



PAUL R. HYDE
EA, MCBA, ASA, MAI

HYDE Valuations, Inc.

**We Value Both Real Estate and Businesses
Including Machinery & Equipment**

APPRAISERS:
PAUL R. HYDE
SHAWN M. HYDE
BRIAN D. HYDE
JOSEPH PHELON

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Appraisals Must be Credible

Appraisals must be credible. The dictionary defines credible as “1. Capable of being believed; plausible and 2. Worthy of confidence; reliable.” Having been asked to review many appraisals of all types over the last 20 plus years, I have seen many credible appraisal reports...and some really ‘incredible’ appraisals, as well.

A good appraisal report should lead the reader through the appraisal process by explaining the procedures used, defining terms included, and clearly illustrating how each appraisal method was applied and the final conclusion of value reached. The degree to which these processes are expressed in an appraisal depends on the scope of the appraisal report, which is agreed upon by both the client and the appraiser. In the case of a Self-Contained Appraisal Report, every process is clearly defined and demonstrated to the fullest extent, whereas in a Limited Scope Appraisal Report, these processes would be very lightly touched upon.

While the agreed upon scope of the appraisal report is the is given a great deal of consideration to the level of detail that would be included in an appraisal, the Standards Rules of the Uniform Standards of Professional Appraisal Practice (USPAP) must always be given the most consideration, and must almost always be adhered to in every single appraisal report. In some cases the level of detail included in a report may either exceed, or fail to meet, the level that that the USPAP Standards requires for any given appraisal report, and if a departure is made, the appraiser must state and explain the reason for this departure. It is imperative that an appraiser be aware of these Standards Rules, and properly work within their guidelines, in order to be considered credible. Appraisers who routinely operate outside of the USPAP guidelines are often considered to be ‘incredible’ and should be avoided.

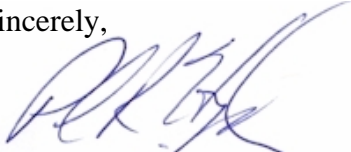
In my work, I have often been called upon as an expert witness in court proceedings. Part of the work of an expert witness is to identify potential errors or oversights in the work of the opposition’s expert witnesses. As such, I have been asked to review and prepare appraisal review reports for litigation purposes. It simply astounds me how often appraisers fail to provide credible reports by properly supporting their work, especially when they are aware that their reports will be placed under a proverbial microscope by other appraisers, attorneys on both sides, and the judge overseeing the case. When errors or departures are noted (without explanation by the appraiser), it brings the validity of the entire appraisal report into question. Such mistakes are very costly, and can have serious ramifications on the outcome of the trial.

Likewise, when performing reviews of appraisal reports for lending institutions, I have noticed that in some cases appraisers make glaring errors or omissions. Sometimes these are simple mistakes, which can be easily remedied or addressed. In some cases, these errors or omissions require a complete modification of the appraisal report by the appraiser, and seriously put into question the competence of the appraiser certifying the work. The job of an appraiser is very important – we are the eyes and ears of the lending institutions who are being asked to finance properties that they have often never seen in areas that they are often unfamiliar. It is the job of the appraiser to represent the market value of an asset in an ethical and thorough manner, so that the lending institutions can make informed decisions.

Producing credible work is a requirement for appraisers. Unfortunately, it is 'incredible' that not all appraisers do so. When hiring an appraiser to complete an appraisal report, it is important to discuss the scope of work to be done in the appraisal. While it really should not be necessary, requiring the appraisal meet the Standards of USPAP should also be included in the engagement letter as a safety precaution.

Valuations play a part in all strategic transactions, tax, and many litigation matters. For additional information or advice on a current situation, please do not hesitate to call. **We value real estate, businesses, and personal property including livestock and machinery & equipment.**

Sincerely,



Paul R. Hyde, EA, MCBA, ASA, MAI
Enrolled Agent – Enrolled to Practice Before the IRS
Master Certified Business Appraiser
Accredited Senior Appraiser – Business Valuations
Designated Member – Appraisal Institute (MAI)
Certified General Real Estate Appraiser
Senior Appraiser - Equipment & Livestock Appraisals

504 Grove Avenue • P. O. Box 9 • Parma, Idaho 83660 • (208) 722-7272
www.hydevaluations.com Email: prh@hydevaluations.com