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Reviewing the Appraisal Scope of Work: The Problem to be Solved

By Jack Young, ASA, CPA

Abstract: As all appraisers should know, the Scope of Work Rule addresses problem identification (which is necessary to determine the appropriate scope of work), the analytical procedures performed, and the relevant disclosure obligations. This article discusses how appraisal reviewers can use the scope of work and the seven elements of problem identification to determine credibility of a work under review. A similar article – discussing how the scope of work supports a compelling report – has recently been published in the ASA MTS e-journal. This article assumes a basic understanding of USPAP and is based upon USPAP standards. It does not address important differences between USPAP and IVS,² available from ASA.

² IVSC USPAP 2020 Bridge_Final.pdf, The Appraisal Foundation, updated 1/26/2021



Who, What, Where, When, and Why

Appraisers are bound to a host of technical standards. We are also called upon to communicate our analysis in a manner that is clear and understandable. In the end we are charged with preparing reports that are credible and worthy of belief: accurate and persuasive. A useful review will address both of these concerns.

For an appraisal to be understandable, the intended user needs relevant context about the appraisal problem and how that problem is to be solved. Therefore, any credible report must contain a complete and clear statement of the scope of work: *the who, the what, the where, the when, and the why² of the appraisal.*

The phrase “scope of work” appears in the USPAP manual nearly 600 times. This is a clue that scope of work is critical and relevant to the entire document. USPAP defines the scope of work as “the type and extent of research and analyses in an appraisal or appraisal review assignment.”³ If you think about that definition and look at its elements, you’ll quickly realize that discussion of the scope of work should flow throughout an entire report. Since the scope

of work is pervasive throughout, having a section labeled “scope of work” within a report is redundant. One section with a few paragraphs cannot by any means contain all the necessary information regarding the appraisal problem, the procedures performed, and the needed disclosure. At best it provides a summary of the important elements, providing the intended user a foundational understanding of the report as a whole.

The word “understand” appears in USPAP over 130 times, often in context of the intended user. This overarching principal clearly directs appraisers in communicating with the intended users (users) of their reports.

STANDARDS RULE 8-1, GENERAL REPORTING REQUIREMENTS

Each written or oral personal property appraisal report must ... contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly.

Understanding requires clear writing. A critical step towards an understandable appraisal is a complete and clear statement of *the who, the what, the where, the when, and the why* of the appraisal. Reports lacking such a statement may also lack credibility.

Is the Appraisal Problem Defined?

“If I had only one hour to save the world, I would spend fifty-

² Commonly referred to as the 5 W’s of journalism.

³ Uniform Standards of Professional Appraisal Practice (USPAP), 2020-2021 Edition, Definitions

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five minutes defining the problem, and only five minutes finding the solution.” –Albert Einstein

The importance of properly defining the appraisal problem can't be over-emphasized: it's so important that USPAP addresses it in three critical places: Scope of Work Rule, Competency Rule, and the standards relevant to the property type.

In fact, not defining the appraisal problem is such a common and prolific problem that in the ARM classes we suggest that reviewers begin their review by investigating the appraisal problem. A vague or ambiguous, imprecise presentation of the appraisal problem is a clear warning sign that the credibility of the whole report could be at risk. By failing to adequately identify the problem, a report fails those three critical thresholds of USPAP compliance. In fact, if you really want to have the credibility of your report called into question, it's hard to find an easier way than vaguely identifying the appraisal problem ... or leaving it out altogether. I recently reviewed a report prepared by an ASA/MTS appraiser that included no mention of the intended use. This became a pivotal point in the legal case, calling into question the definition of value used in the report and undermining the opinion of value.

Are all Seven Assignment Elements Addressed?

Reviewers understand that appraisers don't value things: they value property within the context of the seven elements that constitute the appraisal problem. Appraisers arrive at value conclusions based on the defined problem—an amalgamation of the seven elements.⁴

⁴ The SoW graph used is based on the 6 bullet points of USPAP's Scope of Work Rule; the two elements "client and any other intended users" share a bullet point.

Because correctly identifying the appraisal problem is critical to the scope of work, reviewers often begin by investigating the report's presentation of the appraisal problem: Is the appraisal problem complete, adequate, accurate, relevant, and reasonable given the needs of the appraiser's client? Thus, the appraisal review process typically starts by reviewing the scope of work in the work under review.


It's important that the seven elements are clearly stated and defined within any appraisal report. If any element turns out to be inaccurately represented, the credibility of the entire report is at risk; in correction, the values and the entire report might change. In a review situation, a reviewer's first task might be to verify that the report addresses each of the assignment elements. It's critical that the report precisely and efficiently defines the appraisal problem, displaying a credible understanding of the assignment elements.

When reviewing the scope of work, it might be helpful to consider how the elements of the appraisal problem correspond with the 5Ws of journalism, a handy check list of what a new article needs to be useful and complete:

- Who = client plus other intended user(s)
- What = subject, relevant characteristics, and possibly assignment conditions
- Where = location: geographical and in the appropriate market, which may include relevant characteristic and assignment conditions
- When = effective date of value
- Why = intended use and definition of value

Case Study: Wannabe Winery & Vineyard

AR 201 provides students with the Wannabe Winery & Vineyard case study



to illustrate and investigate how these assignment elements influence different appraisal scenarios. Two siblings, Pat and Jamie, are currently operating the second-generation Wannabe Winery & Vineyard. The basic appraisal assignment includes the tasting room, wine-making equipment, and farming equipment. This article will use it as an example throughout, changing the intended use—bank loan, property tax appeal, divorce, estate and gift tax, litigation support, and others—and other factors.

Understanding Elements of the Appraisal Problem

Let's take a closer look at each one of these elements—the *who*, the *what*, the *where*, the *when*, and the *why* of the appraisal problem ... and see how each element contributes to the credibility of an appraisal report.

The Why: Intended Use

From a practical standpoint, the concept of intended use is the hub around which a lot of USPAP revolves.

Why is the Report Needed?

Intended use is defined as “*the use(s) of an appraiser's reported appraisal or appraisal review assignment results, as identified by the appraiser based on communication with the client at the time of the assignment.*”⁵

Intended use is the “why” of the appraisal. Of all the seven elements, intended use may have the greatest weight in directing the credibility of the appraisal report and the conclusion of value. In fact, the USPAP definition of credible specifies that credibility requires support “to the degree necessary for the intended use.” It

⁵ USPAP 2021-21, Definitions (See USPAP AO-36)

is potentially the most dynamic area of an appraisal problem and has been the subject of many articles.⁶ A report that ignores, glosses over, or fails to precisely and efficiently define the WHY of an appraisal has already failed its intended use.

Differences in intended use can have a significant impact on other elements of the appraisal problem, including the definition of value. The reviewer must be keenly aware that an appraisal for collateral borrowing, for example, shouldn't be used for a family law situation. Appraisals for family law, property tax appeals, collateral borrowing, or estate and gift are likely to need different definitions of value and levels of reporting based on their specific intended use. An appraisal for an insurance fire loss (one intended use) that will not include an inspection will have a different scope of work than an appraisal of that same asset for a different Intended Use (i.e., lending, allocation of purchase price, and so on). Using the Wannabe Winery Case Study, AR201 focuses student discussion on how report content would change with changes in intended use.

Note that the intended use is not the same as the “purpose” of an appraisal. See the section below discussing “purpose” in the context of appraisal review.

Wannabe Winery Example

To illustrate how intended use shapes an appraisal, AR201 presents two scenarios for a Wannabe Winery appraisal:

In the first situation, Pat and Jamie have been working at the winery all their lives and are 50/50 owners. Pat is 70 years old and wants to retire and sell out to Jamie.

⁶ Sharon Desfor, ASA, “Intended Use: How Could You Get This So Wrong?” ASA ARM E-Journal, Vol 4, Issue 3

“Fee pressures can adversely impact the quality of appraisal review opinions.”

An appraisal is needed to determine the 50% value of the winery for this buy/sell situation. No others will be using the appraisal. A reviewer should feel comfortable with validating a restricted appraisal report, right?

Now let's adjust the problem. In this situation, Jamie was the general manager of the winery and in charge of finances. Pat was the general manager of the vineyard and farming operations. Two years ago, Pat sold out to Jamie with the sale proceeds to be paid to Pat over the next 10 years. They did not obtain an appraisal for the sale. Now Pat is suing Jamie claiming that Jamie intentionally understated the value of the Subject Assets. The case is going to a jury trial. While only the intended use has changed, a reviewer would now be expecting to see a completely different report.

The Why often leads to the Definition of Value

On any one day, any one item could be sold in several different markets (levels of trade) within the same geographic area leading to, in some cases, materially different selling prices. This leads to the multitude of definitions of value that we find in Valuing Machinery and Equipment⁷ and other publications such as IRS code, state code, and so on. While machinery and equipment appraisals have perhaps more possible definitions of value than any other appraisal area, reviewers of any discipline must be aware of this particular element of the scope of work problem:

...state the type and definition of value and cite the source of the definition;

Comment: Stating the definition of value

⁷ Valuing Machinery and Equipment, American Society of Appraisers, Fourth Edition, p. 233-234

also requires any comments needed to clearly indicate to the intended users how the definition is being applied.

When reporting an opinion of value, state whether the opinion is:

- *in terms of cash or of financing terms equivalent to cash; or*
- *based on non-market financing or financing with unusual conditions or incentives.*

When an opinion of value is based on non-market financing terms or financing with unusual conditions or incentives, summarize the terms of such financing and any influences on value.

When an opinion of reasonable exposure time has been developed in compliance with Standards Rule 7-2(c), the opinion must be stated in the report. [See Advisory Opinion 35, Reasonable Exposure Time in Real and Personal Property Opinions of Value.]⁸

This USPAP comment presents a lot of information, all of it aimed toward helping the intended user understand what can be a very dynamic marketplace for the Subject Assets and clearly explaining to them how the appraisal relates to that market.

What are some of the factors that the intended user might need to have explained in the report? Will the user need to understand how value is influenced by factors such as sales tax, buyer's premium, shipping, installation, start-up costs, indirect overhead costs, assemblage,⁹ and absorption in marketplace? Does the report explain why and how such things are considered in the appraisal process?

⁸ USPAP, Standards Rule 8-2 (a) (vi)

⁹ USPAP, Standards Rule 7-4 (f)

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A report lacking appropriate and complete information regarding the market for the subject assets has hoisted a red flag for the reviewer.

And of course, the appropriate definition of value needs to be included and cited. It's amazing how often reports botch the definition of value, which is *required* by USPAP. Some reports neglect to include a definition of value completely, while others might include vague definitions of value that aren't referenced and/or don't correlate to the intended use. For instance, an appraisal report submitted in a California family law case included this definition for market value (no source cited):

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently, knowledgeably, and assuming that the price is not affected by undue stimulus

The report followed with:

It is assumed that the value shown in this report is to be used to assist in a marriage dissolution. This report does not reflect market value as defined by law but does reflect research gained by an analysis of market values of like items.

In this case, the appraisal report specifically and clearly states that the relevant case law was not considered. The appraiser didn't seem to be aware, or concerned, that California case law provides a specific definition of value for family law cases. Reports that ignore case law or USPAP Standards Situations create a straightforward option for a reviewer, and your client may be in good position to subject the work under review to a Daubert or Fry challenge.

The Who (Users)

Successful authors are critically aware of *who* their audience is. Horror writer Steven King is writing to a very different audience than noted UC Berkley sociology professor Ronald Takaki. Attorney activist writer Michelle Alexander has a very different audience than adventure writer Jon Krakauer. To review effectively, the reviewer must have a practical understanding of who the appraiser's audience is and how those readers/users process and remember information.

Who is the Client?


Per assignment contracts, appraisers have certain duties and obligations to their client and therefore the client should be clearly identified early in the report. The client is defined as

the party or parties (i.e., individual, group, or entity) who engage an appraiser by employment or contract in a specific assignment, whether directly or through an agent.¹⁰

USPAP goes on to state that the appraiser must identify the client by name or type. A common error that reviewers must be alert to is the assumption that addressing the letter of transmittal to Pat Jones, VP, ABC Bank, is enough to indicate Pat Jones is the client. USPAP states that this is not enough. Somewhere early in the report, Pat Jones must be clearly identified as the client. Identifying the client is even more important when appraisers work as shared experts and have both sides of a dispute as their clients. This is not uncommon in family law, insurance loss claims, and shareholder disputes.¹¹

¹⁰ USPAP 2021-21, Definitions (See USPAP AO-36)

¹¹ When working as a shared expert, appraisers are advised to periodically investigate unconscious biases to ensure independent results, uninfluenced by either side.



For example, in the first scenario with Wannabe Winery above, Pat and Jamie may both be a client or the winery may be the client. In the second scenario it's possible that only one of the parties would be the client. Note that all clients are considered intended users and that intended users must also be identified in the report.

Reviewers must take care that all clients and intended users are clearly identified within the work under review.

Who are the other Intended Users?

An appraiser's duty to intended users that they "understand" the report. The word "understand" is in the USPAP document over 130 times and it's used almost exclusively in relation to the intended user. USPAP defines intended users as

The client¹² and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment.¹³

While readers of this article probably have an understanding of how the intended user concept works, many reports exhibit confusion in this area. It's a reviewer's responsibility to note any such confusion. In some cases, it may prove appropriate for the reviewer to request a copy of the assignment agreement in order to verify clients and intended users.

Notice that intended users can be defined by name or type. Defining the intended user as the tax preparer or even tax preparation team assigned to the XYZ estate at ABC CPA firm could be considered appropriate. However, defaulting to a law firm, CPA firm, or the

¹² Clients are always intended users

¹³ USPAP 2021-21, Definitions

IRS is imprecise and would mean that every employee in the intended user organization should be able to understand the appraisal. That is not likely to be the appraiser's—or the client's—intent.

Back to Wannabe Winery, assume Jamie's spouse, the out-spouse, has filed for divorce. When you are hired by Jamie's spouse's legal counsel, who is the intended user? Would it be appropriate to talk directly to the out-spouse and determine their level of understanding of the business operations and the related subject assets?

Another problem is specifying "and assigns" as an intended user. How can the appraiser know if the "assigned" person can understand what was written? It may be more useful to clearly state that others who read the report are NOT considered intended users as defined by USPAP.

Comment: A party receiving a copy of an Appraisal Report in order to satisfy disclosure requirements does not become an intended user of the appraisal unless the appraiser identifies such party as an intended user as part of the assignment.¹⁴

Who are the Unintended Users?

On a practical note, reviewers should consider that an unintended user could be the most important person reading the report and that an appraiser might want to keep that reader in mind when composing the report narrative. For example, in the case between Pat and Jamie, the decision maker in the litigation case—the judge or jury—will be regarding the information presented in the report. An equally important unintended user would be an auditor who is reviewing an appraisal for financial reporting or property tax appeals boards.

¹⁴ USPAP Standards Rule 8-2 (a) (ii)

A narrative that considers these unintended users—and provides the additional information they might need—can solidify the appraisal for the intended user while providing unintended users with a better understanding of the appraisal scope of work, methodology, and analysis.

The When (Effective Date)

It's shocking that the simple requirement of providing the effective date of value is often missing from an appraisal report.

A reviewer must remember not to assume that the report date (if there is one) is by default the effective date.¹⁵ It's a common misconception that's not in accordance with USPAP requirements:

*the date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value.*¹⁶

Clearly stating the effective date of an opinion of value is useful on several levels. It fixes the value in chronological space: retrospective, prospective, or current. It eliminates speculation that other dates: such as date of transaction, tax reporting date, date of separation or death (some of which may be referenced in the report) can bring to bear on value. As mentioned earlier, a common misunderstanding is that the date of value corresponds to the date of the report. In addition, stating the effective date of an opinion of value provides a timeframe of value conclusion reliability.¹⁷

¹⁵ Some intended, and unintended, users of appraisals may be confused by “effective date;” expanding it to “effective date of value” may be clearer.

¹⁶ USPAP Standards Rule 8-2 (a) (vi)

¹⁷ Regarding the effective dates, my reports state: “I make no claim regarding the increase or decrease in value of the subject property at any other date.”

Reviewers working on appraisals with retrospective dates should review Advisory Opinion 34, Retrospective and Prospective Value Opinions.

The What and the Where

A casual observer might assume that the where of the appraisal is simply the inspection site. To the contrary, reviewers understand that the where is an essential component of the what. The where is an important component of adequately identifying the subject assets. Along with the obvious what (asset type, for example, as well as any identification such as year, make, and model information for equipment; artist, medium, and provenance of fine art; location, size, condition for real property) the report should discuss where the equipment fits in the appropriate market and its geographical location as appropriate. Such identification, which should be thoroughly reviewed, might include addressing relevant characteristics of the subject assets and recognizing and acknowledging any assignment conditions, many of which are directly applicable to the assets.

Subject Description (What)

Logically, a report must discuss the subject assets of an appraisal. Depending upon the intended user(s) and intended use, that description can go from summary in nature to quite detailed. MTS appraisers are usually precise about getting detailed information about the items being valued, year, make, model, serial number, meter readings options, measurements, maintenance, conditions, records, etc., but what about the operating conditions and maintenance of that equipment? For equipment that is part of a complex process, or processes, it may be necessary to explain how each process works, how the machines interact with each other, and how product(s) flow through the process(es). Again,

this depends upon the intended users and intended use. A restricted appraisal report for the partners in Wannabe Winery may need only summary asset descriptions while a report for the same assets to be entered as evidence in a legal matter may warrant a precise description of the equipment and an in-depth discussion about how the wine-making process works, what tanks are installed inside versus outside, which ones are made by manufacturers that are out of business and if that matters. How is maintenance of vineyard equipment tracked and documented? What is the efficient level of information given the intended use and users? Clearly, appraisals of other subject assets would include pertinent discussion of their relevant characteristics.

Relevant Characteristics (Where)

Relevant characteristics of the subject is another area where the appraiser should really think through how much and what kind of information needs to be included in the report. Again, this determination is dependent upon the intended user(s) and intended use. One consideration that may be overlooked is that relevant characteristics can have a lot to do with where the assets are located. Although we often think of “where” only as geographical, it might be useful to notice “where” the subject assets are in relationship to the market for the asset itself, the markets for the output the assets produce, the state of the industry as a whole (either globally, nationally, or locally) or, in a legal, economic, or physical context. USPAP defines relevant characteristics as

features that may affect a property’s value or marketability such as legal, economic, or physical characteristics.¹⁸

What features, in short, does an appraiser consider when determining

the property’s value, and which of these will the reviewer determine should be disclosed to the intended user? The mantra that college accounting majors often hear could be relevant: “When in doubt, disclose.”

Determining which features determine property value is one reason that reviewers should be working within their own disciplines. An equipment appraiser—no matter how experienced in appraisal review—is unlikely to be competent in determining the degree to which a business valuer, a gems and jewelry or real property appraiser has adequately addressed the What and Where of the assets under review.

Wannabe Winery Example

Let’s take another look at Wannabe Winery. At the time this article is being written, the wine industry faces many challenges, especially in California. Here is a summary of some of the issues:

- Shortage of labor supply increasing expense of maintaining and harvesting vineyards and staffing wineries
- Wine grape glut significantly reducing the selling price of wine
- Trade war with China reducing wine exports
- California fires 2017, 2019, and 2020 affecting the quality of wine for those years
- Gallo / Constellation merger adding to surplus equipment on the market
- Record breaking drought increasing water scarcity
- Rapidly changing preferences in the adult beverage industry (craft whiskey, hard cider, hard seltzer, cannabis, and so on) thwarting long-term planning and projections

Could these factors affect the marketability

¹⁸ USPAP Definitions

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of the assets in a winery? Do they relate to the appraisal problem? Would it be appropriate to prominently discuss these issues in an appraisal of the subject? Can these issues be discussed efficiently without writing a term paper? If paramount to the intended user's understanding, it be appropriate to discuss these issues early in the report. Reviewers are encouraged to consider such questions in scrutinizing the work under review.

Location of Subject Assets (Where)

Geographical location may or may not be a factor in value. Again, much depends upon the assets appraised. For real property, this matters greatly. For gems and jewelry, perhaps less so. In the case of Wannabe Winery, equipment value may be much greater if located in a wine growing region where there is an active market and demand for such goods, rather than an area a thousand miles from the nearest winery. If appropriate, does the work under review discuss how the ease and convenience of relocation may have a significant impact on value compared to the same items a thousand miles away from the active market? The appraiser may need to address this and the reviewer made aware of it.

Assignment Conditions (What/Where)

USPAP defines assignment conditions as

*Assumptions, extraordinary assumptions, hypothetical conditions, laws and regulations, jurisdictional exceptions, and other conditions that affect the scope of work.*¹⁹

In general, assignment conditions are often related to the *what* of the appraisal problem. Those not directly related to *what* may be related to *where*. As a reviewer, you may become aware of how assignment conditions might correlate to other elements.

As an example of how important the disclosure of assignment conditions can be for the *what* of an appraisal scope of work, imagine you're reviewing an appraisal for Wannabe Winery. The report states the vague intended use of "insurance purposes." Towards the end, you notice a mention that the winery and many of the vines were destroyed in a wildfire and could not be inspected to determine the condition before the fire loss. At this point, do you have some questions? Would you go back through the report to determine how this condition might have influenced the analysis?

Reviewers will immediately understand that a relevant characteristic of this magnitude reveals that a lot of extraordinary assumptions are being made regarding the assets, calling into question any conclusions based on assumptions that are not clearly stated. Clearly, this information—or any other conditions that affect the scope of work—should be mentioned earlier in the report and must be clearly stated as an extraordinary assumption. Without such, this report cannot be considered credible.

The Where of Property Inspection

The next scope of work article will include discussion of the review process regarding "the extent to which the property was inspected."

¹⁹ USPAP Definitions

Confused about Purpose vs. Intended Use vs. Definition of Value?

Perhaps you've noticed that appraisers tend to combine the "purpose" of an appraisal with the "Intended Use" and "Definition of Value." I noticed this in a recent official ASA publication and contacted Barry Shea, ASA, to double check my understanding. Barry is a Real Property appraiser in New England and a former Appraisal Standards Board member. With permission, I'm including his thorough response:

This is a common question. I will start with the long answer—a short answer is at the end.

Back in the pre-USPAP olden days, appraisers identified and reported the "purpose and function" in an appraisal or appraisal review assignment. There was always some concern that in plain English those two terms were similar and could be confusing. Sometime in the early days of USPAP, the term "purpose" was replaced by "type and definition of value" (in appraisal assignments) and "function" became intended use (both appraisal and appraisal review). To further clarify, a definition of Intended Use was added to USPAP.

The intended use is what the appraiser understands to be the client's reason for getting an appraisal; i.e., it answers the question, "Why do you need an appraisal?" Once that question is answered, the appraiser can determine the appropriate type and definition of value, or in an appraisal review assignment, the purpose of the review.

Since the purpose of an appraisal is always an opinion of value, substituting type and definition of value for purpose was fairly simple. However, in an appraisal review assignment, the purpose is an opinion of the quality of another appraiser's work (although in some cases, the purpose might also include a value opinion).²⁰ The focus of the review opinion can vary greatly depending on the intended use.

The Comment to Standards Rule 3-2(c) states, in part:

Comment: The purpose of an appraisal review assignment relates to the reviewer's objective; examples include, without limitation, to determine if the results of the work under review are credible for the intended user's intended use, or to evaluate compliance with relevant USPAP requirements, client requirements, or applicable regulations.

Some appraisers seem to think it is a violation of USPAP to use the term "purpose" in relation to an appraisal assignment, but USPAP does not require appraisers to use specific terminology. If a report states, "The purpose of the appraisal is to develop an opinion of fair market value" and goes on to include the definition and cites the source of the definition, that is fine.

So, the short answer:

1. *Intended Use is the client's reason for getting an appraisal (estate planning, divorce, mortgage lending, etc.).*
2. *The purpose (which in an appraisal*

²⁰ Discussion of "purpose" as used in USPAP Standards 3 and 4 is beyond the scope of this article.

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assignment is now called the type and definition of value) is the problem that the appraiser is solving (fair market value, orderly liquidation value, etc. in an appraisal; or USPAP compliance, credibility of assignment results, review, compliance with banking regulations, etc. in an appraisal review).

For IVS appraisers, the issue gets a little more complicated because IVS does define and use “purpose,” as spelled out in section 20.19. The definition shows that the IVS “purpose” is synonymous with the USPAP “intended use”:

Purpose: The word “purpose” refers to the reason(s) a valuation is performed. Common purposes include (but are not limited to) financial reporting, tax reporting, litigation support, transaction support, and to support secured lending decisions

My personal perspective on this is that all professions—such as medicine, architecture, law, and accounting—all employ words or phrases that have precise, specialized meaning within a particular field or

profession. These terms enable us to have efficient discussions. Using these terms of art (jargon) in the relevant context matters a lot. Imagine an operating room where the medical staff used different names for the various surgical tools (scalpel vs clamp), or an architect marking building plans with their personal terminology for various building materials or an accountant interchanging the terms depreciation and amortization. Using the correct standardized terms is what enables professionals to deliver consistent and meaningful results that are comparable and usable.

Perhaps the clearest and simplest way to handle the terminology of “purpose” is to not use it for any USPAP appraisals, reserving it for USPAP reviews and any IVS reports.

About the Author

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