

**ADVISORY OPINION 3 (AO-3)**

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*This communication by the Appraisal Standards Board (ASB) does not establish new standards or interpret existing standards. Advisory Opinions are issued to illustrate the applicability of appraisal standards in specific situations and to offer advice from the ASB for the resolution of appraisal issues and problems.*

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**SUBJECT: Update of a Prior Assignment**

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**APPLICATION: Real Property, Personal Property, Intangible Property**

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**THE ISSUE:**

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Once an appraisal of a property, or an appraisal consulting assignment, has been completed, there are many cases in which a client may need a subsequent appraisal or analysis involving the same property. Examples include:

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- In the appraisal of real property, a current value is commonly required by lenders and secondary market participants when the time frame between the effective date of a prior appraisal and the closing of a loan exceeds certain limits. A current value is also required by agencies in eminent domain cases when time has elapsed between a prior appraisal and the date of taking.
- In the appraisal of business equity of privately held companies held by Employee Stock Ownership Trusts, current values are required at least annually.
- In the appraisal of personal property, it may be necessary to appraise equipment every two years for financing purposes.
- Similarly, a client may request an update of a prior appraisal consulting assignment, or a review assignment that included the reviewer’s opinion of value.

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Clients sometimes label such requests as “updates”, “reappraisals”, or “recertifications”. Does USPAP address these and how can an appraiser comply with USPAP for such assignments?

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**ADVICE FROM THE ASB ON THE ISSUE:**

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**Clarification of Nomenclature**

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Various nomenclature has been developed by clients and client groups for certain appraisal assignments, including “updates” and “recertifications”. While such terms may be convenient for use in a business setting, they do not necessarily impart the same meaning in every situation.

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The term “Update” is often used by clients when they are seeking a current appraisal of a property that was the subject of a prior assignment. This practice is addressed in this Advisory Opinion.

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The term “Recertification of Value” is often mistakenly used by some clients in lieu of the term “Update”. A Recertification of Value is performed to confirm whether or not the conditions of a prior appraisal have been met. A Recertification of Value does not change the effective date of the value opinion. If a client uses this term in an assignment request that includes an updated value opinion, then it constitutes a new appraisal assignment that must be completed as discussed in this Advisory Opinion.

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### 36 **A New Assignment**

37 Regardless of the nomenclature used, when a client seeks a more current value or analysis of a property that  
 38 was the subject of a prior assignment, this is not an *extension* of that prior assignment that was already  
 39 completed – it is simply a new assignment. An “assignment” is defined in USPAP as:

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

41 The same USPAP requirements apply when appraising or analyzing a property that was the subject of a  
 42 prior assignment. There are no restrictions on who the appraiser is in such a circumstance, who the client  
 43 is<sup>66</sup>, what length of time may have elapsed between the prior and current assignments, or whether the  
 44 characteristics of the subject property are unchanged or significantly different than in the prior assignment.

### 45 **Development Requirements**

46 For all assignments, the development of the assignment results must be in accordance with the  
 47 requirements contained in the applicable STANDARD (1, 3, 4, 6, 7, or 9). When developing an opinion  
 48 regarding a property that was the subject of a previous assignment, the scope of work in the new  
 49 assignment may be different from the scope of work in the prior one. In addition, rather than duplicating  
 50 steps in the appraisal process, the appraiser can elect to incorporate some of the analyses from the previous  
 51 assignment (those items that the appraiser concludes are credible and in compliance with the applicable  
 52 development Standard) into the new assignment through the use of an extraordinary assumption.

### 53 **Reporting Requirements**

54 For all assignments, the results must be reported in accordance with the requirements of STANDARDS 2,  
 55 3, 5, 6, 8, or 10, as applicable. The new report is not required to have the same level of detail as the  
 56 original report – i.e. a different reporting option may be used. However, the new report must contain  
 57 sufficient information to be meaningful and not misleading to the intended users. There are three ways that  
 58 the reporting requirements can be satisfied for these types of assignments:

- 59 1. Provide a new report that contains all the necessary information/analysis to satisfy the applicable  
 60 reporting requirements, *without incorporation* of the prior report by either attachment or  
 61 reference.
- 62 2. Provide a new report that *incorporates by attachment* specified information/analysis from the  
 63 prior report so that, in combination, the attached portions and the new information/analysis added  
 64 satisfies the applicable reporting requirements.
- 65 3. Provide a new report that *incorporates by reference* specified information/analysis from the prior  
 66 report so that, in combination, the referenced portions and the new information/analysis added  
 67 satisfies the applicable reporting requirements. This option can only be used if the original  
 68 appraiser’s firm and original intended users are involved, since the prior report was issued from  
 69 that appraiser to those intended users, assuring they have access to a copy. When this  
 70 incorporation by reference option is used, the following items from that prior report must be  
 71 specifically identified in the new report to avoid being misleading:
  - 72 ▪ subject property
  - 73 ▪ client and any other intended users
  - 74 ▪ intended use
  - 75 ▪ appraiser(s)

<sup>66</sup> See Advisory Opinion AO-27 on page 228. References to Advisory Opinions are for guidance and do not incorporate Advisory Opinions into the Standards Rules.

- effective date of value or assignment results 76
- date of report, and 77
- interest(s) appraised 78

When information is being extended to the report by use of an extraordinary assumption, the requirements in USPAP for use of an extraordinary assumption must be met. 79  
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**Confidentiality** 81

In all assignments the appraiser must comply with the Confidentiality section of the ETHICS RULE with respect to the handling of confidential information – i.e. if the prior appraisal, appraisal review, or appraisal consulting report included any confidential information, its disclosure in a new report to a different client or intended user might violate the ETHICS RULE. This includes the requirement to comply with “*all confidentiality and privacy laws and regulations*”. 82  
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**Record Keeping** 87

If the assignment includes use of, or reliance upon, all or part of a prior report, that report (or the portions used or relied upon) must be retained in the workfile for the new assignment, or its location must be properly referenced in the workfile. Refer to the Record Keeping section of the ETHICS RULE for more information. 88  
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*This Advisory Opinion is based on presumed conditions without investigation or verification of actual circumstances. There is no assurance that this Advisory Opinion represents the only possible solution to the problems discussed or that it applies equally to seemingly similar situations.* 92  
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Last Revised June 11, 2002 96

Not  
for  
Distribution