

Real Estate Appraiser License Exam

QUICK REFERENCE CHEAT SHEET USPAP
· AI / ASA STANDARDS

THREE APPROACHES TO VALUE

Approach	Method	Best Used For
Sales Comparison	Compare subject to recent sales of similar properties (comps)	Residential; most reliable when active market
Cost Approach	Land value + depreciated cost of improvements	New construction, special-use properties
Income Approach	Capitalize NOI: $\text{Value} = \text{NOI} \div \text{Cap Rate}$	Income-producing: apartments, commercial

DEPRECIATION TYPES — COST APPROACH

Type	Curable?	Description
Physical deterioration	Yes/No	Wear and tear from use/age; deferred maintenance = curable
Functional obsolescence	Yes/No	Design flaws (too few baths, awkward layout); external design changes
External obsolescence	No	Outside forces (highway, neighborhood decline) — ALWAYS incurable
Accrued depreciation	—	Total loss in value from all sources since construction
Economic life	—	Total useful life of improvement; typical = 40–60 years

USPAP — APPRAISAL STANDARDS

Rule / Standard	Key Requirement
USPAP Standard 1	Develop the appraisal — competency, scope, credible analysis
USPAP Standard 2	Report the appraisal — must not be misleading; written or oral
Competency Rule	Appraiser must be competent; if not, disclose and acquire competency
Ethics Rule	No contingent fees; no discrimination; no bias
Scope of work	Appraiser determines what is appropriate; must be disclosed
Confidentiality	Cannot disclose assignment results without client consent

EXAM-DAY TIPS

- External obsolescence is ALWAYS incurable — the cause is outside the property.
- Income approach: $\text{NOI} \div \text{Cap Rate} = \text{Value}$; higher cap rate = lower value.
- Cost approach: best for new construction and special-use properties (churches, schools).
- USPAP Ethics: appraisal fees cannot be contingent on the value conclusion — prohibited.
- Competency Rule: if you lack competency, you must disclose it in the appraisal.
- Sales comparison: adjustments are made to the comp (not the subject) for each difference.
- Reconciliation: appraiser assigns weight to each approach based on data quality.

10 Questions That Fail Most Appraiser Candidates

These exact topics appear on the real exam — and most candidates get them wrong.

INCOME APPROACH

A property produces \$60,000 NOI. Cap rate is 7.5%. Estimated value?

- A. \$450,000
- B. \$600,000
- C. \$800,000
- D. \$900,000

✓ C — \$800,000 ($\$60,000 \div 0.075$)

NEC: Income approach: $Value = NOI \div Cap\ Rate$; $\$60,000 \div 0.075 = \$800,000$

EXTERNAL OBSOLESCENCE

A new highway is built adjacent to a residential property, reducing its value. This is:

- A. Curable physical deterioration
- B. Functional obsolescence
- C. External (economic) obsolescence — incurable
- D. Curable functional obsolescence

✓ C — External obsolescence — always incurable

NEC: External obsolescence: caused by forces outside the property; always incurable

BEST APPROACH FOR RESIDENCE

Which approach to value is most reliable for a typical single-family home?

- A. Cost approach
- B. Income approach
- C. Sales comparison approach
- D. Gross rent multiplier

✓ C — Sales comparison approach

NEC: Sales comparison: most reliable for owner-occupied residential when active market exists

USPAP ETHICS — FEES

Under USPAP, an appraiser's fee MAY NOT be:

- A. Hourly rate
- B. Flat fee
- C. Contingent on the value conclusion
- D. Based on property complexity

✓ C — Contingent on the value conclusion

NEC: USPAP Ethics Rule: fees contingent on value are prohibited; they compromise independence

SALES COMPARISON ADJUSTMENT

When making a sales comparison adjustment, adjustments are made to:

- A. The subject property
- B. The comparable sale
- C. Both equally
- D. Neither — only time adjustments are made

✓ B — The comparable sale (comp is adjusted to match subject)

NEC: Sales comparison: comps are adjusted (+/-) to match the subject's characteristics

COST APPROACH USE

The cost approach is MOST reliable for:

- A. A 50-year-old apartment building
- B. A newly constructed special-use property (church)
- C. An income-producing strip mall
- D. A starter home in a high-turnover neighborhood

✓ B — New construction or special-use properties

NEC: Cost approach: most reliable when improvements are new and when no comparable sales exist

DEPRECIATION — INCURABLE

Which type of depreciation is ALWAYS incurable?

- A. Deferred maintenance
- B. Functional obsolescence — design flaw
- C. External obsolescence
- D. Physical deterioration

✓ C — External (economic) obsolescence

NEC: External obsolescence: caused by outside forces; property owner cannot cure it

COMPETENCY RULE

If an appraiser lacks competency for an assignment, USPAP requires:

- A. Refer the assignment to another appraiser
- B. Complete the assignment and disclose the lack
- C. Disclose and either acquire competency or associate with a competent appraiser
- D. Decline the assignment

✓ C — Disclose and acquire competency or associate with a competent appraiser

NEC: USPAP Competency Rule: disclose and cure the lack of competency before or during assignment

RECONCILIATION

In reconciliation, the appraiser:

- A. Averages the three approaches
- B. Uses only the approach with the highest value
- C. Assigns weight to each approach based on data quality and reliability
- D. Always relies solely on the income approach

✓ C — Assigns relative weight to each approach based on reliability

NEC: Reconciliation: appraiser analyzes strengths/weaknesses of each approach; not a simple average

CONFIDENTIALITY

An appraiser may disclose assignment results WITHOUT client consent to:

- A. A real estate agent involved in the transaction
- B. State appraisal regulatory authorities
- C. The property owner
- D. A potential buyer

✓ B — State appraisal regulatory agencies (required disclosure)

NEC: USPAP Confidentiality: must disclose to regulatory bodies; requires client consent otherwise

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