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USPAP AND THE WORKFILE

Do you know what is required to be in your workfile according to USPAP? What happens if a state regulator requires you to submit one of your files for auditing? Will your workfile be adequate?

The "Record Keeping Rule" in USPAP states that the workfile must include:

"All other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation."

It is not always necessary for the workfile to include copies of all the documentation used, however, did you know the documents must be retrievable by the appraiser throughout the workfile retention period? Information obtained on the internet is always changing. Internet links to what you may have relied upon and noted in your workfile may not be active links when and if you are called upon to reproduce the data.

Did you also know that whatever is "stated" in your appraisal must have support for that statement in your workfile? If you stated in your appraisal that you reviewed a deed, you must have a copy of that deed in the workfile, or a reference notation in the file to the location of the document. You should be able to retrieve a copy if requested to do so.

If you state in your appraisal that you used a paired sale analysis for your adjustments, you must have that analysis in your workfile or be able to retrieve a copy of the analysis if requested to do so.

If you state in your appraisal that you reviewed the contract of sale, have a copy of the contract in your workfile or a reference notation to the location of the contract.

Did you state that you used the allocation method to determine the land value or state in the appraisal report the method that was used to develop your cap rate? You should have the spreadsheet analysis in the file to back up these statements. Your workfile should be able to support the factual data, reasoning, and conclusions stated in your appraisal.

The "Record Keeping Rule" also states that the workfile must include:

"True copies of any written reports, documented on any type of media."

A true copy is a replica of the report that was transmitted to the client. A photocopy or digital copy of the report will also satisfy this requirement. However, did you also realize that a "true copy" includes all addenda pages as well as all signatures on the certification page?

Does your state have a requirement as to how you are supposed to report your license credential? The Massachusetts Division of Occupational Licensure has specific reporting requirements for identifying an appraisal license.

"6.02: Mandatory License Identification
(*1) Every holder of a license or certificate issued by the Board, including persons holding temporary and trainee licenses, shall place his/her certificate or license number adjacent to or immediately below the title of the license held by the individual when used in an appraisal report, a contract or other appraisal instrument, as mandated by M.G.L. c. 112, § 186. The titles to be used by licensed real estate appraisers shall be written in the following manner:*

(a) Massachusetts Certified General Real Estate Appraisal #_____or MA C.G.R.E. Appraiser #_____or MA CGREA #_____or MACG #_____;
(b) Massachusetts Certified Residential Real Estate Appraiser #_____or MA C.R.R.E. Appraiser #_____or MA CGREA #_____or MACR #_____;
(c) Massachusetts Licensed Real Estate Appraiser #_____or MA L.A.R.E. Appraiser #_____or MA SLREA #_____or MASL #_____;
(d) Massachusetts Trainee Licensed Real Estate Appraiser #_____or MA Trainee R.E. Appraiser #_____or MA TRREA #_____;
(e) Massachusetts Temporary Real Estate Appraiser, Level (CG, CR, LA), #_____or MA Temp. R.E. Appraiser, Level (CG, CR, LA), #_____ or MA TEMPCG #_____or MA TEMPCR #_____; or MA TEMPLA #_____"

Does your state have similar requirements? Massachusetts also has specific requirements regarding the protection, placement, and control of your digital signature. One of these requirements is that if you have given your permission for someone else to sign your report, this permission must be in writing, a notation must be included in the appraisal report that you did not personally sign the report, and the written authorization for this permission must be included in the workfile…does your state have similar requirements?

Remember also that the "Record Keeping Rule" in USPAP states that:

"A workfile must be in existence prior to the issuance of any report or other communication of assignment results"

Adding missing information to the file after the report is delivered to the client is a violation of the record keeping rule. Some printed documents display the date the document was printed on the bottom of the page; not a good thing to have in your workfile if the date exceeds the date the report was delivered to your client as it suggests that documentation was added to the workfile after the report was delivered. If a client asks you to purge an appraisal report within the required retention holding period, doing so is "willfully and knowingly" violating the requirements of the record keeping rule…which is also a violation of the Conduct section of the Ethics Rule in USPAP. Remember, the "Record Keeping Rule" applies to appraisal, appraisal review, or appraisal consulting assignments.

Hopefully, this will get you thinking about what is supposed to be included in your workfiles and will help to make sure all your files comply from this point forward.

About the Author

Lorrie Beaumont is owner of Westwood-based LB Appraisal Associates. She has been appraising properties since 1980 and established LB Appraisal in 1988. She completed her required course of study for licensure from the Massachusetts Board of Real Estate Appraisers, the Appraisal Institute, and the American Society of Appraisers. Ms. Beaumont is the past president of MBREA, as well as the International Past President of ASA.

Ms. Beaumont holds an Accredited Senior Appraiser (ASA) designation from ASA, a Residential Appraiser (RA) designation from MBREA and is a state-certified residential appraiser in Massachusetts. She has taught seminars for the MBREA, written numerous articles for the New England Real Estate Journal, contributed editorials as a member of the Banker and Tradesman's Advisory Board, and served as the MBREA representative on The Appraisal Foundation's Advisory Council (TAFAC).

The views and opinions expressed are those of the author and do not necessarily reflect the official policy or position of MBREA.