

## GREAT REALTY ADVISORS

To the IVSC Standards Board:

Re: Agenda Consultation

September 30, 2014

While serving on the Appraisal Standards Board for the past three terms, I often appreciated specific responses over the general responses such as “please fix ...”. This correspondence is writing in this vein.

Within the stated Objective of Promoting Convergence, please address the following:

When an appraiser complies with USPAP, does the appraiser comply with the International Valuation Standards (IVS)?

While one could address items contained in USPAP such as say the Ethics Rule that are not in IVS, the following only addresses if there are any additional considerations necessary if an appraiser complies with USPAP to meet the IVS requirements.

It should be noted that the Uniform Standards of Professional Appraisal Practice (USPAP) are not only followed in the United States but in other countries as well.

-IVS requires the Scope of Work to be “confirmed in writing” “before the valuation and report are finalized”. Not required in USPAP.

-IVS has a definition of Market Value and Fair Value but does allow for alternative definitions that are not in accordance with this.

-Terms and terminology are not the same. While some are not an issue such as appraiser verses valuer, others are for example Hypothetical Conditions and Extraordinary Assumptions verses IVS’s use of Special Assumptions are problematic.

-An appraiser doing an appraisal review has a specific set of requirements spelled out in Standard 3 for Appraisal Review while IVS incorporates appraisal review in with the same set of requirements for appraisal. Depending on the appraisal review assignment, USPAP can have a different set of requirements than IVS for an appraisal review assignment.

-Under IVS Scope of Work “and the extent of any verification that shall be undertaken shall be agreed and recorded” is not prescribed in USPAP.

-Under IVS Scope of Work, confirmation of the format of the report to be provided to the client is required and this is not mentioned in USPAP.

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-Under IVS Scope of Work, “The scope of work may be prepared at the outset or during the progress of the valuation assignment but before the valuation and report are finalized.” This is not required in USPAP.

-Under IVS Scope of Work, “A scope of work shall be prepared and confirmed in writing that addresses the matters set out below.” This is not required in USPAP.

-Under IVS, “Consideration shall be given as to the relevant and appropriate valuation approaches.” USPAP requires an explanation for excluding one of the valuation approaches.

-IVS does not have any Development Standards and USPAP does (Standards 1, 7 and 9).

-Under IVS Valuation Record, “... and a copy of any draft or final report provided to the client” which differs from the USPAP recordkeeping requirement.

-Under IVS Reporting, “shall provide the intended reader with a clear understanding of the valuation provided” which differs from USPAP.

-Under IVS Reporting 5(h), In cases where verification was not undertaken, a statement should be included reflecting the fact that the valuer had no reason to doubt the credibility or reliability of the information used.” This is not required in USPAP.

-If the appraiser prepared a Restricted Appraisal Report under USPAP, an appraiser could correctly exclude the information analyzed and the reasoning that supports the analysis, opinions, and conclusions. Under IVS, “the report shall make reference to the approach or approaches adopted, the key inputs used and the principal reasons for the conclusions reached.” But then “this requirement does not apply if it has been specifically agreed and recorded in the scope of work that a valuation report shall be provided without reasons and other supporting information.” So a Restricted Appraisal Report could be acceptable under IVS without support of the opinion of value but that this would have to be recorded in the Scope of Work which is not required under USPAP.

-IVS has methodology in its standards and requirements which USPAP does not. For example in IVS, “If a forecasted cash is expressed in nominal terms, a discount rate that takes into account the expectation of future price changes should be used.”

Question 1A: In reference to whether the Standards Board of the IVSC should cover sub-asset groups, I strongly believe that this is best practice and not a standard. This is covered in a complete 300-plus page book and not quickly in several pages in Standards published by the Standards Board of the IVSC. All of the best practice must be eliminated. Have the Standards be the minimum set of requirements that an appraiser must follow and not an elongated list of useless material.

Question #10: Please add a section to the IVSC requirements for appraisers to adhere to that covers general actions (see the Ethics Rule in USPAP for examples).

Respectfully submitted,

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