What does Appraisal Review and Management have to do with Machinery and Equipment? To assist in understanding, we will need to explore a few items.

First, what is Appraisal Review and Management (ARM)? The American Society of Appraisers (ASA) defines Appraisal Review as the objective exercise critically judging an appraisal report against established standards and logic. Uniform Standards of Professional Appraisal Standards (USPAP) defines appraisal review as “the act or process of developing and communicating an opinion about the quality of another appraiser’s work that was performed as part of an appraisal. The subject of the review may be all or part of an appraisal report or a review report.” An appraisal review is a separate certified report. An appraisal reviewer has no association with the appraiser that wrote the original report. On the other hand, appraisal management incorporates managing appraisal assignments and training and managing appraisers generally. An appraisal manager may estimate the fee, develop and coordinate all or part of the appraisal assignment.

Now that I have quoted most of the ASA website language and refreshed your memory on what ARM entails, how is it beneficial to you and to the public? Most appraisers have never been objectively critiqued. This lack of oversight can and has led to poorly argued appraisal reports. There has been little policing of poor appraisals and or appraisal report writing. The rare occasions where we might read or experience a poor appraisal is when an appraiser is testifying as an expert.

ARM teaches an appraisal review model that measures an appraisal report against professional standards, against logical fallacies, and the credibility of the appraiser. An appraisal review is not a personal attack; it is an objective critique against established norms, e.g. USPAP and against known logical fallacies.

State licensed real estate appraisers are facing a minefield of regulatory oversight. USPAP might be something that MTS utilizes, however that same USPAP is a federal and state statutory requirement for most real estate appraisers. A license board determination of a violation of USPAP may be utilized as relevant and admissible evidence of negligence. You can be sued for negligence. The federal financial regulatory agencies are implementing the Dodd Frank Act which calls for mandatory review of real estate appraisals by the lenders. The same federal financial regulatory agencies, e.g. OCC, FDIC, are said to soon be requiring the same application of USPAP and Dodd Frank to asset based lending. Not only is it important to practice in accordance with USPAP, but it is important to produce credible appraisal reports.

Appraising within established norms allows the membership to remain strong and credible. Credibility occurs when the appraiser and their appraisal product is of professional quality. The appraiser should be knowledgeable regarding the subject matter at hand and relay his or her conclusions in a descriptive and practical matter. In other words, the report should relay the conclusions in a believable message and methodology that would lead the reader to the same deduction and conclusion. We all do that – right? We like to think so! Sometimes we need to have someone look over our work. Many of us read our own report and miss the obvious mistake (i.e. spelling, punctuation, etc.), because we read what it should be and not what is on the paper. We also miss seeing the lack of argument, failure to identify the legal interest appraised, fail to recognize logical fallacies, and to present a persuasive argument as to why the property is worth $X dollars, etc.

Looking over another appraisers’ report can be done internally and this is generally an exercise in constructive criticism. This can be done inter-office or even when reports are sent to ASA headquarters in the efforts of accreditation processes. The examining committee “reviews” reports for accreditation. Reviews in these constraints should be objective and impartial, furthering the process of conducting these evaluations as constructive critiques. These types of reviews are to encourage appraisers to become better appraisers, supporting the ASA in consistency and quality.

Under a more hostile appraisal review scenario (for example appraisal review for expert reporting), the critique may allow one side or the other the upper hand in the matter. This process incorporates a specific engagement that may or may not include a
valuation. Depending on the situation, it may be more advantageous to engage a separate appraiser for the appraisal review if asked to opine on a value. This appraisal review would still require objectivity and impartiality. The end goal would require an independent critique of the report and appraiser credibility.

Under all scenarios, it must be stated that an Appraisal Review is an independent, objective, written critique report containing a signed certification statement of disinterestedness. Additionally, the Appraisal Review requires the appraiser to objectively evaluate the work against a set of standards the appraiser relied on (e.g. IVS, USPAP, etc.).

The management of appraisals can be very specific and/or all encompassing. One can specialize in the sole training of appraisers or in estimating fees for potential engagements. Management operations can also apply to an underwriter for bank portfolio management that review valuation content associated with the collateral. Another management function could potentially be a supervisor within the Internal Revenue Service that oversees other appraisal reviewers within the IRS. Appraisal management also pertains to the functions performed by lead appraiser or project coordinator for a multi discipline appraisal firm. In each of these instances, managing reviewers or the appraisal process assists in managing expectations and providing (or enforcing) credible results.

As you can see, credibility is the key. As appraisers become credible, this flows over into the organizations that they belong to and further adding strength to the membership.

Though the original concept of ARM was to provide a designation to large firm managers and government appraisal managers, the designation can be suited for others as well. The Machinery and Equipment (M&E) appraiser has had lenders requesting reviews by other M&E appraisers for many years. It is possible that the various lending institutions may be preparing to require a review accreditation for anyone that performs the reviews for them.

Who should become accredited? Everyone! Seriously, if you desire to grow your appraisal business, or you are vying for the promotion to senior appraiser in your firm, or looking for a new career option – Appraisal Review and Management may be for you.

Join us in the mission of promoting Appraisal Review and Management and upholding the strength and credibility of our wonderful organization of ASA!

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1 www.appraisers.org/disciplines/Appraisal-Review-Management/aboutARM
2 USPAP Standard Rule 3