

2010-11 Equivalent 15-Hr National USPAP Course Glossary

APPRAISAL: (noun) the act or process of developing an opinion of value; an opinion of value. (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Comment: An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value). (USPAP 2010-2011 Edition, p. U-1)

APPRAISAL CONSULTING: the act or process of developing an analysis, recommendation, or opinion to solve a problem, where an opinion of value is a component of the analysis leading to the assignment results.

Comment: An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose. (USPAP 2010-2011 Edition, p. U-1)

APPRAISAL PRACTICE: valuation services performed by an individual acting as an appraiser, including but not limited to appraisal, appraisal review, or appraisal consulting.

Comment: *Appraisal practice* is provided only by appraisers, while *valuation services* are provided by a variety of professionals and others. The terms *appraisal*, *appraisal review*, and *appraisal consulting* are intentionally generic and are not mutually exclusive. For example, an opinion of value may be required as part of an appraisal review and is required as a component of the analysis in an appraisal consulting assignment. The use of other nomenclature for an appraisal, appraisal review, or appraisal consulting assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to the *Uniform Standards of Professional Appraisal Practice*. (USPAP 2010-2011 Edition, p. U-1)

APPRAISAL REVIEW: the act or process of developing and communicating an opinion about the quality of another appraiser's work that was performed as part of an appraisal, appraisal review, or appraisal consulting assignment.

Comment: The subject of an appraisal review assignment may be all or part of a report, workfile, or a combination of these. (USPAP 2010-2011, p. U-1)

APPRAISER: one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

Comment: Such expectation occurs when individuals, either by choice or by requirement placed upon them or upon the service they provide by law, regulation, or agreement with the client or intended users, represent that they comply. (USPAP 2010-2011 Edition, pp. U-1 and U-2)

APPRAISER'S PEERS: other appraisers who have expertise and competency in a similar type of assignment. (USPAP 2010-2011 Edition, p. U-2)

ASSIGNMENT: 1) An agreement between an appraiser and a client to provide a valuation service; 2) the valuation service that is provided as a consequence of such as agreement. (USPAP 2010-2011 Edition, p. U-2)

ASSIGNMENT RESULTS: an appraiser's opinions and conclusions developed specific to an assignment.

Comment: Assignment results include an appraiser's:

- opinions or conclusions developed in an appraisal assignment, such as value;
- opinions of adequacy, relevancy, or reasonableness developed in an appraisal review assignment; or
- opinions, conclusions, or recommendations developed in an appraisal consulting assignment. (USPAP 2010-2011, p. U-2)

ASSUMPTION: that which is taken to be true. (USPAP 2010-2011, p. U-2)

BIAS: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment. (USPAP 2010-2011, p. U-2)

BUSINESS ENTERPRISE: an entity pursuing an economic activity. (USPAP 2010-2011, p. U-2)

BUSINESS EQUITY: the interests, benefits, and rights inherent in the ownership of a business enterprise or a part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests, cooperatives, sole proprietorships, options, and warrants). (USPAP 2010-2011, p. U-2)

CLIENT: the party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Comment: The client identified by the appraiser in an appraisal, appraisal review, or appraisal consulting assignment (or in the assignment workfile) is the party or parties with whom the

appraiser has an appraiser-client relationship in the related assignment, and may be an individual, group, or entity. (USPAP 2010-2011, p. U-2)

CONFIDENTIAL INFORMATION: information that is either:

- identified by the client as confidential when providing it to an appraiser and that is not available from any other source; or
- classified as confidential or private by applicable law or regulation*.

*NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. As a result, the Federal Trade Commission issued a rule focused on the protection of “non-public personal information” provided by consumers to those involved in financial activities “found to be closely related to banking or usual in connection with the transaction of banking.” These activities have been deemed to include “appraising real or personal property.” (Quotations are from the Federal Trade Commission, Privacy of Consumer Financial Information; Final Rule, 16 CFR Part 313.) (USPAP 2010-2011, p. U-2)

COST: the amount required to create, produce, or obtain a property.

Comment: Cost is either a fact or an estimate of fact. (USPAP 2010-2011, p. U-2)

CREDIBLE: worthy of belief.

Comment: Credible assignment results require support, by relevant evidence and logic, to the degree necessary for the intended use. (USPAP 2010-2011, p. U-3)

EXTRAORDINARY ASSUMPTION: an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.

Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP 2010-2011, p. U-3)

FEASIBILITY ANALYSIS: a study of the cost-benefit relationship of an economic endeavor. (USPAP 2010-2011, p. U-3)

HYPOTHETICAL CONDITION: that which is contrary to what exists but is supposed for the purpose of analysis.

Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP 2010-2011, p. U-3)

INTANGIBLE PROPERTY (INTANGIBLE ASSETS): nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment. (USPAP 2010-2011, p. U-3)

INTENDED USE: the use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment. (USPAP 2010-2011, p. U-3)

INTENDED USER: the client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment. (USPAP 2010-2011, p. U-3)

JURISDICTIONAL EXCEPTION: an assignment condition established by applicable law or regulations, which precludes an appraiser from complying with a part of USPAP. (USPAP 2010-2011, p. U-3)

MARKET VALUE: a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.

Comment: Forming an opinion of market value is the purpose of many real property appraisal assignments, particularly when the client's intended use includes more than one intended user. The conditions included in market value definitions establish market perspectives for development of the opinion. These conditions may vary from definition to definition but generally fall into three categories:

1. the relationship, knowledge, and motivation of the parties (i.e., seller and buyer);
2. the terms of sale (e.g., cash, cash equivalent, or other terms); and
3. the conditions of sale (e.g., exposure in a competitive market for a reasonable time prior to sale).

Appraisers are cautioned to identify the exact definition of market value, and its authority, applicable in each appraisal completed for the purpose of market value. (USPAP 2010-2011, pp. U-3 and U-4)

MASS APPRAISAL: the process of valuing a universe of properties as of a given date using standard methodology, employing common data, and allowing for statistical testing. (USPAP 2010-2011, p. U-4)

MASS APPRAISAL MODEL: a mathematical expression of how supply and demand factors interact in a market. (USPAP 2010-2011, p. U-4)

PERSONAL PROPERTY: identifiable tangible objects that are considered by the general public as being “personal” - for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate. (USPAP 2010-2011, p. U-4)

PRICE: the amount asked, offered, or paid for a property.

Comment: Once stated, *price* is a fact, whether it is publicly disclosed or retained in private. Because of the financial capabilities, motivations, or special interests of a given buyer or seller, the price paid for a property may or may not have any relation to the *value* that might be ascribed to that property by others. (USPAP 2010-2011, p. U-4)

REAL ESTATE: an identified parcel or tract of land, including improvements, if any. (USPAP 2010-2011, p. U-4)

REAL PROPERTY: the interests, benefits, and rights inherent in the ownership of real estate.

Comment: In some jurisdictions, the terms *real estate* and *real property* have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory. (USPAP 2010-2011, p. U-4)

REPORT: 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.

Comment: Most reports are written and most clients mandate written reports. Oral report requirements (see the Record Keeping section of the ETHICS RULE) are included to cover court testimony and other oral communications of an appraisal, appraisal review, or appraisal consulting service. (USPAP 2010-2011, p. U-4)

SCOPE OF WORK: the type and extent of research and analyses in an assignment. (USPAP 2010-2011, p. U-4)

SIGNATURE: personalized evidence indicating authentication of the work performed by the appraiser and the acceptance of the responsibility for content, analyses, and the conclusions in the report. (USPAP 2010-2011, p. U-4)

VALUATION SERVICES: services pertaining to aspects of property value.

Comment: Valuation services pertain to all aspects of property value and include services performed both by appraisers and by others. (USPAP 2010-2011, p. U-4)

VALUE: the monetary relationship between properties and those who buy, sell, or use those properties.

Comment: *Value* expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified - for example, market value, liquidation value, or investment value. (USPAP 2010-2011, pp. U-4 and U-5)

WORKFILE: documentation necessary to support an appraiser's analyses, opinions, and conclusions. (USPAP 2010-2011, p. U-5)