

## Chapter Synopses

### Appraisal Terminology

- **Chapter 1:** The use of specific nomenclature within the field of personal property appraising is critical to presenting as well as understanding the information contained within assignment reports provided by the appraiser. Chapter 1 covers terms commonly used by appraisers including many of those important terms emphasized within the *Uniform Standards of Professional Appraisal Practice (USPAP)*. A brief introduction to each term is provided at the beginning of this work so that the reader becomes immediately familiar with the basic terms which form the foundation of what follows. Finally, the seven steps of the “Appraisal Process” are briefly analyzed (from initially defining the appraisal problem to preparing the final appraisal report). The appraisal process will be covered in greater detail in Chapter 7.

### Appraisal Principles

- **Chapter 2:** Chapter 2 introduces the student to the various types of appraisal tasks he or she is likely to encounter. The appraiser is often asked to determine value (monetary worth) such as fair market value, replacement value, or perhaps to formulate an opinion of investment value, i.e., the present worth of monies that are anticipated to be received in the future from investment property. The concept of value, the different types and definitions of value, and the importance of identifying the type and definition of value used in an appraisal are discussed. Chapter 2 also focuses on another important appraisal task—estimating costs. Specifically, terms such as replacement cost (new), replacement cost (comparable), replacement cost (new reproduction), replacement cost (new production), and replacement cost (new) less depreciation will be discussed. Though not mentioned in Chapter 3, appraisers are at times also requested to perform “appraisal reviews,” i.e., a review of another appraiser’s work product. The subject of appraisal reviews is covered in the Chapter 7 discussion of USPAP.
- **Chapter 3:** Chapter 3 focuses primarily on the all-important issue of scope of work. In basic terms, scope of work is the degree or amount of work an appraiser performs to arrive at credible assignment results. The options for the appraiser to personally inspect the property or not to inspect the property are discussed. Objectives and intended uses of appraisals are briefly explained. The chapter familiarizes the student with the concept of ownership rights and with different kinds of property including investment property, marketable non-investment property, and service property. Contraband property is also discussed. This chapter describes the three kinds of values including investment value, market value, and owner value. The student will learn the three approaches to value (sales comparison, cost, and income approaches) as they are used to determine the monetary worth of various types of personal property.
- **Chapter 4:** Chapter 4 focuses on the various “intended uses” of appraisals, i.e., the various manner in which appraisals are used by a client and other intended users. Examples are for acquiring insurance or for making a noncash charitable contribution to a local museum or for litigation purposes. In the discussion of federally-related uses, the student is introduced to IRS regulations including requirements for what constitutes a

“qualified appraiser” as well as what constitutes a “qualified appraisal.”

- **Chapter 5:** All items of personal property exhibit characteristics which render them relatively more desirable or less desirable to marketplace participants. Chapter 5 explains relevant property characteristics, value creators, and depreciation caused by obsolescence and/or physical deterioration. Chapter 5 also discusses the critical dates which are important to understand and document such as effective date of the appraisal and date of the report. The relationship of those two dates determines whether an appraisal is “current,” “retrospective,” or “prospective.” Fractional, contingent, and hypothetical appraisals are also discussed as are limiting conditions, hypothetical conditions and extraordinary assumptions. Three types of value discounts are discussed: after death discounts, fractional interest discounts and blockage discounts. Making use of photographs and other client-provided information when a personal, on-site inspection is not possible is also covered as is the related topic of online Internet appraisals.
- **Chapter 6:** Appraisers rely on several marketplace principles as well as principles relating to property itself as a basis for the appraisal process in which value opinions are developed. Chapter 6 introduces the student to such principles as most appropriate market, highest and best use, supply and demand, and the principles of substitution, qualitative ranking, marginal utility, sampling, contribution and more. The student will also learn the difference between identification and authentication, about due diligence in authenticating property, and when the appraiser is permitted to make use of the concept of readily apparent identity in lieu of a formal authentication. Appraisal report disclaimers and terms of use that limit the appraiser’s liability and stipulates limitations as to how and by whom the appraisal report can be used are also discussed.

### **Uniform Standards of Professional Appraisal Practice (USPAP)**

- **Chapter 7:** The goal of USPAP is to preserve the public’s trust in the appraisal profession. Chapter 7 is a mini-course in USPAP. It’s a course-within-a course. Through Chapter 7, the student will learn the importance of USPAP standards for performing competently and ethically when acting in the role of an appraiser. This chapter will introduce the student to the history of The Appraisal Foundation (TAF) and to the TAF’s *Uniform Standards of Professional Appraisal Practice* including USPAP’s PREAMBLE, DEFINITIONS, four RULES (ETHICS RULE, COMPETENCY RULE, SCOPE OF WORK RULE, and the JURISDICTIONAL EXCEPTION RULE), ten (10) STANDARDS, Comments, and ASB-issued Statements on Appraisal Standards (SMT). The student is also introduced to what TAF refers to as “other communications” which include Advisory Opinions (AO) and Frequently Asked Questions (FAQ). Also discussed is the individual’s responsibility to comply with USPAP when performing as an appraiser as opposed to when providing a service while performing outside the role of an appraiser (such as performing as an auctioneer or estate liquidator). The differences between Valuation Services and Appraisal Practice, the three USPAP appraisal report options, and the Appraisal Qualification Board’s (AQB) *Personal Property Appraiser Minimum Qualification Criteria* are also covered.

Though thorough, this chapter is not a substitute for taking and passing the 15-hour National USPAP Course which, by state law, is required of every real property appraiser. Though passing such a course is not required by the states of personal property

appraisers, all major professional personal property appraisal societies do require that their members take and pass the 15-hour National USPAP Course.

### **Ethical Standards of Professional Conduct**

- **Chapter 8:** In a way, Chapter 8 is an extension of the topic of ethics that, as was noted in Chapter 7, is central to USPAP. Chapter 8 provides a more general overview of the need for ethical behavior and how personal values, societal codes of ethics and USPAP combine to provide the appraiser with the guidance needed to perform in a manner that will preserve the public's trust in the profession of appraising. Chapter 8 addresses several real world appraiser obligations such as specific obligations to the client, to intended users, to colleagues and the appraisal profession as a whole, and while giving testimony. This chapter will also provide the appraiser with an understanding of additional ethics-related issues such as conflicts of interest, unconsidered opinions, ethical and unethical fee structures, and the prohibition against misrepresentation of one's appraisal qualifications or professional designations.

### **Research**

- **Chapter 9:** Chapter 9 focuses on market and value research and analysis and covers the research process as well as research resources that are typically used by the personal property appraiser. Chapter 9 demonstrates how appraisers objectively develop the bases for their opinions, analyses and conclusions. Usually opinions of value are based on an analysis of comparable properties that have been sold or are being offered for sale within the relevant marketplace. Specific value resources such as retail outlets, Internet websites, and auctions will be discussed. Product knowledge resources such as authenticators, museum curators, appraiser colleagues, experts, dealers, collectors and collector clubs, authors, restorers, trade periodical editors, etc. will also be covered. Documenting those who have provided significant personal property appraisal assistance in accordance with the requirements of USPAP is also discussed in this chapter.

### **Describing Property**

- **Chapter 10:** Chapter 10 emphasizes the important issues of property description including identifying the property or property type and describing the property's relevant value-related characteristics including quality characteristics and value-related attributes in a meaningful manner that is dependent on the intended use of the appraisal as well as on the needs of the client and other intended users. Description examples of various categories of property are provided as are tips for describing groupings, collections and accumulations of property. This chapter explains how the intended use of an appraisal and the USPAP report type option employed (Self-Contained, Summary or Restricted Use) impacts the extent and detail of information that must be contained in a report, including that involving descriptions of the subject property.

### **Writing an Appraisal Report**

- **Chapter 11:** For the novice, putting together an actual appraisal report based strictly on theory and principles and without examples is difficult, to say the least. Chapter 11 overcomes that challenge by listing the USPAP-required elements of appraisal reports and by giving examples of how those elements of information might actually be worded.

In addition to the USPAP-required elements of information, the student will also learn of several optional elements which experience has taught us would be beneficial to add to the appraisal report as well.

### **The Professional Appraiser**

- **Chapter 12:** This chapter focuses on the more basic of those issues and strategies which are unique or particularly applicable to the personal property appraisal profession including business development, preparing a curriculum vitae, professional development, office equipment, tools of the appraiser and basic appraiser techniques such as communication with the client, what to do while on site, using caution when inspecting property to avoid damage, making use of photographs in lieu of a personal inspection, delivering the assignment report, appraisal updates, the requirements for maintaining assignment workfiles and keeping other business-related records. In addition, the student will learn about issues relating to expert witness testimony including working with attorneys, preparing for trial, and tips on giving testimony either at a deposition or at trial.

### **Legal Issues Affecting the Appraiser**

- **Chapter 13:** Supplemented by reviews of relevant case laws, this chapter briefly introduces the appraiser to legal issues which impact the individual who is acting in the role of an appraiser. Issues covered relate to bailment, title, negligence and malpractice, fraud by a dealer/appraiser, and appraiser liability to third parties. Several federal Tax Court cases will also be summarized to help the reader better understand issues to which the IRS is sensitive when the appraiser is developing an opinion of fair market value such as choice of appropriate market, the definition of fair market value, and valuation discounts.