

1 **UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE**

2 as promulgated by the  
3 Appraisal Standards Board of  
4 The Appraisal Foundation

5 **DEFINITIONS**

6 For the purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP), the following  
7 definitions apply:

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

11 Comment: An appraisal must be numerically expressed as a specific amount, as a range of  
12 numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or  
13 numerical benchmark (e.g., assessed value, collateral value).

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

16 Comment: An appraisal consulting assignment involves an opinion of value but does not have  
17 an appraisal or an appraisal review as its primary purpose.

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

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

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

31 Comment: The subject of an appraisal review assignment may be all or part of a report,  
32 workfile, or a combination of these.

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

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35 Comment: Such expectation occurs when individuals, either by choice or by requirement  
36 placed upon them or upon the service they provide by law, regulation, or agreement with the  
37 client or intended users, represent that they comply.<sup>1</sup>

38 **APPRAISER'S PEERS**: other appraisers who have expertise and competency in a similar type of assignment.

39 **ASSIGNMENT**: a valuation service provided as a consequence of an agreement between an appraiser and a  
40 client.

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

42 Comment: Assignment results include an appraiser's:

- 43 ▪ opinions or conclusions developed in an appraisal assignment, such as value;
- 44 ▪ opinions of adequacy, relevancy, or reasonableness developed in an appraisal review assignment;
- 45 or
- 46 ▪ opinions, conclusions, or recommendations developed in an appraisal consulting assignment.

47 **ASSUMPTION**: that which is taken to be true.

48 **BIAS**: a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an  
49 assignment.

50 **BUSINESS ENTERPRISE**: an entity pursuing an economic activity.

51 **BUSINESS EQUITY**: the interests, benefits, and rights inherent in the ownership of a business enterprise or a  
52 part thereof in any form (including, but not necessarily limited to, capital stock, partnership interests,  
53 cooperatives, sole proprietorships, options, and warrants).

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

55 Comment: The client identified by the appraiser in an appraisal, appraisal review, or appraisal  
56 consulting assignment (or in the assignment workfile) is the party or parties with whom the  
57 appraiser has an appraiser-client relationship in the related assignment, and may be an  
58 individual, group, or entity.

59 **CONFIDENTIAL INFORMATION**: information that is either:

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

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

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

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<sup>1</sup> See PREAMBLE and Advisory Opinion 21, *USPAP Compliance*.

71 Comment: *Cost* is either a fact or an estimate of fact.

72 **CREDIBLE:** worthy of belief.

73 Comment: Credible assignment results require support, by relevant evidence and logic, to the  
74 degree necessary for the intended use.

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

77 Comment: Extraordinary assumptions presume as fact otherwise uncertain information about  
78 physical, legal, or economic characteristics of the subject property; or about conditions  
79 external to the property, such as market conditions or trends; or about the integrity of data  
80 used in an analysis.

81 **FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavor.

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

84 Comment: Hypothetical conditions assume conditions contrary to known facts about physical,  
85 legal, or economic characteristics of the subject property; or about conditions external to the  
86 property, such as market conditions or trends; or about the integrity of data used in an  
87 analysis.

88 **INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** nonphysical assets, including but not limited to  
89 franchises, trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from  
90 physical assets such as facilities and equipment.

91 **INTENDED USE:** the use or uses of an appraiser's reported appraisal, appraisal review, or appraisal consulting  
92 assignment opinions and conclusions, as identified by the appraiser based on communication with the client at  
93 the time of the assignment.

94 **INTENDED USER:** the client and any other party as identified, by name or type, as users of the appraisal,  
95 appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at  
96 the time of the assignment.

97 **JURISDICTIONAL EXCEPTION:** an assignment condition that voids the force of a part or parts of USPAP,  
98 when compliance with part or parts of USPAP is contrary to law or public policy applicable to the assignment.

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

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

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

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111 *Appraisers are cautioned to identify the exact definition of market value, and its authority,*  
112 *applicable in each appraisal completed for the purpose of market value.*

113 **MASS APPRAISAL:** the process of valuing a universe of properties as of a given date using standard  
114 methodology, employing common data, and allowing for statistical testing.

115 **MASS APPRAISAL MODEL:** a mathematical expression of how supply and demand factors interact in a  
116 market.

117 **PERSONAL PROPERTY:** identifiable tangible objects that are considered by the general public as being  
118 “personal” - for example, furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and  
119 equipment; all tangible property that is not classified as real estate.

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

121 Comment: Once stated, *price* is a fact, whether it is publicly disclosed or retained in private.  
122 Because of the financial capabilities, motivations, or special interests of a given buyer or  
123 seller, the price paid for a property may or may not have any relation to the *value* that might  
124 be ascribed to that property by others.

125 **REAL ESTATE:** an identified parcel or tract of land, including improvements, if any.

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

127 Comment: In some jurisdictions, the terms *real estate* and *real property* have the same legal  
128 meaning. The separate definitions recognize the traditional distinction between the two  
129 concepts in appraisal theory.

130 **REPORT:** any communication, written or oral, of an appraisal, appraisal review, or appraisal consulting  
131 service that is transmitted to the client upon completion of an assignment

132 Comment: Most reports are written and most clients mandate written reports. Oral report  
133 requirements (see the Record Keeping section of the ETHICS RULE) are included to cover  
134 court testimony and other oral communications of an appraisal, appraisal review, or appraisal  
135 consulting service.

136 **SCOPE OF WORK:** the type and extent of research and analyses in an assignment.

137 **SIGNATURE:** personalized evidence indicating authentication of the work performed by the appraiser and the  
138 acceptance of the responsibility for content, analyses, and the conclusions in the report.

139 Comment: A signature can be represented by a handwritten mark, a digitized image controlled  
140 by a personal identification number, or other media, where the appraiser has sole personal  
141 control of affixing the signature.

142 **VALUATION SERVICES:** services pertaining to aspects of property value.

143 Comment: Valuation services pertain to all aspects of property value and include services  
144 performed both by appraisers and by others.

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

146 Comment: *Value* expresses an economic concept. As such, it is never a fact but always an  
147 opinion of the worth of a property at a given time in accordance with a specific definition of

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148 value. In appraisal practice, value must always be qualified - for example, market value,  
149 liquidation value, or investment value.

150 **WORKFILE:** documentation necessary to support an appraiser's analyses, opinions, and  
151 conclusions.

**PREAMBLE**

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152 **PREAMBLE**

153 The purpose of the *Uniform Standards of Professional Appraisal Practice* (USPAP) is to promote and maintain  
154 a high level of public trust in appraisal practice by establishing requirements for appraisers. It is essential that  
155 appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their  
156 services in a manner that is meaningful and not misleading.

157 The Appraisal Standards Board promulgates USPAP for both appraisers and users of appraisal services. The  
158 appraiser's responsibility is to protect the overall public trust and it is the importance of the role of the appraiser  
159 that places ethical obligations on those who serve in this capacity. USPAP reflects the current standards of the  
160 appraisal profession.

161 USPAP does not establish who or which assignments must comply. Neither The Appraisal Foundation nor its  
162 Appraisal Standards Board is a government entity with the power to make, judge, or enforce law. Compliance  
163 with USPAP is required when either the service or the appraiser is obligated to comply by law or regulation, or  
164 by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

165 USPAP addresses the ethical and performance obligations of appraisers through DEFINITIONS, Rules,  
166 Standards, Standards Rules, and Statements.

- 167 • The DEFINITIONS establish the application of certain terminology in USPAP.
- 168 • The ETHICS RULE sets forth the requirements for integrity, impartiality, objectivity,  
169 independent judgment, and ethical conduct.
- 170 • The COMPETENCY RULE presents pre-assignment and assignment conditions for  
171 knowledge and experience.
- 172 • The SCOPE OF WORK RULE presents obligations related to problem identification,  
173 research and analyses.
- 174 • The JURISDICTIONAL EXCEPTION RULE preserves the balance of USPAP if a  
175 portion is contrary to law or public policy of a jurisdiction.
- 176 • The ten Standards establish the requirements for appraisal, appraisal review, and appraisal  
177 consulting service and the manner in which each is communicated.
  - 178 - STANDARDS 1 and 2 establish requirements for the development and  
179 communication of a real property appraisal.
  - 180 - STANDARD 3 establishes requirements for the development and communication of  
181 an appraisal review.
  - 182 - STANDARDS 4 and 5 establish requirements for the development and  
183 communication of a real property appraisal consulting assignment.
  - 184 - STANDARD 6 establishes requirements for the development and communication of  
185 a mass appraisal.
  - 186 - STANDARDS 7 and 8 establish requirements for the development and  
187 communication of a personal property appraisal.
  - 188 - STANDARDS 9 and 10 establish requirements for the development and  
189 communication of a business or intangible asset appraisal.
- 190 • Statements on Appraisal Standards clarify, interpret, explain, or elaborate on a Rule or  
191 Standards Rule.
- 192 • Comments are an integral part of USPAP and have the same weight as the component  
193 they address. These extensions of the DEFINITIONS, Rules, and Standards Rules  
194 provide interpretation and establish the context and conditions for application.