

2021 ASA International Conference




OCTOBER 24-26 | PLANET HOLLYWOOD

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Participants Introduction, Polling Question

Show of  
Hands



How many of you are currently completing Desktop Valuations?

How many of you have no plans of completing Desktop Valuations?

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**Desktop Appraisals Course Objectives:**

- Understanding Desktop Appraisals, why it is USPAP Compliant, *and it is not for every appraiser or assignment*
- Common Misunderstanding of Desktop Appraisals
- Comprehensive overview of Desktop appraisals
- Avoiding common errors in Desktop Appraisals
- Desktop Appraisal Reporting including Assumptions, Limiting Conditions, etc in order to properly defend Desktop Appraisal performed

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**Understanding Desktop Appraisals/ Background Information**

**Definition of Desktop Appraisal\*:** A desktop appraisal is a property valuation that is completed at the appraiser’s desk, using *“any combination of a property inspection, documents, such as a legal description, address, map reference, copy of a survey or map, property sketch, photographs, or other information to identify the relevant characteristics of the subject property”*, and the appraiser have not made a “personal inspection” of the subject property.

\*Source: multiple

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**189. DESKTOP APPRAISALS**

**Question:** Does USPAP permit real property appraisers to perform desktop appraisal assignments?  
FAQ 2020-2021 Edition

**Response:** Yes. The Comment to Standards Rule 1-2(e) states, in part:  
An appraiser may use any combination of a property inspection, documents, such as a legal description, address, map reference, copy of a survey or map, property sketch, photographs, or other information to identify the relevant characteristics of the subject property.  
This is also discussed in **Advisory Opinion 2**, Inspection of Subject Property. It states:  
An inspection is not required by USPAP but one is often conducted. The extent of the inspection process is an aspect of the scope of work, and may vary based on assignment conditions and the intended use of the assignment results. **It is the appraiser’s responsibility to determine the appropriate scope of work, including the degree of inspection necessary to produce credible assignment results given the intended use.**

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**Understanding Desktop Appraisals/ Background Information**

- The Appraisal Standards Board indicated that, with proper disclosure, the modification of a “standard” appraisal report form does not result in a misleading report if the modifications do not create a conflict that cannot be properly understood.
- The GSE’s have authorized the use of specific replacement language that reports completed under the “temporary rule” - during Covid valuation market factors - must include describing the Scope of Work, Statement Assumptions and Limiting Conditions, and Certifications for Desktop appraisal.

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**Understanding Desktop Appraisals/ Background Information**

- There are many circumstances that influence the extent of the appraiser’s scope of work, which may or may not include property inspection.
- For example, the client may request that the appraiser perform an exterior-only inspection from the street or perform no inspection of the subject property (i.e., a “desktop appraisal”).

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**Understanding Desktop Appraisals/ Background Information**

There are situations where inspection of the subject property is not possible; for example:

- if the improvements have been destroyed, removed, or not yet built.
- in some cases, the appraiser is denied access to the property for legal, personal safety, or other reasons. So, the appraiser must use other means to collect data about the relevant characteristics of the subject property in order to produce CREDIBLE assignment results.

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**Desktop Appraisal is NOT AVM, NOT Bifurcated, and NOT Hybrid**

- Focus on Desktop is NOT AVM (Automated Valuation Model)
- For purpose of differentiating between DESKTOP APPRAISAL and AVM, here is the definition of AVM compared to Desktop definition discussed already:  
**Automated Valuation Model (AVM)**—A mathematically based computer software program that produces an estimate of market value based on market analysis of location, market conditions, and real estate characteristics from information that was previously and separately collected. The distinguishing feature of an AVM is that it is a market appraisal produced through mathematical modeling. Credibility of an AVM is dependent on the data used and the skills of the modeler producing the AVM. [Per IAAO Glossary]

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Understanding Desktop Appraisals/ Background Information

- Intended Uses of Desktop Appraisals include:
  - Asset Management Valuation
  - Collateral Risk Analysis
  - Property Evaluations
  - Loan Default Valuation (*loan delinquencies, loan servicing, quality assurance, etc*)
- DESKTOP APPRAISALS not suitable for litigation, complex assignments, overimprovement/underimprovement property assignments.
- I recognize a “desktop” as an APPRAISAL ASSIGNMENT, NOT Automated Valuation Products (AVP).
- **Remember!** **AVM is not the same as AVP**

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Let’s do a case study to clarify when Desktop Appraisal is appropriate.

**CASE STUDY:**

I have been contacted by a property owner who is being transferred by his company to another city. The owner indicated that while he might want a “detailed appraisal” later, right now he only needs a rough idea of the value of the residence to begin negotiations related to the relocation. The owner has asked me to perform a “desktop” appraisal (i.e., an appraisal with no inspection of the property). I believe that, given this intended use, credible assignment results can be developed without an inspection. Is this permitted under USPAP?

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**CASE STUDY ANSWER:**

Yes, this is permitted if **sufficient information** regarding the relevant characteristics of the property is available. Such information could be obtained from public records, previous listings of the property for sale, appraiser’s files, etc. Use of extraordinary assumptions related to various relevant characteristics is necessary in compliance with the requirements of USPAP Standards.

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**CASE STUDY ANALYSIS CONTINUED**

On the other hand, if your desktop appraisal simply means analysis of three recent closed sales and three active listings. It may not provide SUFFICIENT INFORMATION regarding the relevant characteristics of the subject property and adequate analysis of the marketplace. Therefore, NOT Credible Results

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*definitions of relevant and physical characteristics*

**relevant characteristics:** features that may affect a property's value or marketability such as **legal, economic, or physical characteristics.**

- physical characteristics:** attributes of a property that are observable or measurable as a matter of fact, as distinguished from opinions and conclusions, which are the result of some level of analysis or judgment.

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**Advisory Opinions and USPAP Compliance for Desktop Appraisals**

- AO-2 Inspection of the Subject Property
- AO-13 Performing Evaluations of Real Property Collateral to Conform with USPAP
- AO-19 Unacceptable Assignment Conditions In Real Property Appraisal Assignments
- AO-21 USPAP Compliance
- AO-22 Scope of Work in Market Value Appraisal Assignments
- AO-23 Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment
- AO-28 Scope of Work Decision, Performance, and Disclosure

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USPAP Rules, Compliance, and Property Inspection

- ❖ An inspection is not required by USPAP.
- ❖ While an inspection is NOT required, real and personal property appraisal assignments require a signed certification that clearly states whether a “personal inspection” of the subject property was done or not done.

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USPAP Rules, Compliance, and Property Inspection

Competency:

An appraiser must determine, **prior to** agreeing to perform an assignment, that he or she can perform the assignment competently. Competency requires

- (1) the ability to properly identify the problem to be addressed;
- (2) the knowledge and experience to complete the assignment competently;

and

- (3) recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.

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**Overview of Desktop Appraisals**

| Definition of the Problem  |                           |                                       |  |   |   |
|--|---------------------------|---------------------------------------|--|---|---|
| Identify the Client & Other Interested Users                                 | Identify the Intended Use | Identify type & distribution of value | Effective date of the appraisal  | Identify the relevant characteristics of the property | Assignment Conditions<br>Tributary Assumptions<br>Hypothetical Conditions |
| Scope of Work  |                           |                                       |  |   |   |
| Data Collection and Analysis   |                           |                                       |  |   |   |
| Market Analysis<br>Demand Studies<br>Supply Studies<br>Marketability Studies |                           |                                       | Highest & Best Use Analysis<br>He as though vacant<br>Hed. Improvement<br>Property as Improved |   |   |
| Applications of the Approaches of Value                                      |                           |                                       |  |   |   |
| Cost   | Sales Comparison          | Income                                |  |   |   |
| Reconciliation of Value Indications and Final Opinion of Value               |                           |                                       |  |   |   |
| Report of Defined Value Opinion  |                           |                                       |  |   |   |

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**Six Elements of Problem Identification & Scope of Work**

- Problem identification is the beginning point of every **appraisal** assignment.
- There are six elements of problem identification necessary in the development process for an appraisal.
- These six elements must be defined and analyzed in order to identify the problem to be solved.

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**Six Elements of Problem Identification & Scope of Work**

For every appraisal assignment, these 6 elements include the:

1. **client** and any other intended users;
2. **intended use** of the appraiser's opinions and conclusions;
3. **type and definition of value**;
4. **effective date** of the appraiser's opinions and conclusions;
5. subject of the assignment and its **relevant characteristics**; and
6. **assignment conditions**.

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**Six Elements of Problem Identification & Scope of Work**

- Identifying the problem to be solved is required for Desktop Appraisal as well, in order, to make critical judgments in determining the appropriateness of the *Desktop appraisal product*, **and** if you can defend the assignment results.

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**Assignment Conditions & Scope of Work**

- **Assignment conditions** as one of the assignment elements impacts the scope of work, in this case, the property has been destroyed or in the current case of Covid market economic factors. Sometimes, it is NOT a choice, to inspect or not to inspect - a Desktop Appraisal maybe the best product to solve the appraisal problem.

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**Six Elements of Problem Identification & Scope of Work**

- Additionally, *problem identification* functions as a blueprint, design, or a map that guides the appraiser's scope of work. Understanding of the appraisal problem eliminate or reduce:
  - Appraisal Deficiencies and Errors
  - Frustrations and Inefficiencies
  - Quality of Work Revisions
  - Adherence to GSE's guidelines, etc.

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**Data Collection (Online Sources and Resources; Private and Public)**

- The appraiser may rely on data provided by third parties in producing the appraisal report. Such data may include, but is not limited to, flood maps, multiple listing real estate services, tax assessment records, public land records, satellite imagery, virtual street views, property data services, surveys, engineering reports, and property data aggregations.
- After examination of the data and data sources, the appraiser has used only the data he or she considers reliable. The appraiser assumes there are no material omissions and makes no guarantees, express or implied, regarding the accuracy of this data.

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**Reporting Requirements (Appraisal Report, Restricted Appraisal Report)**

**FAQ 305. RESTRICTED APPRAISAL REPORT AND THIRD PARTIES**

Question: I have been asked to prepare a Restricted Appraisal Report that the client plans to provide to another intended user. Does USPAP allow me to use this report option in such a circumstance?

**Response:** Yes. Additional intended users besides the client are permitted for a Restricted Appraisal Report, as long as the other intended users are named in the report (i.e., not merely identified "by type.") The Comment to Standards Rule 2-2(b)(ii) states:

*A Restricted Appraisal Report may be provided when the client is the only intended user; or, when additional intended users are identified by name;*

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**Appraisal Certification / Defending your assignment**

- **I did not perform a personal visual inspection of the subject property as part of this appraisal assignment.** I reported the condition of the improvements in factual, specific terms, relying on subject property information from third-party data sources. I reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.

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**Appraisal Certification / Defending your assignment**

- I developed my opinion of the market value of the real property that is the subject of this report *based on the sales comparison approach to value*. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I **considered** the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.

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