

SOUTH DAKOTA DEPARTMENT OF LABOR AND REGULATION

APPRAISAL COMPLIANCE REVIEW REPORT

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

20:14:06 – ADMINISTRATIVE RULES OF SOUTH DAKOTA

INSTRUCTIONS

- A. Pursuant to ARSD 20:14:06:01 an appraisal must comply with the Uniform Standards of Professional Appraisal Practice and the Appraiser must also disclose any steps taken that were necessary or appropriate to comply with the COMPETENCY RULE of the uniform standards, therefore in completing this review please refer to and use the uniform standards* for detailed reference. ***Reference the uniform standards in effect at the time the appraisal was performed.** Pursuant to ARSD 20:14:06:01.01 the appraiser shall comply with any applicable assignment conditions for assignments prepared for specific purposes or property types.
- B. Provide an explanation for the cited area of non-compliance with the uniform standards and administrative rules.
- C. Be objective. Assume the appraisal and report are acceptable unless the review reveals information to the contrary.
- D. Personal opinions beyond the scope of the uniform standards or the appraisal are not relevant to this review.
- E. Benefit of the doubt favors the appraiser if a clear area of non-compliance with the uniform standards and administrative rules is not evident.
- F. Maintain strict confidence concerning this review.

NOTE: ANSWER YES, NO OR NA (FOR NOT APPLICABLE). Note: “No” indicates an area of non-compliance except in SR 1-1(b) and 1-1(c) where “yes” indicates an area of non-compliance.

ADMINISTRATIVE RULES REGARDING APPRAISERS (ARSD 20:14)

ARSD 20:14:06:01. Compliance with Uniform Standards. Does the appraiser comply with the Uniform Standards of Professional Appraisal Practice? Yes ____ No ____

ARSD 20:14:06:01.01. Assignment conditions. Does the appraiser comply with the assignment conditions applicable to the assignment? Yes ____ No ____

ARSD 20:14:06:01.02. Reporting of appraisal management company registration number.
Does the appraiser include the company's registration number in the appraisal report?
Yes _____ No _____

UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

ETHICS RULE – Does the appraiser promote and preserve the public trust inherent in professional appraisal practice by observing the highest standards of professional ethics? [The ETHICS RULE is divided into three sections: Conduct, Management, and Confidentiality.] Yes _____ No _____

RECORD KEEPING RULE –

Did the appraiser prepare a workfile for the appraisal assignment? Yes _____ No _____

Did the appraiser prepare the workfile prior to the issuance of the report?

Yes _____ No _____

Does the workfile include the following:

- _____ 1) the name of the client and the identity, by name or type, of any other intended users?

- _____ 2) true copies of all written reports, documented on any type of media?

- _____ 3) summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification?

- _____ 4) 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 locations(s) of such other data, information and documentation?

- ____ 5) sufficient support for the appraiser to produce an Appraisal Report if the assignment is a Restricted Appraisal Report?

Does the appraiser willfully or knowingly fail to comply? Yes ____ No ____
[If yes, this is a violation of the ETHICS RULE.]

COMPETENCY RULE – Does the appraiser demonstrate competency and perform competently in developing and reporting the appraisal report(s) under review?
Yes ____ No ____

SCOPE OF WORK RULE – Does the appraiser’s SCOPE OF WORK in the appraisal assignment comply with the following requirements?

- ____ 1) identify the problem to be solved,
- ____ 2) determine and perform the scope of work necessary to develop credible assignment results, and
- ____ 3) disclose the scope of work in the report.

JURISDICTIONAL EXCEPTION RULE – Does the appraiser in the assignment involving a jurisdictional exception do the following?

- ____ 1) identify the law or regulation that precludes compliance with USPAP;
- ____ 2) comply with the law or regulation;

- _____ 3) clearly and conspicuously disclose the part of the USPAP that is voided by that law or regulation; and

- _____ 4) cite in the report the law or regulation requiring this exception to USPAP compliance.

REAL PROPERTY APPRAISAL, DEVELOPMENT

_____ STANDARD 1 – In developing the real property appraisal did the appraiser identify the problem to be solved and the scope of work necessary to solve the problem, and correctly complete research and analysis necessary to produce a credible appraisal?

_____ Standards Rule 1-1(a) – In developing the real property appraisal was the appraiser aware of, understand, and correctly employ the recognized methods and techniques that are necessary to produce a credible appraisal?

_____ Standards Rule 1-1(b) – Is there evidence in the appraisal of substantial error of omission or commission which significantly affects the appraisal?
[yes=violation]

_____ Standards Rule 1-1(c) - Is there evidence that the appraisal services were rendered in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affects the credibility of those results?
[yes=violation]

Standards Rule 1-2 – In developing the real property appraisal does the appraiser:

- ____ (a) Identify the client and other intended users? [See SR 2-2(a)(i);2-2(b)(i); or 2-2(c)(i) for compliance]

- ____ (b) Identify the intended use of the appraiser's opinions and conclusions? [See SR 2- 2(a)(ii); 2-2(b)(ii); or 2-2(c)(ii) for compliance]

- ____ (c) Identify the type and definition of value and, if the value opinion to be developed is market value, ascertain whether the value is to be the most probable price?
 - (i) in terms of cash; or
 - (ii) in terms of financial arrangements equivalent to cash; or
 - (iii) in other precisely defined terms; and
 - (iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser's opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data.

- ____ (d) Identify the effective date of the appraiser's opinions and conclusions? [See SR 2-2(a)(vi);2-2(b)(vi); or 2-2(c)(vi) for compliance.]

- (e) Identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including:
 - ____ (i) its location and physical, legal, and economic attributes?

_____ (ii) the real property interest to be valued?

_____ (iii) any personal property, trade fixtures, or intangible items that are not real property but are included in the appraisal? [Violation – SR 1-4(g)]

_____ (iv) any known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature?

_____ (v) whether the subject property is a fractional interest, physical segment, or partial holding?

_____ (f) Identify any extraordinary assumptions necessary in the assignment? [See SR 2-2(a)(x); 2-2(b)(x); or 2-2(c)(x) for compliance]

_____ (g) Identify any hypothetical conditions necessary in the assignment? [See SR 2-2(a)(x); 2-2(b)(x); or 2-2(c)(x) for compliance]

_____ (h) Determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE?

Standards Rule 1-3 - When the value opinion to be developed is market value and necessary for credible assignment results, did the appraiser:

- ____ (a) Identify and analyze the effect on use and value of existing land use regulations, reasonably probable modifications of such land use regulations, economic supply and demand, the physical adaptability of the real estate, and market area trends?

- ____ (b) Develop an opinion of the highest and best use of the real estate?

____ Standards Rule 1-4 - In developing a real property appraisal did the appraiser collect, verify, and analyze all information, when it is necessary for credible assignment results?

- ____ (a) When a sales comparison approach is necessary for credible assignment results, did the appraiser analyze such comparable sales data as are available to indicate a value conclusion?

- ____ (b) When a cost approach is necessary for credible assignment results, did the appraiser:
 - ____ (i) develop an opinion of site value by an appropriate appraisal method or technique?

 - ____ (ii) analyze such comparable cost data as are available to estimate the cost new of the improvements (if any)?

___ (iii) analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation)?

(c) - When an income approach is necessary for credible assignment results, did the appraiser:

___ (i) analyze such comparable rental data as are available and/or potential earnings capacity of the property to estimate the gross income potential of the property?

___ (ii) analyze such comparable operating expense data as are available to estimate the operating expenses of the property?

___ (iii) analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount?

___ (iv) base projections of future rent and/or income potential and expenses on reasonably clear and appropriate evidence?

___ (d) When developing an opinion of the value of a leased fee estate or a leasehold estate, did the appraiser analyze the effect on value, if any, of the terms and conditions of the lease(s)?

- ___ (e) Did the appraiser analyze the effect on value, if any, of the assemblage of the various estates or component parts of a property and refrain from valuing the whole solely by adding together the individual values of the various estates or component parts?

- ___ (f) Did the appraiser analyze the effect on value, if any, of anticipated public or private improvements, located on or off the site, to the extent that market actions reflect such anticipated improvements?

- ___ (g) Did the appraiser analyze the effect on value of any personal property, trade fixtures, or intangible items that are non-real property items but are included in the appraisal? [See SR 1-2(e)(iii) for compliance]

Standards Rule 1-5 – In developing the real property appraisal, when the value opinion to be developed is market value, did the appraiser, if such information is available in the normal course of business, do the following:

- ___ (a) Analyze all agreements of sale, options, or listings of the subject property current as of the effective date of the appraisal?

- ___ (b) Analyze all sales of the subject property that occurred within three (3) years prior to the effective date of the appraisal?

Standards Rule 1-6 – In developing the real property appraisal did the appraiser do the following? [See SR 2-2(a)(ix), 2-2(b)(ix), and 2-2(c)(ix) for compliance.]

___ (a) Reconcile the quality and quantity of data available and analyzed within the approaches used?

___ (b) Reconcile the applicability and relevance of the approaches, methods and techniques used to arrive at the value conclusion(s)?

REAL PROPERTY APPRAISAL, REPORTING

___ STANDARD 2 - In the appraisal report does the appraiser communicate each analysis, opinion, and conclusion in a manner that is not misleading?

___ Standards Rule 2-1(a) – In the appraisal report does the appraiser clearly and accurately set forth the appraisal in a manner that will not be misleading?

___ Standards Rule 2-1(b) – In the appraisal report does the appraiser provide sufficient information to enable the intended users of the appraisal to understand the report properly?

___ Standards Rule 2-1(c) – In the appraisal report does the appraiser clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, or limiting conditions used in the assignment?

____ Standards Rule 2-2 – Is the written real property appraisal report prepared under one of the following options and is the option used prominently stated? [Appraisal Report or Restricted Appraisal Report]

Standards Rule 2-2(a) - In the content of the Appraisal Report is the appraiser consistent with the intended use of the appraisal and, at a minimum:

Applicable _____ Not Applicable _____

____ (i) - State the identity of the client, unless the client has specifically requested otherwise; and state the identity of any intended users, by name or type? [Violation – SR 1-2(a)]

____ (ii) - State the intended use of the appraisal?
[Violation – SR 1-2(b)]

____ (iii) -Summarize information sufficient to identify the real estate involved in the appraisal, including the physical, legal and economic property characteristics relevant to the assignment?

____ (iv) -State the real property interest appraised?

____ (v) -State the type and definition of value and cite the source of the definition?

____ (vi) -State the effective date of the appraisal and the date of the report?
[Violation – SR 1-2(d)]

___ (vii) - Summarize the scope of work used to develop the appraisal?

___ (viii) – Summarize the information analyzed, the appraisal methods and techniques employed, and the reasoning that supports the analyses, opinions, and conclusions; exclusion of the sales comparison approach, cost approach, or income approach must be explained?

___ (ix) – State the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal?

___ (x) – When an opinion of highest and best use was developed by the appraiser, summarize the support and rationale for that opinion?

___ (xi) – Clearly and conspicuously:

- State all extraordinary assumptions and hypothetical conditions?
- State that their use might have affected the assignment results?

___ (xii) - Include a signed certification in accordance with Standards Rule 2-3? [Violation – SR 2-3]

Standards Rule 2-2(b) - In the content of the Restricted Appraisal Report is the appraiser consistent with the intended use of the appraisal and, at a minimum:

Applicable _____ Not Applicable _____

- ___ (i) -State the identity of the client, unless the client has specifically requested otherwise; and state a prominent use restriction that limits use of the report to the client and warns that the rationale for how the appraiser arrived at the opinions and conclusions set forth in the report may not be understood properly without additional information in the appraiser's workfile?
[Violation – SR 1-2(a)]

- ___ (ii) - State the intended use of the appraisal?
[Violation – SR 1-2(b)]

- ___ (iii) - State information sufficient to identify the real estate involved in the appraisal?

- ___ (iv) - State the real property interest appraised?

- ___ (v) -State the type of value, and cite the source of its definition?

- ___ (vi) -State the effective date of the appraisal and the date of the report?
[Violation of SR 1-2(d)]

- ___ (vii) -State the scope of work used to develop the appraisal?

- ___(viii) –State the appraisal methods and techniques employed, state the value opinion(s) and conclusion(s) reached, and reference the workfile; exclusion of the sales comparison approach, cost approach, or income approach must be explained?

- ___ (ix) -State the use of the real estate existing as of the date of value and the use of the real estate reflected in the appraisal?

- ___ (x) -when an opinion of highest and best use was developed by the appraiser, state that opinion?

- ___ (xi) –Clearly and conspicuously:
 - State all extraordinary assumptions and hypothetical conditions?

- State that their use might have affected the assignment results?

___ (xii) -Include a signed certification in accordance with Standard Rule 2-3? [Violation – SR 2-3]

Standards Rule 2-3 - Does the real property appraisal report contain a signed certification similar in content to the applicable USPAP? Yes _____ No _____
[See SR 2-2(a)(xi); 2-2(b)(xi); or (c)(xi) for compliance]

- ___ The statements of fact contained in this report are true and correct.
- ___ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- ___ I have no (or the specified) present or prospective interest in the property that is the subject of this report and no (or the specified) personal interest with respect to the parties involved.
- ___ I have performed no (or the specified) services, as an appraiser or in any other capacity regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- ___ I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ___ My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ___ My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- ___ My analyses, opinions, and conclusions were developed, and this report has been prepared, in compliance with the Uniform Standards of Professional Appraisal Practice.
- ___ I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs this certification the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)

___ No one provided significant real property appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant real property appraisal assistance must be stated.)

___ Standards Rule 2-4 - Does the oral real property appraisal report, at a minimum, address the substantive matters set forth in Standards Rule 2-2(a) to the extent that it is both possible and appropriate?

Conclusion:

Upgrade and New Application: Appraisal Compliance Review – Provide in writing a recommendation for approval or denial of the application based on the findings of the review of all of the appraisals included in the assignment.

Allegation of Non-Compliance – Appraisal Compliance Review – Provide in writing the seriousness of any area of non-compliance with the uniform standards and administrative rules cited in the review.

Signed