

NEWSLETTER

Deep Dive into 2023 Top Deficiencies

Exclusion of an approach to value

No explanation or insufficient explanation for the exclusion of an approach to value.

We will dive into some examples:

Stating an approach to value was not required

It is up to the appraiser to determine the Scope of Work necessary to develop credible assignment results. Therefore, the commentary would need to be expanded upon to explain why it was not necessary.

Stating an approach to value was not developed:

2021-2022 USPAP FAQ 313, 2024 USPAP FAQ 299, Simply stating that an approach was not developed does not meet the USPAP requirement to state the reasons why it was not developed.

Stating an approach to value is not necessary for credible assignment results but no explaining why or simply stating an approach was not applicable without stating why

2021-2022 USPAP FAQ 313, 2024 USPAP FAQ 299, "Stating that an approach to value was not necessary, without providing some basis for that opinion fails to meet the requirements.



Susan Alley, AI-RRS
Founder and CEO

26%

of all reports
were deficient
in this area

We will reference any applicable FAQ's or AO's for both 2021-2022, which was the version of USPAP in effect as of the date of the reports, but also 2024 so you can refer to it if needed.

FAQ's and AO's provide good guidance.

2024 USPAP the FAQ is referencing the exclusion of the approaches to value is now FAQ 299, pg 264.

DEEP DIVE INTO 2023 TOP DEFICIENCIES

Condos with rentals or a significant number of rentals and stating the income approach was excluded due to the lack of rentals or stating most units are owner occupied. Expanded commentary is needed to be meaningful to the intended user.

Stating the income approach was not used due to the subject not being a rental property, being owner occupied, or that single family homes are not purchased income purposes

Although the commentary does explain why, if the subject is located in an area where rental properties are sufficient to develop the income approach, it may be relevant. Expanded commentary is needed to be more meaningful to the intended user.

Two additional items to remember:

1. Condo - Don't forget to explain the exclusion of the cost approach, even though it is not part of the form.

2. Consistency in addressing the approaches to value that were or were not included. It is not uncommon for the report to state:

- a. an approach to value was included when it was not or
- b. an approach to value was excluded when it was not
- c. have inconsistent commentary explaining its exclusion but then it is included
- d. not including it and addressing how it was considered in the reconciliation of the approaches to value

Find us on LinkedIn as Appraisal Aid for a extended video series on most common deficiencies.

If you haven't yet subscribed to our AMC State Regulations page, simply follow this [link](#). This resource is an invaluable tool to assist you in complying with each state's requirements.