



Real Estate Appraiser Board

PROPOSED Guidance Document: Hybrid Appraisals

I. Purpose

As a means of providing information or guidance of general applicability to the public, the Real Estate Appraiser Board (Board) is issuing this guidance document in order to assist its licensees in understanding hybrid appraisals.

To ensure the Board's licensees (individual real estate appraisers and appraisal management companies) comply with its laws and regulations, the Board directs its licensees to review the following information.

II. Background

The following are relevant excerpts from the Board's Appraisal Management Company laws and regulations:

§ 54.1-2020. Definitions.

A. As used in this chapter, unless the context clearly requires otherwise:

"Appraisal services" means acting as an appraiser to provide an appraisal or appraisal review.

"Appraiser" means a person licensed or certified under § 54.1-2017 and as otherwise provided in Chapter 20.1 (§ 54.1-2009 et seq.).

"Board" means the Virginia Real Estate Appraiser Board.

"Uniform Standards of Professional Appraisal Practice" means the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of the Appraisal Foundation.

B. The definitions contained in § 54.1-2009 shall be applicable except to the extent inconsistent with the definitions contained in this chapter.

§ 54.1-2022. Appraisal management companies.

A. An appraisal management company shall not enter into any contracts or agreements with an independent appraiser for the performance of real estate appraisal services unless the independent appraiser is licensed to provide that service under § 54.1-2017 and as otherwise provided in Chapter 20.1 (§ 54.1-2009 et seq.).

C. No employee, director, officer, or agent of an appraisal management company shall influence or attempt to influence the development, reporting, result, or review of a real estate appraisal through coercion, extortion, collusion, compensation, inducement, intimidation, bribery, or in any other manner, including:

8. Any other act or practice that impairs or attempts to impair a real estate appraiser's independence, objectivity, or impartiality.

18 VAC 130-30-120. Grounds for Disciplinary Action.

The board has the power to fine any regulant, to place any regulant on probation, and to suspend or revoke any license issued under the provisions of Chapter 20.2 (§ 54.1-2020 et seq.) of Title 54.1 of the Code of Virginia and the regulations of the board, in accordance with § 54.1-201 A 7 and § 54.1-202 of the Code of Virginia and the provisions of the Administrative Process Act (§ 2.2-4000 et seq. of the Code of Virginia) when any regulant has been found to have violated or cooperated with others in violating any provision of Chapter 20.2 of Title 54.1 of the Code of Virginia, any relevant provision of the Uniform Standards of Professional Appraisal Practice as developed by the Appraisal Standards Board of the Appraisal Foundation, or any regulation of the board.

18 VAC 130-30-160. Prohibited Acts.

The following acts are prohibited and any violation may result in disciplinary action by the board:

1. Violating, inducing another to violate, or cooperating with others in violating any of the provisions of any of the regulations of the board or Chapter 20.2 (§ 54.1-2020 et seq.) of Title 54.1 of the Code of Virginia, or engaging in any acts enumerated in § 54.1-111 of the Code of Virginia.

9. Engaging in any acts enumerated in subsections A through D of § 54.1-2022 of the Code of Virginia.

10. Failing to act as an appraisal management company in a manner that safeguards the interests of the public.

The following are relevant excerpts from the Board's Real Estate Appraiser laws and regulations:

§ 54.1-2009. Definitions.

As used in this chapter, unless the context clearly indicates otherwise:

"Appraisal" means an analysis, opinion, or conclusion relating to the nature, quality, value, or utility of specified interests in, or aspects of, identified real estate or identified real property. An appraisal may be classified by subject matter into either a valuation or analysis. A "valuation" is an estimate of the value of real estate or real property. An "analysis" is a study of real estate or real property other than estimating value. The term "appraiser" or "appraisal" may be used only by a person licensed or certified by the Board.

18VAC130-20-10. Definitions.

The following words and terms when used in this chapter, unless a different meaning is provided or is plainly required by the context, shall have the following meanings:

"Appraiser" means an individual who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.

18VAC130-20-160. Grounds for Disciplinary Action.

The board has the power to fine any licensee, registrant or certificate holder, to place any licensee, registrant or certificate holder on probation, and to suspend or revoke any license, registration or certification issued under the provisions of Chapter 20.1 (§ 54.1-2009 et seq.) of Title 54.1 of the Code of Virginia and the regulations of the board, in accordance with subdivision A 7 of § 54.1-201, 54.1-202, and the provisions of the Administrative Process Act, Chapter 40 (§ 2.2-4000 et seq.) of Title 2.2 of the Code of Virginia, when any licensee, registrant or certificate holder has been found to have violated or cooperated with others in violating any provision of Chapter 20.1 of Title 54.1 of the Code of Virginia, any relevant provision of the Uniform Standards of Professional Appraisal Practice as developed by the Appraisal Standards Board of the Appraisal Foundation, or any regulation of the board. An appraiser trainee shall be subject to disciplinary action for his actions even if acting under the supervision of a supervising appraiser.

18VAC130-20-180. Standards of Professional Practice.

C. Use of signature and electronic transmission of report.

1. The signing of an appraisal report or the transmittal of a report electronically shall indicate that the licensee has exercised complete direction and control over the appraisal. Therefore, no licensee shall sign or electronically transmit an appraisal which has been prepared by an unlicensed person unless such work was performed under the direction and supervision of the licensee in accordance with § 54.1-2011 C of the Code of Virginia.

D. Development of appraisal. In developing a real property appraisal, all licensees shall comply with the provisions of the Uniform Standards of Professional Appraisal Practice (USPAP) as defined in this chapter or in the prior edition in effect at the time of the reports' preparation. If the required definition of value uses the word "market," licensees must use the definition of market value set forth in USPAP "DEFINITIONS."

E. Appraisal report requirements. In reporting a real property appraisal, a licensee shall meet the requirements of the Uniform Standards of Professional Appraisal

Practice as defined in this chapter or in the prior edition in effect at the time of the reports' preparation.

K. Scope of work. A licensee shall abide by the Scope of Work Rule as stated in the Uniform Standards of Professional Appraisal Practice as defined in this chapter or in the prior edition in effect at the time of the reports' preparation.

Applicable provisions of USPAP:

Scope of Work Rule
Standards Rule 1-2(e)
Standards Rule 2-2(a)(vii)
Standards Rule 2-3
Advisory Opinion 2

III. Board Guidance

Summary - Appraisers

The Board's regulations require that appraisals be developed, reported, and reviewed in accordance with the Uniform Standards of Professional Appraisal Practice.¹

Additionally, real estate appraiser licensees must determine and perform the scope of work necessary to produce credible assignment results, which includes the extent to which tangible property is inspected.² The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results. Furthermore, an appraiser may use any combination of a property inspection and documents to identify the relevant characteristics of the subject property.³ However, the information used by an appraiser to identify the property characteristics must be from sources the appraiser reasonably believes are reliable.⁴

Advisory Opinion 2 (AO-2), issued by the Appraisal Standards Board, further clarifies the relationship between a property inspection and USPAP compliance. According to AO-2, a property inspection is not required by USPAP. The primary reason for a property inspection is to gather information about the characteristics of the property that are relevant to its value. The extent of the inspection process is part of the scope of work, and the appraiser must ensure that the degree of inspection is adequate to develop a

¹ 18 VAC 130-20-180.D and E require real estate appraisers to develop and report appraisals in accordance with USPAP requirements. Section 54.1-2021.1.B.2.i requires appraisal management companies to have a system in place to review the work of appraisers and ensure that appraisal services are being conducted in accordance with USPAP.

² See 18 VAC 130-20-180.K. See also USPAP SCOPE OF WORK RULE at 338–354.

³ USPAP Standards Rule 1-2(e) at 483–485. Further, USPAP Standards Rule 2-3 requires each written appraisal report to contain a signed certification in which the appraiser discloses whether the appraiser performed an inspection of the property.

⁴ *Id.* At 481–482.

credible appraisal. When adequate information about relevant characteristics is not available through an inspection or reliable resources, an appraiser must withdraw from the assignment unless the appraiser can (1) modify the assignment conditions to expand the scope of work to include gathering the necessary information or (2) use an extraordinary assumption about such information, if credible assignment results can still be developed.

The Board's regulations require that an appraiser comply with USPAP, and both the USPAP standards and the illustrations of the applicability of the appraisal standards published by the ASB indicate that an appraiser may perform an appraisal in which the appraiser did not personally inspect the property if the appraiser can do so while complying with USPAP. If the appraiser cannot comply with USPAP, the appraiser must withdraw from the assignment. Moreover, in relying upon third-party inspection data, the appraiser must exercise the same discretion in assessing the reliability of data as all other information used to produce assignment results. When an appraiser signs the appraisal report or transmits it electronically, this act indicates the licensee has exercised complete direction and control over the appraisal. If during the course of the assignment, the appraiser determines he cannot produce a credible appraisal which complies with USPAP, including not doing a property inspection, he should seek to amend the scope of work or withdraw from the assignment.

Summary - AMCs

Section 54.1-2021-1.B.2.i of the Code of Virginia requires that appraisal management companies (AMCs) have a system in place to review the work of all appraisers that may perform appraisal services for the AMC to ensure that the appraisal services are being conducted in accordance with USPAP.⁵ Additionally, Board regulations prohibit AMCs from violating, inducing another to violate, or cooperating with others in violating applicable laws.⁶ Such prohibition includes but is not limited to any act or practice that impairs or attempts to impair a real estate appraiser's independence, objectivity, or impartiality.⁷

There is no law or Board regulation that expressly prohibits an AMC from providing property inspection data to an appraiser for use in an appraisal. However, the AMC must have a system in place for ensuring that the appraisal services are being conducted in accordance with USPAP. Moreover, an AMC may not induce or cooperate with an

⁵ See the discussion above.

⁶ 18 VAC 130-30-160.1

⁷ See § 54.1-2022.C.8 and 18 VAC 130-30-160.9

appraiser in violating USPAP and must ensure that neither its actions nor its practices impairs or attempts to impair an appraiser's independence, objectivity, or impartiality.

The Virginia Real Estate Appraiser Board will be taking public comment on this proposed guidance document regarding hybrid appraisals. A 30-day comment period will begin on May 27, 2019.

If you wish to comment on the proposed guidance document, you may do so via the Town Hall website or you may submit written comments so that they are received no later than June 26, 2019 to:

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