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Appraisal Subcommittee
Federal Financial Institutions Examination Council

May 6, 2010

The Honorable Calvin K.Y. Say,
Speaker
Hawaii House of Representatives
State Capitol
Honolulu, HI 96813

Dear Mr. Speaker:

Thank you for your March 16, 2010 letter in response to our February 2, 2010 letter concerning Senate Bill No. 771 addressing application of USPAP to licensed or certified real estate appraisers who are appointed to act as arbitrators. In your letter you ask for additional clarification to our response. Specifically you ask, "Are appraisers, when acting as an arbitrator in arbitration to establish or determine a real estate valuation/rental rate, required to follow USPAP?"

In our February 2nd letter we iterated that an appraiser is defined by USPAP as "one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective." When acting as an appraiser performing *appraisal practice*, compliance with USPAP is required. According to USPAP, an individual is performing *appraisal practice* when providing valuation services, "including but not limited to appraisal, appraisal review or appraisal consulting."¹ *Appraisal* is defined by USPAP as the act or process of developing an opinion of value "numerically expressed as a specific amount, as a range of numbers or as a relationship to a previous value opinion or numerical benchmark."

When an individual has other professional roles in addition to their appraiser role, it is imperative to determine -- if one is engaged in the performance of appraisal practice -- in which case compliance with USPAP is mandated. Therefore, if in the arbitration process, one of the arbitrators is also an appraiser, and if in the arbitration process, that arbitrator is also engaged in the performance of appraisal practice, he/she must comply with USPAP. We do recognize, however, that the factual determination to be made -- as to whether an appraiser acting as an arbitrator in an arbitration proceeding to establish or determine a real estate valuation/rental rate is actually engaged in the performance of *appraisal practice* -- that determination would best be made by the appropriate officials that interpret and enforce the laws related to arbitration and appraising in Hawaii.

Sincerely,



James R. Park
Executive Director

¹ USPAP states "[t]he use of other nomenclature for an appraisal, appraisal review, or appraisal consulting assignment (e.g., analysis, counseling, evaluation, study, submission, or valuation) does not exempt an appraiser from adherence to [USPAP]."