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READDRESSING, REASSIGNING AND TRANSFERRING REPORTS

by Larry Disney

Real property appraiser licensees often ask “can I readdress, reassign or transfer a real property appraisal report?”

The answer, contained in the 2004 Uniform Standards of Professional Appraisal Practice (USPAP) page 225 lines 29-30, is no. “After completing and delivering a report prepared for 1) an identified client(s) or other intended users, and 2) for an identified intended use, the appraiser cannot “readdress” (transfer) the report to another party.”

Appraisers should understand that terminology such as readdress, reassign or transfer implies that a prior completed report belonging to an identified client or user will be altered, edited or delivered to someone who was not identified as the intended client or user(s) in the original assignment.

Committing the above action is a violation of USPAP because the altered report will be misleading. Why? The act of accepting the first assignment, developing a value opinion and delivering the first report created an appraiser-client relationship. Therefore, the act of simply altering the report by readdressing, reassigning, or transferring it to someone other than the original client or intended user, not identified in the first report, would violate that relationship.

Proper development of a scope of work is the most critical step a real property appraiser completes in each assignment he/she accepts. “Standards Rule 1-2(a) requires identification of the client and other intended users and 1-2(b) requires identification of the intended use of the appraiser’s opinions and conclusions.” These items serve as the drivers for the **assignment**. They are determined by the appraiser in communication and agreement with the client when the assignment is accepted. Therefore, to modify or alter these items after completing the assignment and delivering the report would be 1) a violation of the appraiser-client relationship, and 2) possibly the confidentiality section of the Ethics Rule.

Often, when the question is answered, as described above, appraisers ask “is the act permissible if my original client authorizes or grants permission for me to readdress, release or transfer the appraisal report to other parties?”

The answer is also no. Appraisers are warned that specific client requests do not allow violations of USPAP. However, USPAP does permit an appraiser to provide a duplicate (exact) copy of an original appraisal report without altering names, clients, intended users or other assignment specific information (the copy must be exactly as submitted to the original client) to anyone the original client requests. To protect the appraiser-client relationship, and satisfy confidentiality laws, the appraiser should request “any” release of assignment information in writing and place the request in the assignment work file.

Upon being told no to the above request, appraisers ask “if one cannot readdress, reassign or transfer reports what can be done, if anything, to comply with requests similar to those described?”

The answer is usually found after analyzing the identity of the person or entity requesting the service, and answering why the request is made. Most often requests for readdressing, reassignment or

transfer of reports are made of residential real property appraisers, originates from lending clients for lending use.

The following scenario, often presented in USPAP classes and asked of regulatory agencies, assumes a lending client engaged the services of a real property appraiser to develop and report an opinion of value. However, for whatever reason that lending client decided not to complete the original intended appraisal use.

The same appraiser who completed the first lending assignment is contracted, within a short period of time, by a second lender requesting that the original report be readdressed, reassigned or transferred to their name, for lending use.

Obviously, the appraiser cannot comply with the second lender request as proposed. However, there is a way to accomplish acceptance of the second client assignment request and be in compliance with USPAP.

Provided the appraiser was not given information identified as confidential in the assignment for the first lending client and provided there is no contract or agreement that the appraiser not perform assignments for anyone other than the first lending client, the appraiser can accept the second request, establish an appraiser-client relationship with the second lending client, and complete the assignment.

To avoid confusion and problems with multiple assignments of the same identified subject properties, within short time periods, it is advised that appraisers establish appraiser-client relationships by written engagement letters or contracts at the time of initiating each assignment. The engagement letter or contract should specifically describe and identify any items of confidentiality. Also, terms specific to any subsequent future appraisals of the property, for other clients and users, should be identified by the client, agreed to by the appraiser, and made a part of the engagement or contract.

Based upon some unknown reason, or belief, appraisers often consider the above action a violation of USPAP. However, in the absence of confidential information, a written contract of agreement or a supplemental standard, there is absolutely nothing contained in USPAP prohibiting an appraiser from having more than one appraiser-client relationship for the same property during the same time period.

Appraisers sometimes argue 1) the court system will have a different view than the one above, or 2) appraisers should be expected to exercise a higher business practice standard. However, until there is a court ruling, a contract, a supplemental standard, or other agreement, when enforcing USPAP the only standard regulators can recognize is the minimum binding USPAP requirement. It matters not how another appraiser or a regulator might perceive the correct answer. The only binding requirement of appraisers is to comply with the minimum USPAP requirements that are fact, not opinion.

Often appraisers believe, for whatever reason, 1) they have an appraiser-client relationship that goes beyond professional competent and ethical completion of an assignment (i.e., loan closing); 2) have a fiduciary responsibility to a specific client (i.e., protect business interest); or 3) have some other binding professional client relationship used by other professionals (i.e., legal or accounting).

Also, many appraisers believe they can not accept a second request unless 1) the first client intended use has ended; 2) the appraiser requests a release from the first client to complete the second assignment; or 3) the second assignment report contains a disclosure that the appraiser previously

appraised the subject property for another client and both that client identify and intended use be revealed in the report prepared for the second client use.

Appraisers who believe the above described activities should realize their actions could possibly be a violation of the confidentiality section of the Ethics Rule. USPAP contains nothing to suggest appraisers reveal or disclose the name of any prior client, to anyone, when performing a subsequent assignment with a different appraiser-client relationship. Conversely, the confidentiality section of the Ethics Rules does prohibit releasing results specific to a particular assignment. This includes the identity of previous clients and intended users. The value opinion developed by the appraiser is considered confidential only to each “specific” assignment. Therefore, because it is an opinion and not a fact, the appraiser may develop that opinion for multiple assignments in the absence of effective date and market condition changes. Each time the opinion is developed it becomes the confidential component of each assignment for which it was developed.

Those who believe appraisers must garner client release or permission prior to completing additional assignments, or before establishing more than one appraiser-client relationship, should review and study the following Standards Rule 2-3 certification items:

- ❖ “I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.”
- ❖ “I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.”

The assumption that an appraiser has some expanded appraiser-client relationship in a specific assignment implies a violation of the above. Frankly, the argument can be made that an appraiser who declines a second assignment request as described, insists that he/she must wait until the first client intended use has expired, or that he/she must obtain a request for release from the first client could easily be accused of having a personal interest owed to the first client. Also, it might be implied the appraiser is exhibiting a bias to protect the client’s business interests, rather than exercising the conduct of a disinterested party and advocating only his/her final value opinion.

USPAP is the best source to follow in preventing regulatory violations while permitting appraisers the flexibility to perform the valuation services required in appraisal practice. Specifically, one should read and understand the following:

- * Confidentiality and Conduct section of the Ethics Rule
- * Standards Rules 1-2(a) and 1-2(b)
- * Definitions of client, intended use, intended users and bias
- * Standards Rule 2-1(a)
- * Supplemental Standards Rule
- * Statement on Appraisal Standards 9
- * Statement on Appraisal Standards 10
- * Advisory Opinion 25
- * Advisory Opinion 26
- * Advisory Opinion 27

This article represents my interpretation of USPAP and the above references. It is imperative that anytime there is a question or concern appraisers contact the real property appraiser regulatory

agency in the licensing jurisdiction for the assignment location and request that the agencies USPAP interpretation for the above.

Appraisers should regularly review laws and regulations of the jurisdictions for which they are licensed/certified. The rules and regulations often differ from USPAP requirements, thus creating a jurisdictional exception, and the interpretations of regulatory rules and regulations differ from one jurisdiction staff and board to the next.

The Competency Rule requires appraisers be knowledgeable of the market area in which assignments are accepted; therefore, it is each appraiser's responsibility to "know" and "understand," not only USPAP requirements, but all rules and regulations for which he/she is expected to comply in performing the valuation services of appraisal practice.