Cwift

THE CREDIBILITY BRIEF

Why desktop appraisals are credible

A sourced summary for attorneys, CPAs, trustees, mediators and anyone asked to rely on a desktop appraisal.

In one paragraph: A desktop appraisal is developed under the same national standards as any appraisal, by a state-certified appraiser who signs a certification and keeps a workfile. Those standards leave the extent of any inspection to the appraiser's scope of work. Fannie Mae and Freddie Mac accept desktop appraisals for eligible purchase loans. Federal gift-tax rules describe the appraiser's qualifications and the report's contents without requiring a site visit. And for the past dates common in estate, tax and family-law work, a present-day inspection couldn't show the relevant condition anyway.

USPAP 2024
Inspection extent is part of the appraiser's scope of work

Fannie Mae B4-1.2-02
Desktop appraisals accepted for eligible purchase loans

26 CFR 301.6501(c)-1(f)(3)
Gift-tax appraisal rules list no site-visit requirement

License AR036053
Verifiable with California's appraiser bureau

1 The standards don't require a site visit

USPAP, published by the Appraisal Standards Board of The Appraisal Foundation, is the set of standards appraisers follow throughout the United States, and California law requires licensed appraisers to comply with it. The current edition took effect on January 1, 2024, and has no end date.

Its Scope of Work Rule makes the appraiser responsible for deciding what research and analysis are needed to produce credible results for the intended use. Advisory Opinion 2 treats the extent of any inspection as part of that scope of work, which can vary with the assignment. What USPAP does require is disclosure: the certification must state whether the appraiser personally inspected the property, and the report must describe the information relied on.

2 Lenders already rely on desktop appraisals

Fannie Mae's Selling Guide (B4-1.2-02) describes desktop appraisals reported on Form 1004 Desktop, whose minimum scope of work does not require a current inspection of the property or the comparable sales. The appraiser relies on data from other sources. They are eligible for certain one-unit, principal-residence purchase loans with loan-to-value ratios of 90% or less.

Freddie Mac accepts desktop appraisals for eligible purchase transactions as well. If the companies that back home mortgages accept desktop appraisals for loans secured by the house, the method is credible for the estate, tax and family decisions on this site.

3 Tax rules focus on who signs and what the report says

For gift-tax returns, Treasury regulations describe an appraisal that satisfies adequate disclosure (26 CFR §301.6501(c)-1(f)(3)). The appraiser must regularly perform appraisals, be qualified for the type of property, and be independent of the donor and the recipient. The report must state the dates and purpose, describe the property and the appraisal process, list assumptions and limiting conditions, identify the information considered, and explain the procedures, the method and the specific basis for the value. None of those requirements is a physical inspection.

For inherited property, the heir's basis is generally the fair market value at the date of death (IRC §1014). The appraisal is the documentation of that value, and its credibility rests on the appraiser's qualifications and the quality of the analysis.

4 Comparable sales have always been studied remotely

In any appraisal, inspected or not, the appraiser does not tour the comparable sales. Their features and condition come from MLS records, listing photographs, public records and market data. Most of the evidence behind any value opinion is gathered this way. A desktop appraisal applies the same research method to the subject property.

5 The owner's evidence is often better than a short visit

Photographs of every room, measurements, permits, invoices and the owner's account of repairs can document a home more completely than a brief walk-through, especially for the work nobody can see. When information turns out to be wrong, the remedy is built in: Cwift revises the appraisal at no charge if the home's features, quality or condition were misread or misdescribed.

6 Past dates can't be inspected anyway

Date-of-death, gift, separation and transfer appraisals value a home as it was on an earlier date. A visit today would document today's condition, after a clean-out, repairs or a remodel. The credible approach, in any format, is to reconstruct the earlier condition from evidence and to rely on sales from that period.

7 The appraiser is fully accountable

Every Cwift report is signed by Brian Ward, California Certified Residential Real Estate Appraiser, license AR036053, issued by the California Bureau of Real Estate Appraisers (BREA), which licenses and disciplines appraisers. The license can be verified with BREA's public appraiser search. USPAP requires the appraiser to keep a workfile supporting each report for at least five years, and longer when testimony is involved, so the analysis can be examined if the value is ever questioned.

8 · The honest limits

A desktop appraisal is not the right tool for every situation. Lenders must order their own appraisals. A case headed to trial, a dispute among beneficiaries or co-owners, a court or agency rule that requires an interior inspection, or a property with major unpermitted work or damage can each call for an inspection-based appraisal.

Brian Ward has prepared desktop appraisals for every purpose listed on this site. Some situations still call for an inspection-based appraisal, so check with your attorney or tax advisor before you order to be sure a desktop report fits your matter.

Sources

1. **The Appraisal Foundation, Uniform Standards of Professional Appraisal Practice (USPAP), 2024 edition**
   https://www.appraisalfoundation.org/imis/TAF/Standards/Appraisal_Standards/Uniform_Standards_of_Professional_Appraisal_Practice/TAF/USPAP.aspx
2. **Fannie Mae Selling Guide B4-1.2-02, Desktop Appraisals**
   https://selling-guide.fanniemae.com/sel/b4-1.2-02/desktop-appraisals
3. **Freddie Mac Single-Family Seller/Servicer Guide, Section 5604.1 (desktop appraisals)**
   https://guide.freddiemac.com/app/guide/section/5604.1
4. **26 CFR §301.6501(c)-1(f)(3), adequate disclosure of gifts (appraisal requirements)**
   https://www.ecfr.gov/current/title-26/chapter-I/subchapter-F/part-301/subpart-ECFR47464f8a81aa5b0/subject-group-ECFR2b9daa72e34967f/section-301.6501(c)-1
5. **California Bureau of Real Estate Appraisers (BREA), license search**
   https://www.brea.ca.gov/

Brian Ward, California Certified Residential Real Estate Appraiser

License AR036053 · appraising California homes since 2004 · 7,000+ appraisals · expert witness in litigation, bankruptcy and family law.

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