APPRAISAL TODAY

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UAD 3.6 Update, Including Software

Great idea: Use an appraisal done on current forms (UAD 2.6). Then do the report in UAD 3.6. You can't really understand it until you try to use it. Don't wait until your first order to learn it! AMCs and lenders are looking for appraisers who have done UAD 3.6 appraisals. Go to the top of the list.

How many vendors are fully ready?

Very few vendors are ready as they are still beta testing inspection apps or other software. Plus it takes time to integrate "add ons" such as Spark. Some may be working on their add ons where they developed the software. Add ons refer to any added in addition to the report.

Why is everyone changing to UAD 3.6?

Software vendors - to stay in business
Appraisers- to stay in business

What is better in UAD 3.6 for appraisers?

Very few revisions requested. This is what the "early adopter" lenders and the GSEs are finding. The most significant problem was the use of long addendums in forms appraisal. Reviewers can't find what they need because it takes extra time

looking. For example, defects with photos and text information are easily found within UAD 3.6 reports. Reviewers don't have to look in large addendums.

Also, first, your appraisal "packet" will be uploaded to Fannie or Freddie and a "compliance check" will be done. They give you a list of changes, you do the changes, and send your appraisal to be used by the GSE. You have few revisions.

GSEs don't require that comp photos be taken.

MLS,or other sources, are OK.

I never liked having to retake a recent comp photo I already had from a previous appraisal. Instead I will be driving by some comps just to check it, especially if I suspected any location problems.

Is there any future for residential lender appraisers?

Appraisers will always be needed for the "tough ones". Or, the data from older appraisals is old or appears inaccurate.

Computers can easily do recent conforming tract homes. But, what if in the middle of the tract is the old home (occupied by the seller) from before the new homes were built. Or, if you work in rural areas, data is very limited and you need to contact people for information. GSEs lend on mixed use. Not much competition for these appraisals.

Will the report contents be changed?

Legacy forms seldom changed. Per the GSEs, the 3.6 software is very easy to change on every software vendors report section. For example Broadband: Does not include Starlink now, which is widely available from space. GSEs will be changing this.

Go to broadbandmap.fcc.gov/home and search by address. Per some appraisers, not all addresses are in there.

Attend national conferences where vendors will be showing their software. Compare them. Speak personally with ones you are interested in. Vendors try to have their most recent version at conferences. A recent ACTS conference in Seattle in April was very popular. I used to travel all over the U.S. and Canada speaking at appraisal conferences and know from experience the excellent networking with other appraisers, find out what Freddie and Fannie are up to, etc.

Note on two conferences below. Dates from the websites on 7/24/26.
Upcoming appraisal conferences
Appraisal Summit
Dates: October 31 – November 3, 2026
Location: Las Vegas, Caesars Palace
www.appraisalsummit.net/

Valuation Expo
Dates: August 16-29, 2026
Location: Las Vegas,Bellagio Hotel (my favorite Las Vegas Hotel)
www.appraisalbuzz.com/valuation-expo-is-back-this-fall/

What to consider in choosing software
If you will be comparing your current forms software to UAD 3.6, this will be easy. If not, use one of the extensive lists of factors in previous newsletters written by Doug Smith.

Here are a few ideas from Doug:

- Support. 3.6 needs lots more than 2.6. It is completely new. Vendor needs to have lot of staff for support.
- Pricing. Some vendors have not yet decided.
- Status of mobile app. Ready to go, in beta, or "maybe", etc. In my opinion this is critical to completing UAD 3.6 software faster and less likely to forget something and have to go back to the subject, which we all hate!
- Printed inspection lists. I have copies of printed inspection list in a The July newsletter from a software vendor.

Other vendors may have their own printed list. SFREP has had one for a long time, available to their software customers.

Why you need 2.6 forms software and (maybe) non-lender software options

You need these for lenders who don't sell their mortgage loans to GSEs. There are many. I will be writing an article about them soon.

More important, you cannot use 3.6 for non-lender appraisals. Some vendors offer GPAR and AI reports. I prefer Bradford for this as they have many non-lender form options, but you have to use their 2.6 non-lender legacy software separate from 3.6. You can always do narratives, but that is a hassle.

See what other software vendors offer. Some may not offer any. Aivre decided not to offer them. They told me they did not think they would be used much anymore. Definitely true for GSE appraisals.

If you can do UAD 3.6 appraisals let your AMC and lender clients know. Many appraisers are not ready. You will be at the top of their lists. A good suggestion is when an AMC or lender orders UAD 2.6, tell them you can also do UAD 3.6 appraisals.

Very good Facebook Page to find out what appraisers are saying

The name is "Appraisers perspective of UAD 3.6"

Andy Arledge (Freedom Appraise) is one of the administrators and discourages very negative comments. There is a special list for appraisers who are actually doing 3.6 appraisals. Many comments on many different UAD 3.6 software. Worth reading. The only appraiser Facebook appraisal page I like.

How many vendors will there finally be in the future?
Per a recent event, two GSE representative said: One said: "By Quarter 3 of this year at least 10" The second representative said "will end up with 10-12 vendors"

What about FHA, VA, and USDA?
Nothing is very certain. Many different opinions and rumors.

How the get the list of GSE validated vendor software companies.
Go to https://singlefamily.fanniemae.com/integrated-vendor-list

Scroll down to Fannie Mae Product Interface
Select (scroll down) "UAD 3.6 appraisal software provider" then click Search.

As of 7/17/26 7 providers were listed. Freedom Appraise says "coming soon". They are Aivre, ApprAIz, Ascent Software (Jaro),Bradford, Cotality (TOTAL), and SFREP

If not on this list, the software cannot be used for GSE appraisals.

However, only the report section is validated. For example: add-on software such as Spark can be difficult set up. Vendor developed software such as a form to fill out that will put into the report easily.

My comments

If I was doing GSE appraisals, I would learn how to use the new UAD 3,6 software. I think it is far superior to the old forms. Reviewers (cuts way down on correction request) Everyone who reads the 3.6 reports says they are much better than the old 2.6 forms.

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UAD 3.6 Classes

But we all need more details. Fannie decided what would be in this class, so you can only get CE credit once.

I took it in early 2025. More recent classes will probably have more instructor comments as we know a lot more about UAD 3.6.

There are many webinars, but I primarily focus on classes, especially with CE.

Editor's note: because of the many long links, I have set this up in full pages with no columns. You will need to copy and paste on some of the links.

Your software provider probably has classes on their software, which includes details on how to complete the report, /such as Access to Broadband. GSEs are planning on adding space to broadband, such as Starlink.

Only McKissock offers a certification, which may be helpful when getting clients. Most appraisers have only taken the GSE class.

Companies: Appraiser eLearning, McKissock and Appraisal Institute
All offer the Fannie Class, so I did not include details.
I did not include other CE companies as most only offered the Fannie class above. They may have webinars.

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Appraiser eLearning

URAR Course Page (showing all URAR / UAD 3.6 training courses):
www.appraiserelearning.com/the-new-uad-urar-student-support-page/

Live-Zoom CE Schedule (showing all current offerings 3-months out): UAD 3.6 and other classes
Any URAR course or UAD-specific training would appear on these pages.
www.appraiserelearning.com/live-virtual-classroom/

They also host free webinars on UAD 3.6 topics. You can view past webinars or register for new free webinars at the page below:
www.bigmarker.com/communities/Storyboard-EMP/conferences

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McKissock

Sales Comparison Approach and the New URAR - 3 hours

This class offers how to report the sales comparison approach within the new URAR, focusing on reporting requirements for a range of elements of comparison. You will learn how to complete the sales comparison grid and use the URAR Reference Guide F-1.

The course emphasizes the new UAD 3.6 standards, optional row criteria, and how to reconcile the adjusted sales range. By the end, you will be able to produce clearer and more credible sales comparison grid using the updated URAR. This course is offered as a live webinar.

www.mckissock.com/appraisal/continuing-education/georgia/live-webinar-sales-comparison-approach-and-the-new-urar/

Scope of Work and the New URAR - 4 hours

Scope of Work and the New URAR focuses on scope of work, highlighting new and revised data collection and reporting requirements.

The course helps appraisers identify what information must now be gathered, analyzed, and reported differently, with attention to new and revised data requirements and reporting standards. This course is offered as live webinar.

www.mckissock.com/appraisal/continuing-education/georgia/live-webinar-scope-of-work-and-the-new-urar/

UAD 3.6: Inspection Workflow Wizardry - 5 hours

This class focuses on helping appraisers rethink how they approach property inspections-shifting toward more structured data collection, stronger pre-inspection planning, and workflows designed to align with the new dynamic URAR format.

Visual examples and checklists support consistent, systematic data collection aligned with new reporting requirements. This is a self-paced online course.

www.mckissock.com/appraisal/continuing-education/georgia/uad-3-6-inspection-workflow-wizardry/

The Appraiser's Guide to the New URAR - 7 hours

The Appraiser's Guide to the New URAR, developed by Fannie Mae and Freddie Mac, hosted by McKissock, provides a comprehensive look at the redesigned reporting framework under UAD 3.6.

This course offers an in-depth exploration of the new dynamic Uniform Residential Appraisal Report (URAR) applicable to all residential property types. Attendees will learn the requirements of the new UAD 3.6, which is designed to support more thorough appraisal analysis and reporting, ensuring they are well-equipped to adopt and implement these advancements in their professional practice.

By the end of this course, attendees will gain a deep understanding of the dynamic URAR and expectations for completing the report. This course is offered as a live webinar or as a self-paced online course.

www.mckissock.com/appraisal/continuing-education/georgia/a-live-webinar-the-appraisers-guide-to-the-new-urar/

URAR Mastery Certification

This Program takes a comprehensive approach to the transition to UAD 3.6 and the new URAR, bringing together multiple courses into a structured learning path designed to fully prepare appraisers.

The program includes:
The Appraiser's Guide to the New URAR,
Scope of Work and the New URAR,
Sales Comparison Approach
The New URAR, and UAD 3.6: Inspection Workflow Wizardry,

These classes give appraisers a well-rounded foundation across reporting, scope of work, and data collection.

CERTIFICATION

To earn the certification, participants must complete the full course sequence and pass a comprehensive final exam-demonstrating readiness to operate in a more data-driven, standardized appraisal environment.

www.mckissock.com/appraisal/continuing-education/georgia/urar-mastery-online-and-livestream-14-hrs/

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Appraisal Institute
Source: AI Website on 7/10/26
Note: AI is adding more educational materials. This was what was available 7/10/26 when I wrote this article.

Explore What's Available
Everything currently available is below (as of 7-10-26), with more launching throughout 2026. Start with the foundation course, then layer in companion seminars as your schedule allows.

1. Start here: The Foundation Course
Appraiser's Guide to the New URAR

2. Companion Seminars: Available Now
Supporting Adjustments & Reporting the Sales Comparison Approach
Hands-on case studies for smoother lender review on the new form's adjustment grid.

Upcoming Classes
Reporting Market Analysis & Understanding the New URAR
Group discussions on challenging market scenarios and the URAR's expanded analytical expectations.

Upcoming Classes
Analyzing Defects, Damages, and Deficiencies
Hands-on case studies for smoother lender review on the new form's adjustment grid.

Upcoming Classes
3 Premiering This Summer
Analyzing & Reporting the Income Approach in the New URAR
The new URAR brings expanded expectations for income analysis. Be among the first cohort to learn directly from the curriculum architects. Limited seats, premiere pricing.

4 In Development: Two More Companion Seminars
Cost Approach and Site Valuation in the New URAR
Depreciation, site valuation, and what's changed in the cost approach reporting structure under the new URAR.
Valuing Solar PV: Methods, Market Support, and Free Tools
The most comprehensive solar valuation training available, addressing a documentation requirement now embedded in the new URAR.

5 Starting June 30: A UAD 3.6 Webinar Series (See below)
A multi-session journey to November 2

ONE LINK TO ALL EVENTS ABOVE (AND UPDATES)
www.appraisalinstitute.org/education/continuing-education/

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Countdown to UAD 3.6: will You Be Ready? New Webinar Series

The Appraisal Institute is launching a webinar series specifically built for the months leading up to mandatory adoption. Live sessions, real practitioners, real questions. Member pricing available. Watch your inbox for full details, registration and the session schedule.

Each session features guest subject matter experts, live demonstrations, and practical tools you can apply immediately. Sessions drop monthly and all sessions are recorded if you can't attend live.

Series Details
Monthly live online sessions (all sessions recorded)
Seven sessions total, dropping monthly through the November 2 deadline

35 AI CE Points | No CE delays
Open to members and non-members | All levels welcome

Session 1: UAD 3.6: Key Changes, Common Questions, and Early Lessons
Tuesday, June 30 | 12:00 PM - 1:00 PM CT
Host: Maureen Sweeney, SRA, AI-RRS
Presenters: Kenneth Defoe, Fannie Mae; Sean Murphy, Freddie Mac

Can't make it live? Register now and get access to the recording.

Registration and updated information for this webinar series
LINK:
www.appraisalinstitute.org/education/search/uad-3-6-webinar-series-ai/
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GSEs

Job Aids for Completing URARs Using UAD 3.6
Guidance for Appraisers through Lessons Learned: Provides practical examples to help appraisers complete the new URAR, ensuring consistency and accuracy.

Photo and Image Requirements: Clarifies photo requirements for UAD 3.6 reports, detailing required, conditionally required and optional photos. It aims to reduce uncertainty and improve data quality by specifying when and where photos are necessary.

UAD American National Standards **Institute (ANSI) Reporting Requirements**: Provides examples to illustrate how to comply with ANSI requirements when documenting the area breakdown of a residential property.
These and other resources are available on the Freddie Mac and Fannie Mae UAD webpages.

https://sf.freddiemac.com/tools-learning/uniform-mortgage-data-program/uad

Fannie Mae Appraiser Update July, 2026

Get practical guidance to help you prepare for the Uniform Appraisal Dataset (UAD) 3.6 and Forms Redesign transition and stay current on updates that affect your work.
In this second Appraiser Update of 2026—and our 35th edition since launching in 2017—we're sharing timely insights, policy updates, and resources to help you navigate industry changes and support your success.
In this issue, you'll find:

List of Topics
Changes to UAD language in 3.6
Unit Count Differences in the Sales Comparison Grid
UAD 3.6 Reports: Lessons Learned

https://singlefamily.fanniemae.com/originating-underwriting/appraisers/appraiser-update

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Six Appraisal Conferences and a Great Grandson, By George Dell, MAI

Editor's comments: This article does not focus software vendors latest updates. I have that information at the end of the first article in this newsetter: UAD 3.6 Update, Including Software.

I just got back from a too-long trip. It involved three appraisal-related conferences in ten days, plus a bonus! And six conferences in less than three months! But this trip, I got to meet my first great-grandson in Columbus, Georgia. He's marvelous and is almost as clever as his great grandad!

Six conferences altogether in three months!
Canadian Appraisal Institute, **Collateral Risk Network (twice)**, the joint **CAA/AVS conference** in Dallas, National Appraisal Policy Summit, and the joint 3 committees of the **Appraisal Foundation**. Whew! Did not plan all this, it just happened that way . . .

Each conference addressed current issues, particularly technology, data, and the future. Each had a different nuance, partly the intent of the leadership, partly the nature of each conference. Similarities and differences.

SIMILARITIES

The *similarities* were widely focused on the broader context of valuation, risk, lending, and regulation policy. Temporally, the conferences' similarities were framed by the **president's executive order** and congressional **Road to Housing Act**; the immediacy of the UAD 3.6 data by the GSEs, new lending models, artificial intelligence, and "new valuation approaches" and opportunities. **"Technology"** seemed to be a consistent theme throughout each of the six conferences. *However, the understanding of the meaning of technology and its impact varied considerably*. Also, at this writing, the sweeping Road to Housing Act is law, even though the president did not sign to make it law.

For reference, the main elements of the Housing Act include:
- *Reduce assistance to large investors of single-family homes;*
- *Remove regulatory barriers to affordable home construction; and*
- *Promote access to mortgage credit*

The Housing Act includes sections on financial literacy, construction, manufactured housing, loan incentives (including appraisal), disaster and the (HOME) program, veterans, regulators, and homelessness. It specifically prohibits a central bank digital currency through 2030.

Sec. 403 - The Appraisal Industry Improvement Act *reforms appraisal licensing and training, including grants to support appraisal workforce development*.

Sec. 704 - The Appraisal Modernization Act *requires "reconsideration of value" procedures, and consideration of a public appraisal database consolidating data collected*
by the FHFA, USDA, and the VA.Funding is from HUD, USDA, and FHA, various penalties and fees, and
revenue "recycling."

The newness of the current act, and its sweeping declarations, make for a unique context.

DIFFERENCES
The *differences* between the six <u>conferences attended</u> are primarily cultural and financial!

Each has differing **missions, stakeholder positions, motives**/*spirit*, and **money-source** control. All this was reflected in the attitudes and motives of the organizers and presenters.

The Canadian AI National Conference (Toronto, Ontario, <u>Canada)</u> <u>was</u> refreshing for me, away from the more traditional/legacy flavor (the culture) of the US AI conferences I have attended and helped organize. I was privileged to speak on the theory and science of *Evidence Based Valuation* (EBV)©, using the RStudio user interface integrated with artificial intelligence. The future *reflects direct connection* between the appraiser-expert brain and immediate analyses for client benefit. The room was beyond capacity.

My presentation was followed by those given by two members of the CAA (Community of Asset Analysts), Jason Shellenberg AACI, P.App and Alana Jennings-Coutts, CRA, P.App., conveying practical applications of EBV©.

In retrospect, the lack of reference to the US president's housing executive order set this conference apart from the other five "south of the border" conferences. Generally, I found the Canucks to be quite friendly, curious, and looking for ways to prepare for the future. Perhaps, the more sovereign attitude of recent international politics engenders a refreshing spirit, even as the source of the attitude may be "antagonistic."

It was also good to recognize my long-term mentor of the data science approach: Charlie Abromaitis, AACI, P.App, of London, Ontario. Charlie is a

long-term inspiration and battler for modernization by appraisal analytics (beyond the "pick comps, then adjust" paradigm). This includes continuation of the "Quality Point" approach favored by a man named Graaskamp.

The Canadian AI seems to be ahead (in analytics) of our major US professional groups, reflected in their education and attitude of openness to progress.

I had a chance to chat with John Bridal from the University of British Columbia (which handles education for the AICanada). I was privileged to have contributed to a chapter of their appraisal textbook. John mentioned that the "data science" viewpoint seems to be more well-accepted by students as the years proceed.

The individual attendance cost to attend this conference is in line with mid-level appraiser events. The sponsor is the Canadian AI. Some presenters are provided with a small stipend, which does not fully cover expenses.

The Joint AVS/CAA Conference in Dallas (American Valuation Society, Community of Asset Analysts).

This was by far the *most fun appraisal conference I have ever attended*! The combined energy (culture) of each group, interacting, made the difference. What they have in common is that both groups are forward looking and "constructive disruptors."

We had several of the top experts presenting on the integration of AI through application of data science principles via the EBV (Evidence Based Valuation)©. The emphasis was that AI does not do well with "judgment-based" analyses to "pick comps then adjust." The EBV path provides clear directions and guardrails. It also insures workfile, security, confidentiality, and analytic unbiasedness.

The overall focus of the conference clearly was the cutting edge of *analytic technology*, aligned with the professional competence and critical thinking required for modern valuation. We heard of an emphasis on the market analysis approach, with practical and varied uses of artificial intelligence from some top AI presenters. And we saw some deeper breakdowns and evolution of the new dynamic URAR, and details of the UAD 3.6 from Lyle Radke of FannieMae. This with an emphasis on the importance of market analysis and time adjustments, following the FHFA 'discovery' that 90% of their appraisals lacked any time adjustment at all!

Lyle is a science-oriented individual, so his presentation emphasizing the need for market analysis and sharpened, structured judgment was well received.

The meeting area at the MetroTex Board of Realtors facility was superb. Thank you!

Individual registration cost was very low. In fact - lunch was provided! The spirit and enthusiasm of the combined group was outstanding. The AVS (American Valuation Society) brought a diversity of emphases and contribution. The CAA (Community of Asset Analysts) brought a similar passion, with a more-defined path of data-cetnric appraisal process.

The low fee for two+ days of education, including hours of CE, reflect the attitude of both the CAA and the AVS: service, not profit nor personal aggrandizement.

Columbus, Virginia Elias!

My great grandson is great! What an opportunity to spend time with my granddaughter.

I hope by the time two-year-old Elias needs a career, there will be *no more appraisers* around. Appraisers are restricted under penalty of law and USPAP to provide an opinion, *not an analytic result*. An *opinion* of point value, magically drawn from "carefully selected comps" then "adjusted" via magical, mathematically indeterminate "support." Credible believability is different from measurable accuracy.

My hope is that he, and all the new "workforce" initiatives we have coming, will *not* be forced back to the subjective "trust me" paradigm of old. That he and the others replacing us will know how to analyze to a measurable probability distribution, which delivers what our clients really want to know: risk. Risk of loss of collateral; risk of a bad investment; or risk of an unfair or biased judicial/administrative decision. Measurable risk.

We will be *asset analysts*, analyzing much in consulting services to clients who need much *more* than an opionion.

My hope is that the public trust will come from real, proven objective *auditable* analytics --not chest-thumping. Real market analysis, risk/reliability scoring, forecast values, real-time revaluations, intrinsic value, and base value free of transaction costs (a cost, not a value), and even risk sensitivity based on black-swan and macroeconomic risk (which has been transferred to the taxpayer via government rescue, rather than inclusion in portfolio-risk analyses).

These are all needed products which appraisers are in the best position to provide! That is why our Valuemetrics.info education and the CAA community build the knowledge and skills needed for this future.

The CRN (Collateral Risk Network) Washington, DC conference comprised the second and third of a series of three roundtables focused on the impact and opportunity given current political potential. Each of the three CRN Conferences focused on the elements of the Executive Order "modernization" series. Each built on the familiarity gained from the earlier conferences, and the political progression on the issues. The congressional Road to Housing Act had not yet been passed, but was on its way by June, when I attended the third roundtable.

The stated roundtable design for the third conference was:

- Align regulators, lenders, AMCs, and appraisers;
- Connect federal policy with real valuation practices;
- Shape guidance for collateral valuation risk management;
- Address modernization, data, and "alternative" collateral solutions.

The CRN is able to bring in highly qualified people from the larger collateral lending space. This is enabled partially by the fact that Jim Park is its current president, with his solid reputation from many years as director of the ASC (Appraisal Subcommittee).

Membership comprises chief appraisers, compliance officers, risk managers, lenders, appraisal management companies (AMCs), and technology providers and regulators. Membership dues are relatively high; separate attendance fees seem to discourage attendance by individual appraisers.

However, this group has potential to be influential, due to its otherwise diverse membership and solid, forward-looking leadership.

The desire to improve the appraisal process, and non-appraisal valuation methods, may potentially lead this organization to a policy leadership position if the opportunity arises.

National Appraisal Policy Summit - Atlanta, Georgia

This conference is quite "grassroots." The sponsor is primarily Thaddeus Dawson, of the *10,000 Appraisers Foundation*. This conference was free. It was located at the Bearings Bike Works in Atlanta, GA. Interesting.

One focus is the implementation of a rational "reconsideration of value" (ROV) policy; and more broadly, appraisal policy, real estate equity and the future of the industry.

It is perhaps via the "future of the industry" that I was asked to speak at this conference. As most of you know, my mission is two-fold: promote EBV (Evidence Based Valuation)© in an open-source framework and enable appraisers to provide additional needed products.

A common meeting ground is the ROV. Often seen as a protective mechanism against possible bias, it presumes data selection and adjustments are substantially opinion-based, therefore subject to personal bias. In EBV, any potential for personal bias is effectively removed, and analytic bias is either eliminated or isolated. The isolation minimizes and clarifies any points of judgment. We find that this clarification and isolation of judgment calls, both sharpens and poses the exact role of judgment and makes it quite difficult to challenge without contrary evidence.

Another sharp point was the role of valuation and public policy regarding generational wealth transfer (or lack thereof). It brought home to me that I will not inherit my parents property, if it does not exist. Duh! The lack of inheritance also precludes the number one method of avoiding income taxes.

The formula for not paying income taxes can be quite simple! It is called the "buy, borrow, die" strategy. It is almost universally used by those who are able to earn-save (or inherit) assets sufficient to "live off the interest."

Back to appraisal.

The vagaries of ROV visit upon traditional appraisals: "pick comps, then adjust." Simply put, a borrower can claim that "the appraiser should have used this other sale - which is more similar to my house!"

The EBV process is data-science based. Data selection based on the market segment, not based on personal "expert" picks. Given market-derived parameters, there is no need to explain why that other sale was "not used." It was simply not part of the Competitive Market Segment (CMS)©. AND, per our process, is *already listed as data analyzed for non-inclusion!* Simple and effective.

The appraiser wins because the process is straight-forward. Also *accusations* of bias are effectively eliminated. Lenders and reviewers win because they do not have to administer a lengthy ROV process, and do not have to try to explain the unexplainable. Borrowers and investors win because they get a valuation which is true and sure (precision and accuracy). Regulators do not have to go through the motions to prove or suspect motive. The analysis is there, it is clear, it is positive.

While this does not solve the "generational wealth" disparity, it gives us a starting point for public policy, regardless of your political position or color.

Additional topics include the broader concept of Thaddeus' " Mis-Education of the Appraiser," which points out the 90% *failure rate* of market conditions analysis (time adjustment) -- as documented by the recent *"FHFA Working Paper 24-07.*"

It seems we have forgotten that "*Appraisal is Market Analysis*."

This conference was free. It felt good to participate toward resolving this two-fold issue: any bias accusations (true or false); and simply opening the door to appraisal appropriateness, accuracy, and reliability given today's process technology: the data science, artificial intelligence, and critical thinking.

I have found Thaddeus and this organization to be genuine thought-leaders in analytics modernization, training, and mellowing out the noise about bias in lending.

And perhaps the re-discovery of "The Market Analysis Approach" to valuation.

Appraisal Foundation Joint Meeting - Washington DC

This conference is a big deal. It involves dozens of people on the multiple boards, councils, and related organizations. It has a budget approaching $7 million, and a reserve of nearly $11 million. It successfully publishes books and updates, course creation, and receives exam fees, and in addition to awarding grants from the Appraisal Subcommittee, as funded by appraiser fees from state regulatory agencies.

The 2½ days of meetings combined three councils:
• TAFAC (The Appraisal Foundation Advisory Council), comprising non-profits and government agencies for recommendations to "assure public voice for standards and qualifications through about 50 public agencies."
• IAC (Industry Advisory Council), comprising for-profit entities and formed to tackle emerging issues. (They wrote two white papers on AVMs - Automated Valuation Models 5+ years ago. I spent around two years on a committee to recommend standards for AVMs, along with some really qualified and thoughtful people. I'm not sure what came of our efforts. But I learned a lot.)
• CARE (Council to Advance Residential Equity) was "created to ensure the perspectives of consumers, fair housing, and civil rights advocates were being represented in the work of the Foundation's Boards."

The main issues at the combined three groups included:
• The proposed Advisory Opinion 41 regarding Technology in Appraisal. The Opinion "clarifies how existing requirements apply to evolving technology."
• Programs for reducing qualifications in anticipation of the decreased need for appraisers in the near future, including non-hands-on methods for gaining training and education for new appraisers.
• Issues in integrating AI into the Appraisal Workflow.
The Appraisal Foundation has vast resources and are highly successful at stability in maintaining practices which have been proven over the years.

Summary

The conferences' similarities were framed by the **president's executive order** regarding housing; the then-pending **Road to Housing Act**; and the deadline immediacy of the **UAD 3.6 data** by the GSEs, new(?) lending models, and "new valuation approaches" and opportunities. "Technology" seemed to be a consistent theme throughout each of the six conferences. However, the understanding of technology, and its impact, varied considerably.

What stands out is the discrepancy in funding and power. Innovation tends to come from the newer, smaller groups. Stability and resistance to change the opposite.

In my writings, I have called the stagnation and unsureness of the appraisal function to be due to the five frictions: Practice, Education, Expectation, Regulation, and Standards. These concepts are of the "crab mentality" or "crabs in a bucket." If one crab attempts to crawl out the others will pull him back in.

The only hope for the true public trust with the valuation and risk business is radical public policy. A couple of crabs need to escape.

My Opinion
Much of the existing complexity of public policy is due to one simple fact: The *appraisal model process* is identical - whether done by an appraiser, evaluator, AVM, hybrid, agent, by "waiver," or (now) by artificial agent. The Market Analysis Approach.

There is *really only one issue* who makes the judgment decisions, and how completely they are done:

" **Problem** definition and identification
" **Data** collection and selection
" **Model** and algorithm
" **Result** message

Public policy and professional application must focus on results, not means.

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My comments: Over the years, I have been to many national appraisal conferences. Definitely worth the time and expense!

About the author
George Dell, SRA, MAI, ASA, CRE, CDEI, of San Diego, CA, is the creator and developer of the Evidence-Based Valuation© method of appraisal.
His signature workshop, Stats, Graphs and Data Science1 initiates new appraiser products and services – by combining appraiser expertise with data science tools and critical thinking skills.

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Before Magnitude, Existence (Adjustments), By Tim Andersen, MAI
A Fourteen-Part Ontological, Epistemological, Ethical, and Statistical Critique of Adjustment Development in Real Estate Appraisal

***Editor's comments**. This is the type of article Tim likes to write. Analyses I have never thought of related to AdjustmentS! Tim is definitely a USPAP expert and teaches classes, writes articles and advises appraisers on how to stay out of trouble.*

Abstract
This monograph argues that the central error in much appraisal adjustment practice is not mathematical, but philosophical. Appraisers often debate the quantity of an adjustment before establishing that an adjustment is warranted at all. The resulting confusion is ontological, epistemological, methodological, statistical, and ethical. Drawing from Aristotle, Hume, Popper, Kuhn, Socrates, the Hebrew prophets, Graaskamp, Ratcliff, Kinnard, Fisher, and modern professional valuation norms, this paper argues that credible adjustment development must proceed from existence to magnitude. The proper sequence is simple, but frequently neglected: observe the difference, prove the market recognizes that difference, and only then, estimate how much the market cares.

I. Introduction: The Profession's Category Error

The most common appraisal question may also be the wrong first question. How much is the adjustment for a pool? How much is the adjustment for a larger lot? How much is the adjustment for a superior view, an accessory dwelling unit, a third garage bay, a corner lot or a location within a preferred school district? These questions sound practical, technical, and professionally familiar. Yet each one begs the question that the market recognizes the characteristic and reacts to it in price.

The danger lies in the hiddenness of the premise. Once the appraiser asks how much, the appraiser has already conceded that there is something to measure. But what if there is not? What if the characteristic exists physically but not economically? What if a pool exists as concrete, tile, water, and equipment, yet no pool premium exists in that market segment? What if a view exists visually, but not as a price-recognized market phenomenon? What if buyers notice a feature, but do not pay for it? Then the question of the adjustment's quantity has arrived too early.

This is the profession's category error. It confuses an observable property difference with a demonstrated market reaction. It treats description as evidence. It treats difference as contribution. It treats adjustment practice as bookkeeping when it is actually judgment under uncertainty.

The thesis of this monograph is therefore direct: most appraisal adjustment disputes are not first disputes over magnitude. They are disputes over existence. Before the appraiser may ask how much the market cares, the appraiser must establish that the market cares at all. The first question is ontological. The second question is statistical. The profession has devoted enormous energy to the second question. It has given far less disciplined attention to the first.

II. Ontology: Does the Adjustment Exist?

Ontology is the study of being, existence and the nature of what is. Aristotle's *Metaphysics* begins with the conviction that inquiry must concern the thing as it is, not merely the thing as named or assumed. The appraiser's ontological question is plain: does the alleged market reaction even exist?

A physical characteristic may exist without a value effect existing. The pool exists. The garage exists. The lake view exists. The renovated kitchen exists. But the existence of the feature is different from the existence of a market premium. The first is a physical description. The second is due to market behavior. The gap between them is the gap where appraisal judgment lives. After all, if every house in the neighborhood has a great lake view, there is no premium for such a view, thus no reason to adjust for it.

This distinction is not academic ornament. It is central to credibility. Consider two homes in the same subdivision. One has a pool and one does not. The naive conclusion is that an adjustment must follow because the homes differ. Yet the market may show that families in that price range dislike pool maintenance. Or the market may show that pools are common enough to be expected. Or the market may show that pools help with marketing time but not purchase price. Or the market may show that pool contribution exists only above a certain price point. Ontology asks the appraiser to identify what kind of market phenomenon, if any, is actually present.

Thus, many adjustment debates are ontological disputes disguised as numerical disputes. When appraisers argue whether a pool adjustment should be $10,000, $25,000, or $50,000, the deeper question may be whether a pool adjustment exists in that market at all. Until existence is established, magnitude is speculation with arithmetic attached.

III. Epistemology: How Could We Know?

Epistemology asks how knowledge is possible and what justifies belief. In appraisal, this becomes the most practical question imaginable: how does the appraiser know that a characteristic affects value? Not suspect. Not assume. Not

repeat from a seminar manual, but *know*, or at least hold as a and market-supported professional conclusion.

David Hume warned that human beings easily confuse sequence, association and habit with causation. We see two things together and infer that one caused the other. Appraisers face the same danger. If homes with pools sell for more, did the pool cause a higher price? Or were the pool homes also larger, newer, better located, better maintained, or in different buyer submarkets? Correlation may be evidence. It is not yet *causation*.

Karl Popper's philosophy of science adds another discipline. A serious claim must be exposed to possible falsification. Appraisal claims should behave the same way. The appraiser who says that a characteristic contributes value should ask: what evidence would make me abandon that conclusion? If the answer is 'nothing,' the claim is not analysis. It is dogma (i.e., *superstition*), which has no place in a credible appraisal of real property.

The epistemological challenge of appraisal is therefore not the production of numbers. It is the production of justified belief. A number with no warrant is a costume. It dresses opinion as analysis. The appraiser's task is to connect conclusion to evidence with a chain strong enough to bear professional scrutiny.

IV. The Null Hypothesis as Professional Ethics

The null hypothesis may be the most underused idea in residential appraisal practice. In ordinary statistical language, the null hypothesis begins with the presumption that no meaningful relationship exists. In appraisal language, it may be stated with brutal simplicity: there is no evidence that this characteristic affects value.

This is not cynicism. It is professional humility. The appraiser begins not with belief, but with disciplined skepticism. The pool does not contribute value merely because pools cost money. The fireplace does not contribute value merely because the form has a line for it. The superior school district does not contribute value merely because local conversation says it must. *The analyst bears the burden of moving the conclusion away from zero.*

The radical proposition is this: every adjustment should begin life at zero. It should move away from zero only when market evidence justifies the movement. This does not mean the final adjustment must be zero. It means zero is the starting presumption, not the destination. The burden of proof rests on the proposed adjustment.

Viewed this way, the null hypothesis becomes more than a statistical device. It becomes a deontological discipline. Deontology concerns duty. The appraiser's duty is not to satisfy tradition, client expectation, underwriting habit, or peer imitation. The appraiser's duty is to say no more than the evidence permits. The null hypothesis prevents the appraiser from baptizing assumption as knowledge.

This is where statistics meets ethics. An unsupported adjustment is not merely weak math. It is a claim that exceeds its evidentiary warrant. Socrates

sought justified belief rather than opinion. The prophets condemned false witness. USPAP, in its professional language, demands credible assignment results. These traditions converge on one principle: do not testify beyond what you can support.

V. Chi-Square: The Statistic of Existence

Chi-square testing deserves more attention from appraisers because it addresses the first question rather than the second. It does not ask how much. It asks whether an observed distribution differs enough from expectation to suggest that something other than random chance may be operating.

In plain terms, chi-square compares observed counts with expected counts. Suppose an appraiser sorts competitive sales into two categories: homes with pools and homes without pools. Then the appraiser sorts those homes into above-median and below-median price categories. If homes with pools appear disproportionately in the above-median category, chi-square can help evaluate whether that pattern is likely random. The test does not prove that pools caused the higher prices. It does not produce a dollar adjustment. It merely helps answer the existential question: is there evidence of an association worth investigating?

That is why chi-square may be called, with only slight exaggeration, the statistic of existence. It helps the analyst decide whether the market appears to be speaking at all. Regression may later estimate magnitude. Paired sales may later support a dollar indication. But chi-square can help determine whether the relationship is sufficiently visible to challenge the null hypothesis.

The appraisal uses are numerous. Are waterfront homes disproportionately represented among rapid sales? Are homes in one school district disproportionately represented above the median sale price? Are properties with accessory dwelling units disproportionately represented among investor purchases? Do homes backing to busy roads disproportionately fall into lower price categories? These questions do not ask how much. They ask whether the market appears to care.

The limitation is equally important. Chi-square requires categories and counts. It does not handle continuous price variation the way regression does. It can be misused if categories are arbitrary or sample sizes are too small. Yet even with these limitations, the conceptual value is profound. It trains the appraiser to ask the first question first.

VI. Regression and the Seduction of Precision

Regression analysis is one of the most powerful tools available to appraisers. It can estimate the relationship between price and multiple explanatory variables. It can account for competing influences under certain conditions. It can reveal patterns that simple paired sales cannot. Nevertheless, regression is also dangerous because it seduces practitioners into confusing precision with truth.

A coefficient reported to three decimal places looks authoritative. A high R-squared looks impressive. A model output can appear scientific because it is

numerical. Yet the model may rest on unstable data, omitted variables, multicollinearity, thin samples, nonlinearity, selection bias, or a misunderstanding of the relevant market segment. The typography of precision can conceal the poverty of the premise.

Regression answers the second question magnificently when its conditions are satisfied. It estimates magnitude. *But it cannot substitute for the first question. It cannot rescue an adjustment whose existence has not been established.* If the analyst does not know whether buyers care about a feature, a coefficient may create the illusion that the question has been answered. In truth, the model may merely have placed a number on confusion.

This is not an argument against regression. It is an argument against regression idolatry. Statistical tools are servants of inquiry. They are not oracles. A model is not the market. A coefficient is not causation. R-squared is not reality. The appraiser must still interpret, test and reconcile.

VII. Standard Deviation and the Theology of Uncertainty

Standard deviation measures dispersion around a central tendency. It does not explain causes. It does not isolate individual property features. It does not say why one house sold for more than another. Yet it teaches appraisers something they desperately need to remember: markets contain *irreducible uncertainty*.

Market value is commonly understood as the most probable price under specified conditions. The phrase 'most probable' matters. It does not mean the true price. It does not mean the exact price. It means the price most consistent with observed market evidence and professional judgment. Standard deviation helps make this humility visible.

In a competitive sale set, dispersion may reflect size, condition, timing, location, motivation, buyer preference, financing, negotiation skill, exposure or simple human unpredictability. When data are too thin for reliable multivariable regression, standard deviation may help the appraiser understand the breadth of the market's plausible range. It does not coax out the price of each variable. It measures the total spread left by all variables together.

This is why the phrase 'theology of uncertainty' is not entirely playful. It recognizes that valuation involves faithfulness under incomplete knowledge. The appraiser cannot know everything. The appraiser must nevertheless act responsibly. Standard deviation disciplines that action by reminding the appraiser that the value conclusion lives inside a probability field, not on Mount Sinai.

Dr. Graaskamp's emphasis on decision making under uncertainty belongs here. The appraiser does not eliminate uncertainty. The appraiser manages it. The ethical question is not whether uncertainty remains. It always remains. The question is whether the appraiser has disclosed, analyzed and reconciled it honestly.

VIII. Hermeneutics: Reading the Market

Hermeneutics is the study of interpretation. It arose in connection with texts, scripture, law and historical understanding. Its relevance to appraisal is direct. Markets do not speak in complete sentences. They leave traces: sale prices, listing histories, concessions, days on market, buyer behavior, interviews, offers, withdrawals, and failed negotiations. The appraiser reads and interprets those traces.

This interpretive act is not secondary to appraisal. It is appraisal. Data do not explain themselves. The appraiser must decide which data are relevant, which are misleading, which are comparable, which are contaminated and which belong to a different market segment. The appraiser then constructs a credible meaning from imperfect evidence.

This is why appraisal resembles legal interpretation and biblical exegesis more than bookkeeping. A bookkeeper records. An appraiser interprets. The sale price is a fact. Its meaning is not self-evident. Was it arm's length? Was exposure adequate? Did the buyer perceive the pool as desirable? Did the location penalty dominate the renovation premium? The market text must be read.

Hermeneutics also warns against over-reading. A single sale may tempt the analyst to extract a conclusion the data cannot bear. The disciplined interpreter asks not only what the evidence says but what it does not say. Silence is evidence too, though of a different kind. If the market refuses to reveal a characteristic's effect, the appraiser should not pretend it has spoken.

IX. Phenomenology and Human Action

Phenomenology examines lived experience. In appraisal, it reminds us that buyers do not purchase variables. They purchase lives. They purchase quiet mornings, school routines, prestige, safety, convenience, sunlight, space, privacy and imagined futures. A regression coefficient may describe part of this behavior, but it does not exhaust it.

This matters because adjustments can become dehumanized. The appraiser may begin to think in form lines: GLA, site, condition, quality, view, pool, garage. Buyers do not experience homes that way. They experience wholes. A small kitchen, noisy road, and poor natural light may combine into a single negative impression. A view, balcony and open plan may combine into a premium greater than any one variable suggests.

Praxeology, the study *of purposeful human action*, reinforces the point. Markets are the result of decisions. Buyers act because they believe one choice serves their purposes better than another. Property characteristics matter only as far as they influence those decisions. Therefore, the appraiser studies not houses alone, but human action in relation to the purchase and sale of houses under specific market conditions in specific market areas.

This insight places limits on purely mechanical adjustment practice. A feature does not merit an adjustment simply because it is visible. It merits

consideration when evidence suggests that it *changes buyer action*. The appraiser must therefore interpret behavior, not merely inventory attributes.

X. Axiology, Deontology, and False Witness

Axiology concerns value. Deontology concerns duty. Together they illuminate the moral seriousness of adjustment development. An appraisal adjustment is not a casual estimate. It is a professional claim or, as USPAP would put it, *a statement of fact*. It says, in effect, that the market recognizes this difference and that the appraiser has support for the stated effect.

When that support is missing, the problem is not merely technical. It is ethical. The appraiser has made a statement that exceeds the evidence. That may not be intentional deception. It may be habit, pressure, haste or inherited practice. Yet the ethical issue remains. Professional credibility depends on proportionality between evidence and conclusion.

Socrates' relentless questioning sought to expose the difference between opinion and knowledge. The Hebrew prophets condemned false witness and unjust weights. These are not decorative references. They point toward a recurring human problem: the temptation to dress preference, convenience or institutional expectation in the clothing of truth.

USPAP expresses the same concern in professional rather than prophetic language. The appraiser must produce credible results. Credibility requires support. Support requires evidence. Evidence requires inquiry. An adjustment without inquiry is not merely thin. It is ethically and morally anorexic.

XI. Graaskamp, Ratcliff, and the Forgotten Intellectual Tradition

The great valuation thinkers did not reduce appraisal to form-filling. Dr. Richard Ratcliff emphasized analysis, market behavior and the economic foundations of value. Prof. James Graaskamp emphasized decision making under uncertainty and the complex interaction of market participants, institutions and risk. Dr. William Kinnard and others treated appraisal as an applied analytical discipline, not a clerical exercise.

This tradition is worth recovering because much modern residential practice has drifted toward ritual. Forms are completed. Adjustments are inserted. Grids are balanced. Yet the intellectual foundation may remain weak. The appearance of analysis substitutes for analysis itself.

Graaskamp would likely object to the mechanization of judgment. Ratcliff would likely object to market analysis reduced to comp selection rituals. The legendary appraisers understood that value emerges from human behavior under conditions of uncertainty. That understanding requires evidence, interpretation, and disciplined judgment.

The proposed sequence, observe the difference, prove the market cares, estimate how much, is therefore not a novelty. It is a recovery. It returns

adjustment practice to the intellectual seriousness that valuation theory always demanded.

XII. USPAP as Applied Epistemology

USPAP is often treated as a compliance manual, a check list. At a deeper level, it is *applied epistemology*. Its central concern is not merely whether boxes are checked but whether the relationship between evidence, analysis and conclusion is *credible*.

Scope of Work asks whether the appraiser performed enough work to solve the problem. Standards Rule 1-1 points toward diligence, competence and care. Standards Rule 1-4 concerns collection, verification and analysis of information. Standards Rule 1-6 requires reconciliation. Standards Rule 2-1 concerns clear, accurate and non-misleading reporting. These are epistemological demands. They ask, repeatedly: what justifies this conclusion?

An adjustment unsupported by market evidence is therefore not merely a weak grid entry. It threatens the credibility of the assignment result. If the report cannot explain why the adjustment exists, the amount of the adjustment becomes secondary. The first failure is not computational. It is evidentiary.

This is why USPAP should be understood not as an enemy of judgment, but as a discipline for judgment. It requires the appraiser to connect opinion to evidence under uncertainty. That is epistemology in professional clothing.

XIII. The Grand Sequence

The argument can be reduced to a sequence simple enough for students and demanding enough for experts:

1. Observe the difference.
2. Ask whether buyers and sellers appear to care.
3. Formulate the null hypothesis: there is no evidence of a value effect.
4. Gather market evidence.
5. Test whether the evidence challenges the null hypothesis.
6. Reject or fail to reject the null hypothesis.
7. Only then estimate magnitude.
8. Reconcile competing indications.
9. Explain the reasoning and uncertainty.

Most adjustment controversies arise because the profession begins at step seven. It estimates magnitude before proving existence. It debates amount before burden of proof. It performs arithmetic before inquiry.

This sequence also clarifies the role of statistical tools. Chi-square helps investigate association. T-tests and ANOVA help compare groups. Regression helps estimate magnitude when sufficient data exist. Standard deviation helps understand dispersion and uncertainty. Reconciliation integrates the evidence. None of these tools replaces judgment. None of them stands alone. Each disciplines judgment when used properly.

The sequence is therefore not anti-statistical. It is statistical in the deepest sense because it respects the order of inquiry. First ask whether a phenomenon appears to exist. Then ask how large it appears to be. Finally, ask how confident one should be.

XIV. Conclusion: Before Magnitude, Existence

The central challenge of appraisal is not mathematical. It is *philosophical*. Before the appraiser asks how much a characteristic contributes to value, the appraiser must establish that it contributes to value at all. The first question is *ontological.* The second is *statistical*. The third *is ethical*: how much confidence does the evidence permit?

Ontology asks whether a market reaction exists. *Epistemology* asks how we know. *Methodology* asks how we investigate. *Hermeneutics* asks how we interpret. Phenomenology asks how buyers experience property. *Praxeology* asks how human action produces market behavior. *Axiology* asks what value means. *Deontology* asks what duty requires. Teleology asks what appraisal is for.

Together, these disciplines reveal that appraisal is not bookkeeping. It is not mechanical form completion. It is not the ritual attachment of numbers to differences. It is disciplined inquiry under uncertainty. It is the professional interpretation of market behavior for a specific problem, at a specific time, for a specific intended use.

The profession has become highly skilled at asking how much. It must become equally skilled at asking whether. Until that happens, many adjustment disputes will remain confused because they will debate quantities of phenomena never proven to exist.

Before magnitude, existence. Before arithmetic, evidence. Before conclusion, inquiry.

Further Doctoral Development: Burden of Proof, Daubert, and Professional Judgment

The legal dimension sharpens the point. In expert testimony, the problem is not merely whether the appraiser can produce an adjustment, but whether the appraiser can explain the reasoning that led to it. A trial court, arbitrator, regulator, review appraiser or cross-examining attorney may ask a devastatingly simple question: what evidence first told you that this characteristic required an adjustment? If the answer is only custom, experience, expectation or form convention, then the adjustment rests on a weak foundation. The number may be plausible, but *plausibility proof*.

Daubert-style reasoning, even when not formally controlling, provides a useful professional discipline. The expert should be able to identify the method used, the data considered, the reasoning path followed, the potential error or uncertainty involved and the way contrary evidence was addressed. This is not an

invitation to turn every residential report into a law review article. It is a reminder that expert opinion becomes persuasive when it is transparent, testable and proportionate to its evidence. Boilerplate is not persuasive.

Burden of proof matters because appraisal reports often conceal burden shifting. The appraiser applies an adjustment, and the reader is left to disprove it. The better discipline reverses that habit. The analyst proposes that the market reacts to a characteristic; the analyst must then support that proposal. This is the null hypothesis translated into professional practice. The proposed adjustment must earn its way into the report, not merely show up at the appraiser's whim.

Teleology: What Are Adjustments For?

Teleology asks about purpose. What is an adjustment for? The obvious answer is that an adjustment helps compare the comparable sale to the subject. That answer is correct but incomplete. At a deeper level, an adjustment exists to remove, or at least reduce, the effect of a market-recognized difference so the appraiser can better interpret the remaining evidence. If the market does not recognize the difference, the adjustment does not serve that purpose. It merely adds ceremonial arithmetic.

This matters because means often replace ends. The grid becomes the master. The adjustment becomes a ritual offering to the form. The appraiser begins to believe that every blank demands a number and every number demands a justification after the fact. Teleological discipline restores the order. The purpose is not to complete a grid. The purpose is to solve a valuation problem credibly. The grid is a tool. It is not an oracle.

When the purpose is clear, restraint becomes easier. A zero adjustment is not a confession of ignorance when evidence does not support a market reaction. It may be the most intellectually honest conclusion available. Likewise, a qualitative adjustment may be superior to a false quantitative one when the evidence suggests direction, but not reliable magnitude. The purpose of adjustment analysis is not numerical performance. It is credible comparison.

The Nay-Sayers and Their Uses

The nay-sayers deserve attention because they perform a useful service. The skeptical reviewer, the impatient underwriter, the hostile attorney and the regulator with a sharpened pencil all ask versions of the same question: why should anyone believe this? Their tone may be unpleasant, but the question is legitimate. Professional analysis improves when it anticipates resistance.

Hume is the great nay-sayer of causation. Popper is the nay-sayer of comfortable confirmation. Kuhn is the nay-sayer of professional paradigms that mistake themselves for nature. Socrates is the nay-sayer of unexamined confidence. In appraisal, the honorable nay-sayer is the person who refuses to let the profession confuse habit with evidence.

The appraiser should therefore *internalize* the best critic. Before the reviewer asks, the appraiser should ask. Before the attorney attacks, the appraiser should test. Before the regulator questions, the appraiser should *reconcile*. This is not fear. It is craftsmanship. The finest workfile is often built by an appraiser who has already cross-examined herself.

A Practical Statistical Hierarchy

The statistical hierarchy implied by this essay is not complicated. First, descriptive statistics show the shape of the data: mean, median, range, standard deviation, coefficient of variation, and outliers. Second, association tools ask whether observable relationships appear to exist: cross-tabulations, chi-square tests, scatterplots, grouped comparisons, and correlation. Third, inferential tools ask whether group differences appear meaningful: t-tests, ANOVA, confidence intervals, and nonparametric alternatives when appropriate. Fourth, modeling tools estimate magnitude: regression, matched pairs, grouped-data extraction, sensitivity analysis, and reconciliation.

This hierarchy matters because it respects intellectual sequence. The appraiser should not leap to regression coefficients before looking at plots. The appraiser should not extract paired-sales adjustments before asking whether the paired sales represent the same market segment. The appraiser should not average extracted indicators that were never supported by a demonstrated relationship. Each tool belongs to a stage of inquiry.

No hierarchy eliminates judgment. Indeed, the hierarchy reveals judgment. The appraiser must decide whether the data are sufficient, whether the categories are meaningful, whether the apparent relationship is stable, whether outliers are informative or distorting, and whether the conclusion should be quantitative, qualitative, or withheld. Statistics discipline judgment. They do not replace it.

Final Reconciliation

The ultimate act remains *reconciliation*. Reconciliation is not averaging. It is not compromise. It is the disciplined weighing of evidence. After the appraiser has asked whether the market cares and estimated how much it appears to care, the appraiser must still decide what the evidence means in the assignment's context. The work is analytical, ethical, and narrative. It is *not* mechanical or technical.

A mature reconciliation may conclude that a characteristic affects marketability but not price. It may conclude that a premium exists, but cannot be measured with sufficient precision. It may conclude that the evidence supports a range rather than a point. It may conclude that qualitative recognition is more credible than a false dollar adjustment. These are not failures. They are signs that the appraiser understands uncertainty.

The profession should therefore stop treating uncertainty as embarrassment. Uncertainty is the condition under which appraisal exists. If prices

were perfectly knowable, appraisers would be unnecessary. The appraiser's calling is not to abolish uncertainty. It is to reason faithfully within it.

Notes

1. The phrase 'category error' is used here in its ordinary philosophical sense: a mistake caused by placing a concept in the wrong logical class. In this essay, the error consists of treating physical difference as though it were already demonstrated market reaction.
2. The proposed appraisal version of the null hypothesis is intentionally plain: "There is no evidence that this characteristic affects value." It is not a claim that the characteristic has no effect. It is a starting presumption requiring evidence before adjustment.
3. Chi-square is useful conceptually because it tests observed frequencies against expected frequencies. Its practical use in appraisal requires adequate sample size, meaningful categories, and careful market segmentation.
4. The critique of regression here is not a rejection of regression. It is a rejection of premature regression, thin-data regression, and the belief that numerical precision can cure an unsupported premise.
5. USPAP citations are treated generally because the point here is theoretical. The relevant professional principles include credibility, support, sufficient information, analysis, and reconciliation.

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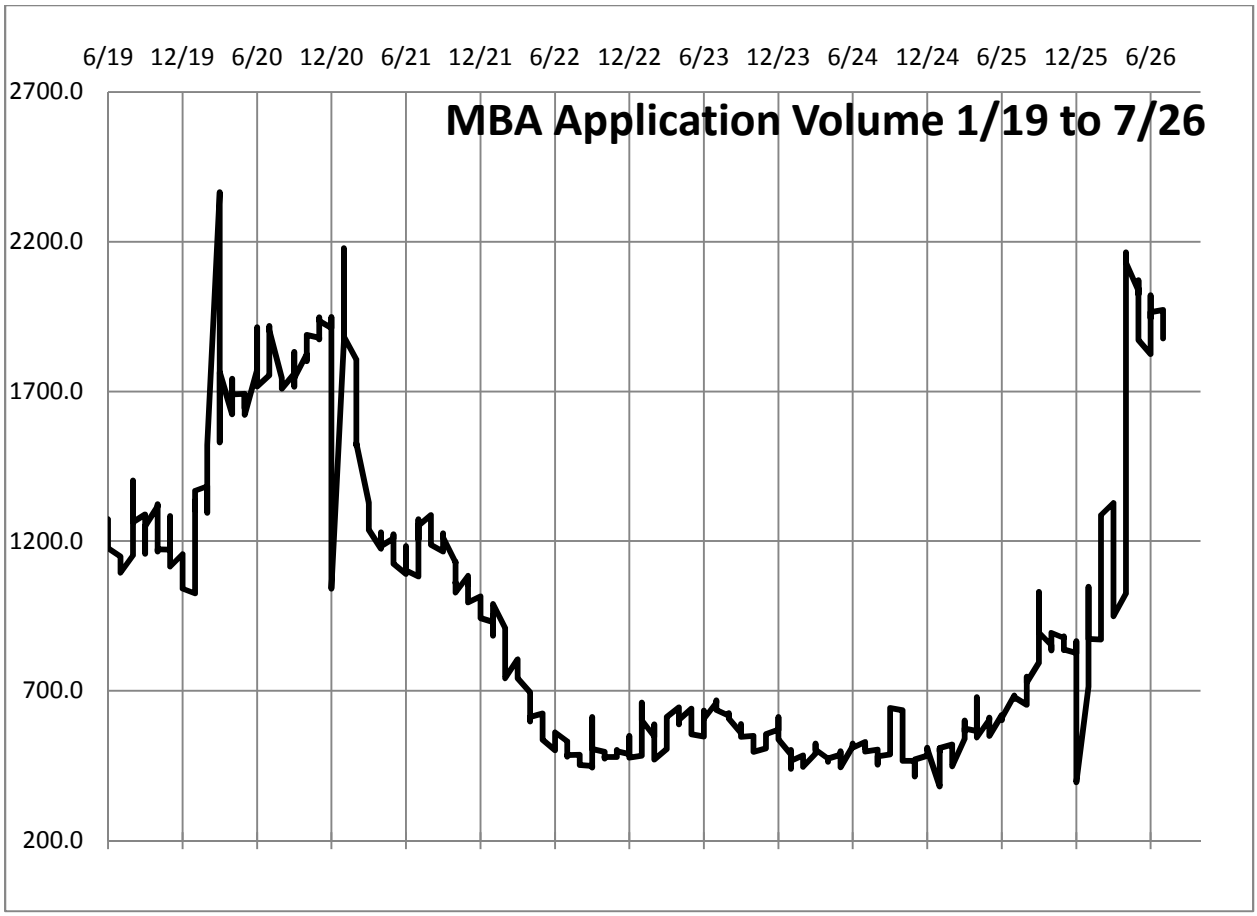

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