

Opinion of Value versus an Appraisal. There is a difference.

Written by Daryl Johnson
Certified Auto Appraiser

So you just purchased that 60's muscle car you've always wanted and wish to get it appraised for insurance purposes or perhaps you're contemplating selling a street rod and want a professional opinion of what it's currently worth to market it effectively. You do an Internet search for "car appraiser" and bingo, several names and services pop up. The question now becomes what should I pay for this service and what do I expect an appraisal report to contain. At this point you should be aware of the significant difference between an "Opinion of Value" in the context of valuation services versus an "Appraisal" performed by an appraiser following "*appraisal practice*". There IS a significant difference.

Appraisal practice is provided only by appraisers, while valuation services are provided by a variety of professionals to include but not limited to specialty car dealers, restoration facilities and other auto enthusiasts. In addition, an appraiser is one who is expected to perform valuation services competently and in a manner that is independent, impartial and objective, whereas individuals or services providing an opinion of value may not abide by the same requirements.

That is why a professional appraiser would most likely follow the *Uniform Standards of Professional Appraisal Practice*, commonly referred to as USPAP. These Standards address the ethical and performance obligations of appraisers. Honesty, impartiality, and professional competency are required of all appraisers under USPAP. Its purpose is to promote and maintain a high level of public trust in appraisal practice. USPAP covers all disciplines of appraisal to include real and personal property, appraisal review, in addition to appraisal consulting and business (intangible) valuation.

The Uniform Standards of Professional Appraisal Practice, implemented by The Appraisal Foundation, is authorized by Congress as the source of appraisal standards and appraiser qualifications. As such, it is recognized by Federal and State Governments as well as the IRS and Court of Law. For

more information about The Uniform Standards of Professional Appraisal Practice, goto: http://www.appraisalfoundation.org/s_appraisal/index.asp

At this point you may ask yourself, “What’s the big difference? After all, isn’t an appraisal an opinion of value?” The answer is yes; however, unlike an opinion of value, an appraisal is considerably more thorough and detailed as it follows *an appraisal process* that is defined in USPAP.

To illustrate, an opinion of value may be on a single piece of paper or written more like a report with several pages. A report format typically would include a description of the vehicle that is the subject of the report as well as several photos. It may or may not include information with respect to comparable vehicles utilized to make a final value opinion. Finally, there is the author’s opinion of value of the subject vehicle usually accompanied by a signature.

On the other hand, a USPAP compliant appraisal follows a carefully defined process and **MUST** contain the following;

Proper Client Identity; the Intended Use of the report; Type of Value to be appraised; Effective Date of the Appraisal & Date of the Report; Proper Vehicle Identification that is the subject of the report; Describe the Scope of Work used to develop the appraisal; Summarize the information analyzed, methods and techniques employed and reasoning that supports the analysis and to enable the reader of the report to understand the rationale for the opinion and conclusion of value; State all extraordinary assumptions and limiting conditions; and finally, a USPAP compliant signed certification by the author of the report which states in part the appraiser’s non-interest.

As outlined above a compliant appraisal is, in most cases, extremely more complete and detailed than some form of an opinion of value. The whole purpose of an appraisal report is to estimate a credible opinion of value. You may be asking yourself, “Where do I go from here and what should I do next?” Here are some suggestions that will help you decide before paying for any type of valuation.

1. Ask for a Statement of Qualifications from your prospective valuation expert.
Examine experience criteria as well as check out references. Do they have the competency and knowledge to properly value your particular car?
2. Obtain a sample report copy to see for yourself what the finished product will contain and how the information is presented.
3. Check to see if the report will be written in compliance with the *Uniform Standards of Professional Appraisal Practice* (USPAP). Depending on the intended use, will the report be honored if it's non-compliant?
4. Last, interview several appraisers, verify their credentials, review and compare their work samples, and then make a decision based on your needs and objectives.

The next logical question would be, "What should I pay for an appraisal report?" First, it should be noted that appraisal fees are based on the amount of time to properly complete a report. Prices should NEVER be based strictly on the type of automobile, on any contingency or on a percent of a cars appraised value. Hopefully, after interviewing and reviewing sample reports, you should have a good understanding of the various valuation services, reports available and costs associated. At this juncture you will have educated yourself to the point you can now make an informed decision as to what service is right for your specific valuation needs and what a competitive fee ranges are.

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