

Partially completed appraisal reports

Each day, fee appraisers encounter a variety of situations, some of which may not be definitively outlined in the *Standards*. The following should be considered as a guideline only. Always use good judgement and consider what a 'reasonable appraiser' would do.

The Scene: *One of your best clients, Mr. Good Banker, is on the phone asking if you have a "verbal" on 123 Musthave Cove. You are familiar with the area, viewed the property, completed the preliminary market research and plugged the sales data into the DCA chart, making adjustments along the way. The rest of the form is a combination of 'skeleton' data and pieces of data that you have input because it carries over into the DCA chart. You are familiar with the area, having completed at least five other reports on similar homes within the past two months. After a basic analysis of the sales, you have estimated that the market value is no more than \$200,000. This is divulged to Mr. Good Banker. He remarks that the homeowner thought his home was worth well over \$250,000 and if the value is not going to be close to that, the potential for the mortgage-equity loan is dead. Mr. Good Banker thanks you for your opinion and instructs you not to complete the report. He asks that you "send what you have done so far, along with your reduced invoice." What should you do?*

Providing oral reports is not a recommended 'best practice,' but it is a reality. Even if the report is



never completed and delivered, the member must prepare and retain a work file. The appraiser, the oral report and the work file retention requirements must still comply with the *Canadian Standards of Professional Appraisal Practice*.

Definitely send the invoice (the reduction in fee is a business decision), but keep the partially completed report as part of your work file (as required under 4.2.9 with Comments 5.9 – with particular attention to 5.9.6). Mark your electronic file and your paper file with the details of the conversation (time, date, parties to the conversation and what was discussed). In the work file, note the addresses of other similar properties that you have recently appraised in the area and may have relied on when arriving at the con-

clusion. Depending on the circumstances, you may want to complete further work on the file.

Marking your electronic file as 'incomplete' is recommended, as you may not recall all the details, if asked. Remember, your work file must be retained by you for seven years. Also, if you 'clone' reports, this is not a report from which you would want to import data. Print the incomplete report and file it with your work file as you normally would. If you have a paperless (or less-paper) office, print your partially completed report to a PDF and store it along with your normal means of electronic storage. Modifying the file name to reflect the incomplete nature of the file is a good practice.

A partially completed appraisal report should not be released to

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a client as a draft. Do not sign, electronically or by hand, a partially completed appraisal report. Remember, you are responsible for each report that bears your signature. **NEVER release a partially completed report as support for your invoice.**

Advise your client that they will not be receiving an appraisal report and the work to date will remain in your file should it be required in the future. A covering letter could be sent along with the invoice. The letter could include a statement such as “Further to our telephone conversation on (insert date), this letter will confirm that our preliminary research and analysis will not support the market value required for your

mortgage lending purposes. As per your instructions, we have not completed the written appraisal report. All file notes, research and documentation have been retained in our work file.” Do not state the value, range of value or direction in value in this letter.

Non-researched oral opinions on market values should never be provided if the appraiser is unfamiliar with the area, has not completed the basic research necessary to render such an opinion, or on properties that may be require more in-depth analysis.

In a future issue of the *Canadian Appraiser*, we will discuss when it may be appropriate to provide a draft report and what steps you should take when providing one. 🐼

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