

While an appraiser is responsible for establishing the scope of work under the 2006 USPAP, regulated institutions are responsible for complying with the agencies' appraisal regulations. Besides conforming to USPAP, the agencies' appraisal regulations require that appraisals supporting federally related transactions must:

- Be written and contain sufficient information and analysis to support the regulated institution's decision to engage in the transaction.
- Analyze and report appropriate deductions and discounts for proposed construction or renovation, partially leased buildings, non-market lease terms, and tract developments with unsold units.
- Be based upon the definition of market value in the regulation.
- Be performed by a state licensed or certified appraiser in accordance with the regulatory requirements.

From the appraiser's perspective, these regulatory appraisal requirements are "supplemental standards" to USPAP. If an appraiser knowingly fails to comply with supplemental standards, the appraiser is in violation of the USPAP Ethics Rule.

When ordering appraisals, a regulated institution should convey to the appraiser that these supplemental standards remain applicable. The agencies also continue to encourage regulated institutions to use an engagement letter in ordering an appraisal to facilitate communications with the appraiser and to document the expectations of each party to the appraisal assignment. To determine an appraisal's acceptability, a regulated institution should review the report to assess the adequacy of the appraiser's scope of work given the intended use of the appraisal. In accepting an appraisal report, the regulated institution must determine that the appraisal report contains sufficient information and analysis to support the credit decision.

Regulated institutions are reminded to consider an appraiser's competency for a given appraisal assignment. Further, regulated institutions should not allow lower cost or reduced delivery time to compromise the determination of an appropriate scope of work for appraisals supporting federally related transactions.

Attachment: [2006 USPAP and Scope of Work - PDF 730k \(PDF Help\)](#)

¹ The 2006 USPAP and other CFPB documents are available on the Appraisal Foundation Web site at www.appraisalfoundation.org/s_appraisal/sec.asp?CID=3&DID=3.

² [Under the agencies' appraisal regulations, a federally related transaction includes any real estate-related financial transaction that an agency or any regulated institution engages in or contracts for and that requires the services of an appraiser. Refer to OCC: 12 CFR 34, C; FRB: 12 CFR 225.61-67; FDIC: 12 CFR 323; OTS: 12 CFR 564; and NCUA: 12 CFR 722.](#)