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Guidelines for Work Product Review

Real Estate Appraiser Board
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GUIDELINES FOR WORK PRODUCT REVIEW

INTRODUCTION:

The intended purpose of these guidelines is to summarize the expectations of you as an EET Committee member with respect to work product review as part of the upgrade process. You are expected to be a seasoned appraiser familiar with the minimum expectations for USPAP compliance.

The purpose of the work product review is to determine if the applicant is qualified for the license upgrade based on minimum USPAP compliance. As part of this committee, we need to acknowledge that different appraisers have varying degrees of experience. Some appraisers practice the minimum, while other appraisers strive for best practices. The roll of the review appraiser is to grade the work product against the minimum compliance set out in USPAP. As review appraisers, and potentially more experienced peers to the applicants, additional **guidance is encouraged**, in the form of narrative comments in the review, to **aid the applicant** toward best practice; however, **grading for best practice is not what this review committee is in place for.**

The goal of this review committee is to act in a consistent, professional and ethical manner. Appraisal is not an exact science, but it is not unreasonable for upgrade applicants to expect a standardized and consistent work product review from this committee. Grading applicants against best practice, or personal bias can result in inconsistencies in the review process.

As part of this committee you are expected to be familiar with, and adhere to USPAP Standard 3 which applies to the review process. This includes USPAP provisions for work file retention, confidentiality and ethics.

REVIEWING THE REPORT:

Although each review appraiser may have a different process for reviewing work product, it is expected that the reviewer read the entire report. Generally an acceptable appraisal report is accomplishing these three goals: Adequately describe the property; Clearly reveal the appraisal valuation process; Support the conclusion in a reasonable and logical manner.

The reviewer should understand that the applicant may approach describing the subject property differently than the review appraiser would, but the goal is to assess if the applicant's method is "adequate" for credible results while meeting USPAP guidelines. If the applicant is deficient in one aspect of this area, it may not necessarily warrant a failing grade on the entire review. Supplemental comments aside from the REA-15 form may significantly aide the applicant to further expand and develop this area of their report.

THEORY AND PRACTICE:

The applicant and reviewer are expected to understand and correctly employ the recognized methods and techniques necessary to produce credible results. Inherent in this process is adequate and reliable data collection and verification. The reviewer is not expected to verify every salient fact of the subject property; however, a reasonable effort should be made to verify consistency of the factual data; (i.e.; sale dates and prices). The reviewer is expected to utilize the same data sources to grade the factual data as the applicant has used. For example, the applicant may not subscribe to a little used private data base that the review appraiser has access to. Credible results can be obtained without the use of some private data sources. The applicant should not be harshly graded when a private data source may provide more detailed data on a property that the review appraiser has access to, while the applicant may not. The applicant is expected to utilize the appropriate data sources available in the respective market area. The applicant (on a residential assignment) is not required to be a member of the local MLS (although it would be a wise decision); however, the applicant should be able to produce a work file showing adequate MLS data was obtained and verified to complete the assignment. The report under review should lead the reader of the report to believe that the appraiser has the knowledge, experience and competency to perform the assignment under review. The use of little known or used sources of data, although may be very useful to appraisers, is not basis for harshly grading the applicant.

This is an area where minimum USPAP compliance, and “best practice” conflict. As a reviewer, you are expected to grade on minimum compliance. If you disagree with this practice, you should not participate in work product reviews.

REVIEW CRITERIA:

Peer reviewers are expected to be impartial. Should a conflict of interest arise, the reviewer is expected to recuse themselves from completing the review assignment. Examples include: relative, business associate, personal friend, a person you dislike, etc. The reviewer’s communication with this committee’s members, Board members, and administrative staff is expected to be conducted in a professional manner. These dealings are expected to be handled in a courteous and timely manner. This committee relies on a certain level on volunteerism. Applicants are also paying a fee for their reports to be graded. If you are not able to provide reasonable and professional service to this committee, you should not participate in work product reviews.

GRADING THE REPORT:

The REA-15 form is a great tool to use to grade USPAP compliance. As the reviewer, you will encounter areas of the report that you may not personally agree with. Or you may have chosen different language to describe a certain portion of the report. Remember to remain unbiased and grade for minimum compliance. If there is an area where you believe the applicant could improve their skills in a particular area, supplemental comments are always appreciated by the applicant.

When grading the report, if there is an area that you as the reviewer feels is deficient and warrants a “noncompliance” rating or a “no” checkmark on the REA-15 form, an explanation of why the noncompliance rating has been chosen should be provided. Often times the applicant may not understand why the reviewer believes certain areas of the report were not acceptable. As a part of this committee, it is your role to professionally communicate in the review report why the appraisal or a certain part of the appraisal was considered deficient. This allows the applicant to learn and improve their skills. And that is what we all want, all our competition to be equally educated, experienced and competent.

Although the applicant is expected to be geographically competent to complete the assignment, the reviewer however, is not expected to be geographically familiar with the area of the report under review. A USPAP compliant review can be performed without being geographically familiar with the area. The reviewer should be able to effectively verify the information contained in the appraisal report and work file submitted by the applicant. For example, a review appraiser in Lawton can easily call the city of Tulsa to verify the zoning reported in the applicants report. If the appraisal being reviewed appears to be technically well built, and the review appraiser is unsure about certain comments made about the market area, the reviewer is able to consult with other members of the committee/Board to substantiate the comments made by the applicant. One review appraiser who exclusively works the metropolitan area only may not be familiar with buyer’s motives in rural markets. If the applicant has explained the rural market area and the explanations and adjustments appear to be consistent and reasonable, the review appraiser is expected to have a reasonable assumption that the applicant has the knowledge and experience to complete that assignment.

Should the review appraiser find inconsistencies of factual data in the report, or uncover a condition that would have a significant impact on the results of the appraisal under review, the reviewer is expected to grade the report accordingly and make necessary supplemental comments for the staff, committee/Board members, and the applicant to understand why noncompliance has been uncovered.

The reviewer should keep in mind that errors in the report may not necessarily warrant the failure of the review. An accumulation of errors, fraud, or significant noncompliance may warrant failure. The review appraiser should keep in mind that the applicant is a human (just like the rest of us) and capable of making mistakes. USPAP does not require a perfect report, and likewise, neither should this committee. Although perfection is a best practice, and something to admire, this committee is grading for minimum USPAP compliance.

The reviewer should be aware that often times there is not one right or wrong way to prepare an appraisal report. The report is expected to be written in a clear manner which provides the intended user of the report an understanding of the appraisal problem, as well as, the analysis and logic leading to the opinions reported. Often times, there are many acceptable ways to derive credible results. The appraisal report should support the final opinions. Although the review appraiser may personally have

made some changes to the report, the applicant is not expected to communicate the report exactly the same as the reviewer would have.

Canned or boiler plate comments are commonly seen in reports. The review appraiser should focus on the accuracy of those comments. Work product review may contain canned comments throughout the applicant's reports which may be generic regional data. The review appraiser should consider if those comments accurately reflect the subject property. For example, the neighborhood description of an urban or suburban area should not be the same as for a rural area. The applicant is expected to know how to describe the subject's neighborhood using specific and relevant information.

RECONCILIATION:

The applicant is expected to understand how to explain through the reconciliation. If the cost approach has not been performed, the applicant is expected to give a reasonable explanation. Simply noting in the report that the cost approach was not developed is not an explanation. If the subject property is a newer improvement, the applicant should consider developing a cost approach. If the subject of the assignment is one that the review appraiser would normally develop a cost approach on, and the appraisal under review did not include the cost approach with a reasonable explanation, it may not be grounds for noncompliance. The reviewer may disagree and choose to give the applicant advice on a supplemental page of the review. However, if the improvements represent new construction and the applicant has not discussed the lack of a cost approach, the grade in the review should reflect this noncompliance. Similar with a residential income property, if the property is tenant occupied and the income approach is not developed and no reasonable explanation is given, the applicant should be notified of the noncompliance.

The applicant is expected to demonstrate competency in the approaches to value that have been performed. The Board members have decided that the applicant is not necessarily required to show competency in each approach to value. The Board feels that the state test the applicant is required to pass will show sufficient knowledge should the work product provided lack an income approach.

The applicant is expected to demonstrate competency in the reconciliation section. The applicant should be weighing out the quality and quantity of the data available as well as reasonableness and validity of the indicated values. There should be sufficient explanation for the reader to understand how the final value estimates or other opinions have been derived. For example: in a residential appraisal the comparable sales may indicate a value range from \$100,000 - \$110,000. If the value derived in the sales comparison is \$105,000, the applicant is expected to explain how the final value estimate within that range was derived. When multiple indications of value have been derived from the other lines of value, the applicant is expected to weight the credibility of those results. In a residential report primary weight is generally given to the sales comparison; however, there are instances when the work product may indicate otherwise. The applicant is expected to verbally support the method used to reconcile the values.

As the reviewer we should understand that the appraiser has personal knowledge of the subject property that the reader of the report may not have. There may be characteristics of the property that may not be well bracketed by the comparable sales. Although bracketing is preferred, credible results can be obtained without bracketing. The applicant may lean to the higher side of the value range where there is little support on the sales grid for the high value, but the applicant is able to communicate characteristics that lead to a greater support given to the high value.

GENERAL REVISITED:

The REA-15 offers this section of the review form for the review appraiser to step back and view the report in its entirety. Overall, has the appraisal been conveyed appropriately? Does the appraiser understand the process? Is there sufficient information in the report? Was the factual data consistent throughout the report?

This area is for the reviewer to grade the overall report. There may be specific area(s) of the report that were weak, or that were exceptional. Maybe there was an issue in the report that does not fit within another section of the review form. This is for the reviewer to revisit the report and consider all factors of the review.

GRADING:

As the reviewer, you are expected to understand the criteria for grading. There is a reference guide available for download from the OREAB website. The appraisal report is graded in 4 areas: Practices and Procedures; logic and reasoning; comparables; adjustments. When grading these areas of the report, the reviewer should analyze the report and assign the appropriate grade. Keep in mind a score of 1 or 2 in any area are not acceptable for upgrade. The reviewer should scrutinize their scoring in this area and remember that scoring is for a minimally acceptable report. If you are not familiar with the scoring system, take the necessary steps to download the scorecard and become familiar with it.

The grading system allows for a mediocre report to pass the review. As the reviewer, make sure you are giving that applicant an unbiased grade and remember that it is not best practice. If you feel the report is minimally acceptable and the applicant could use some constructive feedback, please include that on a separate addendum. Your words won't take long to put on paper, and may really go a long way for the applicant to help to improve their skills moving forward. Not all appraisers have a support system and your roll as the peer reviewer can really help to show the importance of affiliating with other groups of appraisers which can continue to develop their skills.

APPLICANT SECTION:

If you are the applicant, or preparing for the upgrade process this section is for you. This work product review committee is in place to serve you and the public's trust in licensed appraisers. Great care should be given when preparing to upgrade. This is a time consuming process. The more prepared you

are in advance, the more likely the process will go smoothly. Well before sending your upgrade packet for approval, you should take the time to make yourself as knowledgeable about this process as possible. Your work product will be graded against the REA-15 form which is available for download off the OREAB website. The scoring system is also available on the website. If you are not sure what the system is for grading and scoring, it would be very beneficial for you to become familiar with these documents. After reviewing the REA-15 form and score card, if you are not confident that your report can pass the peer review, you should seek some consultation with a peer. As the writer of your appraisal reports, you may feel satisfied that the report complies with USPAP; however, It's a good idea for one of your peers whom you view as equally or more experienced than yourself to look over your report against the REA-15 form and score card. Be open to feedback and possibly criticism. This is how you get better. It is the goal of the appraisal Board to see applicants successfully navigate this upgrade process. The better equipped you are, the better chances you have to upgrade the first time.