or analysis, the reviewer should first attempt to have the appraiser of record improve the report to an acceptable standard. Each appraisal report should be sufficiently complete and thorough to support itself.

Acceptance Without Approval

This option may be taken simply so the appraiser gets paid for his/her services without a review. This can occur when an appraisal has been completed but there is no longer a need for the appraisal, thus no compelling reason for a review.

Rejection

If after efforts have been made to get the needed support and enhancements to an appraisal under review, the report still does not meet acceptable standards and the value opinion is not adequately supported, the reviewer should disapprove the appraisal report with full documentation of the bases for rejection.

Reviewer Takes on a Role as an Appraiser

In certain situations the reviewer may provide his/her own opinion of value. This value opinion may be the same or different from that cited in the appraisal report under review. The reviewer’s opinion of value becomes a second appraisal of the property. The reviewer should develop his/her opinion of value under applicable standards.

Conclusion

Reviewing an appraisal can sometimes be as involved as writing the appraisal itself, especially if the object of the appraisal is a complex property. A reviewer

should have knowledge of the market along with training and experience related to the property type being appraised. Routinely, a reviewer is a licensed appraiser. A review appraiser will determine if the appraisal report adheres to the criteria of the organization or agency which will use the report; conforms to applicable standards, follows government regulatory requirements where applicable; and concludes with a reasonable and reliable market value estimate. The report being reviewed should provide the detail and depth of analysis that reflects the complexity of the real estate appraised and contain sufficient supporting documentation. The appraiser should employ the most appropriate valuation techniques and use the best available data. Ultimately, the appraisal report under review should be based on sound data and rational analysis leading the reviewer to a logical and convincing conclusion of value.

APPENDIX

STANDARD 3: APPRAISAL REVIEW, DEVELOPMENT AND REPORTING

In developing an appraisal review assignment, an appraiser acting as a reviewer must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible appraisal review. In reporting the results of an appraisal review assignment, an appraiser acting as a reviewer must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

Comment: STANDARD 3 is directed toward the substantive aspects of developing a credible opinion of the quality of another appraiser's work that was performed as part of an appraisal, appraisal review, or real property appraisal consulting assignment.

STANDARD 3 also addresses the content and level of information required in a report that communicates the results of an appraisal review assignment. STANDARD 3 does not dictate the form, format, or style of Appraisal Review Reports. The substantive content of a report determines its compliance.

In this Standard, the term "reviewer" is used to refer to an appraiser performing an appraisal review.

Standards Rule 3-1

In developing an appraisal review, the reviewer must:

(a) be aware of, understand, and correctly employ those methods and techniques that are necessary to produce a credible appraisal review;

Comment: Changes and developments in economics, finance, law, technology, and society can have a substantial impact on the appraisal profession. To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. Each appraiser must continuously improve his or her skills to remain proficient in appraisal review.

The reviewer must have the knowledge and experience needed to identify and perform the scope of work necessary to produce credible assignment results. Aspects of competency for an appraisal review, depending on the review assignment's scope of work, may include, without limitation, familiarity with the specific type of property or asset, market, geographic area, analytic method, and applicable laws, regulations and guidelines.

(b) not commit a substantial error of omission or commission that significantly affects an appraisal review; and

Comment: A reviewer must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

(c) not render appraisal review services in a careless or negligent manner, such as making a series of errors that, although individually might not significantly affect the results of an appraisal review, in the aggregate affects the credibility of those results.

¤The Appraisal Foundation

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal review services in a careless or negligent manner. This Standards Rule requires a reviewer to use due diligence and due care.

Standards Rule 3-2

In developing an appraisal review, the reviewer must:

(a) identify the client and other intended users;

(b) identify the intended use of the reviewer's opinions and conclusions;

Comment: A reviewer must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased. A reviewer must not advocate for a client's objectives.

The intended use refers to the use of the reviewer's opinions and conclusions by the client and other intended users; examples include, without limitation, quality control, audit, qualification, or confirmation.

(c) identify the purpose of the appraisal review, including whether the assignment includes the development of the reviewer's own opinion of value, review opinion or real property appraisal consulting conclusion related to the work under review;

Comment: The purpose of an appraisal review assignment relates to the reviewer's objective; examples include, without limitation, to determine if the results of the work under review are credible for the intended user's intended use, or to evaluate compliance with relevant USPAP requirements, client requirements, or applicable regulations.

In the review of an appraisal assignment, the reviewer may provide an opinion of value for the property that is the subject of the work under review.

In the review of an appraisal review assignment, the reviewer may provide an opinion of quality for the work that is the subject of the appraisal review assignment.

In the review of an appraisal consulting assignment, the reviewer may provide an analysis, recommendation, or opinion for the consulting problem that is the subject of the real property appraisal consulting assignment.

(d) identify the work under review and the characteristics of that work which are relevant to the intended use and purpose of the appraisal review, including:

(i) any ownership interest in the property that is the subject of the work under review;

(ii) the date of the work under review and the effective date of the opinions or conclusions in the work under review;

(iii) the appraiser(s) who completed the work under review, unless the identity is withheld by the client; and

(iv) the physical, legal, and economic characteristics of the property, properties, property type(s), or market area in the work under review.

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.

¤The Appraisal Foundation

(e) identify the effective date of the reviewer's opinions and conclusions;

(f) identify any extraordinary assumptions necessary in the review assignment;

Comment: An extraordinary assumption may be used in a review assignment only if:

- x it is required to properly develop credible opinions and conclusions;
- x the reviewer has a reasonable basis for the extraordinary assumption;
- x use of the extraordinary assumption results in a credible analysis; and
- x the reviewer complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(g) identify any hypothetical conditions necessary in the review assignment; and

Comment: A hypothetical condition may be used in a review assignment only if:

- x use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- x use of the hypothetical condition results in a credible analysis; and
- x the reviewer complies with the disclosure requirements set forth in USPAP for hypothetical conditions

(h) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.

Comment: Reviewers have broad flexibility and significant responsibility in determining the appropriate scope of work in an appraisal review assignment.

Information that should have been considered by the original appraiser can be used by the reviewer in developing an opinion as to the quality of the work under review.

Information that was not available to the original appraiser in the normal course of business may also be used by the reviewer; however, the reviewer must not use such information in the reviewer's development of an opinion as to the quality of the work under review.

Standards Rule 3-3

In developing an appraisal review, a reviewer must apply the appraisal review methods and techniques that are necessary for credible assignment results.

(a) When necessary for credible assignment results in the review of analyses, opinions, and conclusions, the reviewer must:

(i) develop an opinion as to whether the analyses are appropriate within the context of the requirements applicable to that work;

(ii) develop an opinion as to whether the opinions and conclusions are credible within the context of the requirements applicable to that work; and

(iii) develop the reasons for any disagreement.

Comment: 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, given law, regulations, or intended user requirements applicable to the work under review.

(b) When necessary for credible assignment results in the review of a report, the reviewer must:

(i) develop an opinion as to whether the report is appropriate and not misleading within the context of the requirements applicable to that work; and

(ii) develop the reasons for any disagreement.

Comment: 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 report, given law, regulations, or intended user requirements applicable to that work.

(c) When the scope of work includes the reviewer developing his or her own opinion of value, review opinion, or real property appraisal consulting conclusion, the reviewer must comply with the Standard applicable to the development of that opinion.

(i) The requirements of STANDARDS 1, 6, 7, and/or 9 apply to the reviewer's opinion of value for the property that is the subject of the appraisal review assignment.

(ii) The requirements of STANDARD 3 apply to the reviewer's opinion of quality for the work that is the subject of the appraisal review assignment.

(iii) The requirements of STANDARD 4 apply to the reviewer's analysis, recommendation, or opinion for the consulting problem that is the subject of the appraisal consulting assignment.

Comment: These requirements apply to:

- The reviewer's own opinion of value when the subject of the review is the product of an appraisal assignment;
- The reviewer's own opinion regarding the work reviewed by another when the subject of the review is the product of an appraisal review assignment; or
- The reviewer's own appraisal consulting conclusion when the subject of the review is the product of an appraisal consulting assignment.

These requirements apply whether the reviewer's own opinion:

- concurs with the opinions and conclusions in the work under review; or
- differs from the opinion and conclusions in the work under review.

When the appraisal review scope of work includes the reviewer developing his or her own opinion of value, review opinion or real property appraisal consulting conclusion, the following apply:

- The reviewer's scope of work in developing his or her own opinion of value, review opinion, or real property appraisal consulting conclusion may be different from that of the work under review.
- The effective date of the appraisal, appraisal review, or appraisal consulting opinions and conclusions may be the same or different from the effective 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 can be extended to the reviewer's development process on the basis of an extraordinary assumption. Those items not deemed to be credible must be replaced with information or analysis developed in conformance with STANDARD 1, 3, 4, 6, 7, or 9, as applicable, to produce credible assignment results.

Standards Rule 3-4

Each written or oral Appraisal Review Report must be separate from the work under review and must:

(a) clearly and accurately set forth the appraisal review in a manner that will not be misleading;

(b) contain sufficient information to enable the intended users of the appraisal review to understand the report properly; and

(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.

Comment: An Appraisal Review Report communicates the results of an appraisal review, which can have as its subject another appraiser's work in an appraisal, appraisal review, or appraisal consulting assignment.

The report content and level of information in the Appraisal Review Report is specific to the needs of the client, other intended users, the intended use, and requirements applicable to the assignment. The reporting requirements set forth in this Standard are the minimum for an Appraisal Review Report.

Standards Rule 3-5

The content of an Appraisal Review Report must be consistent with the intended use of the appraisal review and, at a minimum:

(a) state the identity of the client and any intended users, by name or type;

(b) state the intended use of the appraisal review;

(c) state the purpose of the appraisal review;

(d) state information sufficient to identify:

(i) the work under review, including any ownership interest in the property that is the subject of the work under review;

(ii) the date of the work under review;

(iii) the effective date of the opinions or conclusions in the work under review; and

(iv) the appraiser(s) who completed the work under review, unless the identity is withheld by the client.

Comment: If the identity of the appraiser(s) in the work under review is withheld by the client, that fact must be stated in the appraisal review report.

(e) state the effective date of the appraisal review;

(f) clearly and conspicuously:

- **state all extraordinary assumptions and hypothetical conditions; and**
- **state that their use might have affected the assignment results.**

(g) state the scope of work used to develop the appraisal review;

Comment: Because intended users' reliance on an appraisal review may be affected by the scope of work, the appraisal review report must enable them to be properly informed and not

misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

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 Standards Rule 3-6.

(h) state the reviewer's opinions and conclusions about the work under review, including the reasons for any disagreement;

Comment: The report must provide sufficient information to enable the client and intended users to understand the rationale for the reviewer's opinions and conclusions.

(i) when the scope of work includes the reviewer's development of an opinion of value, review opinion, or real property appraisal consulting conclusion related to the work under review, the reviewer must:

(i) state which information, analyses, opinions, and conclusions in the work under review that the reviewer accepted as credible and used in developing the reviewer's opinion and conclusions;

(ii) at a minimum, summarize any additional information relied on and the reasoning for the reviewer's opinion of value, review opinion, or real property appraisal consulting conclusion related to the work under review;

(iii) clearly and conspicuously:

- **state all extraordinary assumptions and hypothetical conditions connected with the reviewer's opinion of value, review opinion, or real property appraisal consulting conclusion related to the work under review; and**
- **state that their use might have affected the assignment results.**

Comment: The reviewer may include his or her own opinion of value, review opinion, or appraisal consulting conclusion related to the work under review within the appraisal review report itself without preparing a separate report. However, data and analyses provided by the reviewer to support a different opinion or conclusion must match, at a minimum, except for the certification requirements, the reporting requirements for a:

- Summary Appraisal Report for a real property appraisal (Standards Rule 2-2(b));
- Summary Appraisal Report for a personal property appraisal (Standards Rule 8-2(b));
- Appraisal Review Report for an appraisal review (Standards Rule 3-5);
- Appraisal Consulting Report for real property appraisal consulting (Standards Rule 5-2);
- Mass Appraisal Report for mass appraisal (Standards Rule 6-8); and
- Appraisal Report for business appraisal (Standards Rule 10-2(a)).

Standards Rule 3-6

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 statements of fact contained in this report are true and correct.**

¤The Appraisal Foundation

- **the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions 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 the work under review 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 the work under review 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 compensation for completing this assignment is not contingent upon the development or reporting of predetermined assignment results or assignment results that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal review.**
- **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 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 of the work under review.) (For reviews of a business or intangible asset appraisal assignment, the inspection portion of the certification is not applicable.)**
- **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 the certification.

Any reviewer who signs a certification accepts responsibility for all elements of the certification, for the assignment results, and for the contents of the Appraisal Review Report.

Appraisal review is distinctly different from the cosigning activity addressed in Standards Rules 2-3, 5-3, 6-9, 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 responsibility as a cosigner of that work.

When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent. The signing appraiser also must have no reason to doubt that the work of those individuals 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 Standards Rule 3-5(g).

¤The Appraisal Foundation

Standards Rule 3-7

To the extent that it is both possible and appropriate, an oral Appraisal Review Report must address the substantive matters set forth in Standards Rule 3-5.

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

COMMERCIAL REAL ESTATE APPRAISAL COMPLIANCE CHECKLIST

(For use by a non-licensed preparer)

Parties Involved	Reviewer		Client (Intended User)
Name			
Firm Name			
Phone			
Email			
Fax			
Other Intended User(s)			
Intended Use of Review	☐ Compliance	☐ Audit	☐ Other
Identification of Subject Property			
Project Name		Property Address	
City		District	Postal Code
Parcel ID		Owner Occupied or Leased	
Interest Appraised	☐ Fee Simple	☐ Leased Fee	☐ Leasehold
Brief Property Description	Sq. M. Site zoned for _____ use improved (to be improved) with a _____. The improvements do represent the highest and best use.		
Other Items Valued			
Identification of Appraiser & Type of Report			
Appraiser		Firm Name	
City		State	
Zip Code		License #	
Type of Report Format		Effective Date of Report	
Report Type Reviewed	☐ Self-Contained	☐ Summary	☐ Restricted Use

Appraiser's Reported Value & Assignment Conditions		
	$ Value	Effective Date
Market Value "As-Is"		
Hypothetical Conditions		
Extraordinary Assumptions		
Prospective Market Value "Upon Completion"		
Hypothetical Conditions		
Extraordinary Assumptions		
Prospective Market Value "Upon Stabilization"		
Hypothetical Conditions		
Extraordinary Assumptions		

Reviewer's Checklist

	Description	Yes	No	N/A	Pages	OK?
1.	Was the appraiser directly engaged by the client?					
2.	Is a copy of the engagement letter in the report?					
3.	Does the appraiser state that the report conforms to the appropriate standards?					
4.	Was the appraisal performed by an appraiser approved by the appropriate agency?					
5.	Was the report completed by an appraiser with the appropriate certification or license, i.e. † † Certified General – All property types					
6.	Does the report state that the appraiser is competent to perform the assignment, or does the Appraiser's Statement of Qualifications and Experience indicate competence?					
7.	If the appraiser stated he was not competent, does the report disclose what the appraiser did to achieve competency?					
8.	Is the appraisal report type stated, i.e., Self-Contained or Summary?					
9.	Is the report written, and does it contain sufficient analysis that allows the reviewer to understand the data, analysis and conclusions reached?					
10.	Is the definition of Market Value based on the correct definition?					
11.	Does the appraiser analyze any current Agreement of Sale, option or listing of the property being appraised, including any impact on his value estimate (not just report the data)?					
12	Does the appraiser analyze any Agreement of Sale, option or listing of the property being appraised during the last three years, including any impact on the value estimate (not just report the data)?					
13	If the property is an income producing investment property, in whole or in part, does the appraiser analyze and report data on current lease revenues, vacancies, absorption, expenses and capitalization or discount rates?					
14	Does the report analyze and report on current market conditions?					

Reviewer's Checklist

	Description	Yes	No	N/A	Pages	OK?
15.	Does the report analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units?					
16.	Does the report contain a certification in compliance with applicable standards that includes a statement the assignment was not contingent on a specific value?					
17.	Does the report contain sufficient supporting documentation to indicate reasonableness of conclusions?					
18.	Does the report contain a legal description from a conveyance document or title commitment?					
19.	Does the report include a separate breakdown of the value between the value attributable to the (a) land and improvements, (b) personal property, equipment or fixtures; (c) business enterprise value; or (d) any other tangible or intangible item of value?					
20.	If requested, does the report include a discussion of a reasonable marketing and exposure time for the subject property?					

Reviewer Comments

Signed

Note: Modeled after Appraisal Institute Commercial Appraisal Engagement and Review Seminar for Bankers and Appraisers APP – 197