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Scope of Work Software and Book Review

By Doug Smith, IFAS

Most appraisers have furthered their understanding of the newest Uniform Standards of Professional Appraisal Practice (USPAP) changes, with the emphasis on Scope of Work (SOW), by taking additional continuing education that cover in detail the new obligation to understand and implement these changes.

At the same time, appraisers have become more liability-conscious due to some of the onerous conditions in the new Fannie Mae forms- introduced in 2005 and 2006. Given the press of recent business, however, most appraisers have not taken a comprehensive approach to implementing these changes, by systematically reporting the various steps of the SOW process or addressing liability issues. Instead, appraisers have taken a hodgepodge of suggestions and integrated them into reports.

Fortunately, there is a new software program that automates the process of reporting the details of SOW, while complying with Supplemental Standards, as well as addressing some important liability issues. Priced at \$99, this software represents a significant breakthrough in the overall reporting process.

A companion document by the same author, entitled "Appraising in the New Millennium" (Third Edition), is also available, at a cost of \$39.99. This 200 plus page document comprehensively details in a refreshingly new way the appraisal process with particular emphasis on USPAP's SOW Rule and the overall due diligence process that must be followed to fulfill its requirements.

This document is more than a dry appraisal treatise covering a limited phase of the appraisal process. It is, in fact, a thinking appraiser's guide to the current appraisal business environment and appraisal process universe.

Several new concepts and tools are introduced along with 30 new definitions that are critical to understanding today's appraisal process.

SOW Documenting Software

The software is called USL Appraisal Report Documenting Software. The name is an acronym taken from the topics the software addresses. The "U" represents USPAP; the "S" represents Supplemental Standards and the "L" represents Liability management.

According to author, David Braun, MAI, SRA, "It is my belief that almost every appraiser can immediately improve his/her reporting with use of the USL Documenter. This program is for both residential and commercial use."

Braun continues, "This program is designed to aid the appraiser in all aspects of documenting an appraisal Report. It will compile all of the documentation including the Limiting Conditions, Assumptions, Scope of Work, Certification, etc., or it can produce only a few items to shore up a standard Report form like the new URAR. It can produce an entire Restricted Use Report or simply supplement your forms software package or commercial template."

Background

David Braun, MAI, SRA is the author of "Appraising in the Millennium" and the USL Software. Braun has been involved in real estate appraising since 1976. He received a Bachelor of Science degree from the University of Tennessee, is an approved Appraisal Institute Instructor and is certified by the Appraisal Foundation to teach USPAP. Braun is also President and founder of Automated Valuation Technologies, Inc., a producer of appraisal seminars and software.

Braun took an early interest in the challenge of documenting SOW steps by developing a computerized SOW checklist of possible appraisal tasks. In 2002, the program was expanded from an MS Excel spreadsheet to include most USPAP compliance issues. In addition, the program includes items already addressed on most standardized forms.

The program has evolved into a system that addresses the specific requirements of an appraisal assignment with applicable phrases that could be added, deleted or modified. Outgrowing the MS Excel platform in 2005, the USL Documenter II software program was developed to run on any Windows platform. Initially both the first version of Documenter and the companion book were given away with reportedly thousands of copies distributed. When Braun developed the USL Documenter version II for sale, the book was updated to the Second Edition and offered for sale as well.

Using the USL Documenter

The Documenter II Software is delivered on a disk and is easily installed in its own directory. Overall, it serves as a comprehensive checklist that allows the user to communicate his/her decisions about the SOW and other issues pertinent to an individual report. The program comes complete with a set of well-written comments pertinent to a variety of appraisal reports.

The USL Document Wizard starts out with a basic list of options that require a

checkmark. Users can define whether they want the results in bulleted form or numbered list. The output is limited to one font but can be adjusted once the report is transferred into the appraisal document. Up to two appraisers can be included in the final summary of comments and digital signatures can be included as well.

The report can be categorized by providing a value opinion, a site value, market rent or "other" category. If the value opinion is checked, the next inquiry asks about the three approaches of value. In some cases, the program addresses not only what is done but what is not done. Verbiage is provided to explain why, for instance, an approach is not used. When highlighting the checkmark, the program offers tips and clarification of the specific item.

During the procedure of defining the decisions that have been made in the appraisal planning process, the program prompts for answers to a set of questions. The first set asks about the report classification as to whether the report will be a summary, self contained or Restricted Use report.

The next set of questions deals with the user and the supplemental standard type. The verbiage can be confined to users who are in the secondary market or use the new Fannie Mae forms. An FHA report is an option as well, as an evaluation report geared to that type of lender. The next set defines whether the end product is to be used in a Narrative report or a Standardized report.

The next screen contains basic questions including whether or not there are hypothetical conditions or extraordinary assumptions. After addressing these basic questions the main body of the report is brought up. The text may be edited and is highlighted in three different ways. The Report Wizard signals in red text that issues that need to be addressed by the user. Gray text sets out issues that may need to be addressed and black text are automatically included in the program.

Customizing

The flexibility of the program is its main feature. Each entry can be edited or written from scratch. To enter a new phrase, the user double clicks on the line in the Documenter where they want to add a comment. When the "Phrase Builder" opens, the user clicks on the "Add button." Next it asks for a key word and then it will allow you to type in the common phrase. Once the report is finished, it can be copied and pasted into the report.

Overall the program provides a comprehensive set of responses. There is little support for the verbiage required for some frequent uses such as appraisal reviews, relocation

reports and some specific concerns limited to REO properties. Comments can easily be added for specific uses, however. One other advantage of the program is that it can generate a complete stand alone Restricted Use report.

Staying Current

The big question regarding “Appraising in the New Millennium” and the USL software is how the author can stay up to date. For instance, the next version of USPAP is about to tackle Supplementary Standards. In an interview about the USL Documenter, Braun commented, “I will probably have to update the Documenter every time a new USPAP goes into effect. I don’t know how existing customers will get an upgrade- that depends on how many units are sold at that time. The more units I have sold the more I can do for customers.” Currently, there is no information available about the upgrade process.

The USL Appraisal Report Documenting Software is available on disk for \$99 and is typically received within one week of order. There is no discount for buying both products and there is no refund policy. A guide may be downloaded that the author recommends reading before purchasing.

Appraising in the New Millennium: Helpful Book

The companion book, “Appraising in the New Millennium,” emphasizes developing and communicating an opinion of the SOW. The author notes that this is only one step in the Appraisal Planning Process, which consists of diagnosing the problem, developing a solution, assesses the due diligence, forming an opinion of SOW and finally, reporting the SOW. The book proceeds logically, defining the various influences on SOW decisions, such as client input, professional standards, lawsuit prevention, intended user, intended use and others.

The author introduces the changing business environment- with special emphasis on the recent emergence of risk-base portfolio management models that allow variations in the amount of due diligence, based on perceived loan risk. He also addresses Professional Appraisal Standards and succinctly directs the reader’s attention to understanding the relevant USPAP sections on SOW. Braun also explains that USPAP has set the minimum standards of appraisal work but represents the highest standards of ethics. He writes, “No matter how little the appraiser does, he/she will have met the fundamental goal of USPAP if he/she has provided the information that contributes to the solution of the intended user’s problem.”

Lawsuit Prevention

The book also covers lawsuit prevention and presents material critical to understanding liability management- from a list of good business practices that reduce liability risk, to a

unique discussion of the relationship of efficiency to profits.

Information about Supplemental Standards, Contracts & Agreements and Client Input is also provided. In several chapters, Braun covers the due diligence necessary to the intended user as one of the forces influencing the SOW decision, the implications of varying the SOW, and introduces the logical framework in which a SOW decision is made. He also writes about the reporting requirements and communicating the SOW decision. The reader can also read a discussion about the impact of the SOW rule on the lending community.

The author points out a critical statement made by the Appraisal Standard Board (ASB) that provides guidance in today's appraisal environment. "Of all the judgments and decisions that an appraiser makes in the course of an assignment, the Scope of Work decision is by far the most critical."

Summary

Braun not only provides his readers with vital industry information but also with plenty of tools and resources. To summarize USPAP's new SOW rule, Braun offers "Five Tests for Compliance with USPAP Standard Rules." He also offers checklists and information relevant to diagnosing the problem and determining a solution. A series of tables can also be found that rate the transaction risk level in five steps- from minimal to high for differing transactions types- from a simple desktop evaluation to complex property or loan. Braun gives permission for these tables to be used and published.

The addendums at the end of the book include an outline for planning the Appraisal, a summary of 2006 USPAP and SOW, and a list of Federal Banking Regulations.

David Braun is a keen observer of the appraisal profession and has evidently followed the evolution of the SOW rule in the year to year published versions of USPAP with unusual insight. Braun has prepared a unique summary that addresses the challenges of the SOW Rule and liability management as well.

Although the author presents some very useful tables and effective examples of engagement letters, the real usefulness of this document lies in the ably presented reasoning and logic that allows the reader to adopt a mindset to more effectively meet the demands of the new appraisal business environment.

Braun notes that an effective product or service is, "One that will accomplish the task or purpose it was designed for: in appraising, this is a credible appraisal."

About the Reviewer

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Note: The USL will copy into most appraisal software programs. The appraiser should call their software provider and ask if there is a multi-page addendum that will interact with MS clipboard. MS Clipboard is used to paste the USL Document into other forms and documents.