

# Standards of Valuation Practice and Valuers Code of Professional Ethics



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2016 Edition

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Developed for valuation professionals by the Appraisal Institute

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# PREAMBLE

## Preamble to the Valuers Code of Professional Ethics and the Standards of Valuation Practice

Real estate is one of the basic sources of wealth in the global economy. Therefore, those who own, manage, sell, purchase, invest in or lend money on the security of real estate must have ready access to the services of individuals who provide unbiased opinions of value, as well as sound information, analyses and advice on a wide range of issues related to property economics. For these reasons, the services of valuers are vital to the well-being of our society and the global economy, and foster economic growth, stability and public confidence.

The Appraisal Institute has a long history as the leader of the valuation profession and as a developer of valuation standards and ethics. In keeping with its historic role, the Appraisal Institute developed the Valuers Code of Professional Ethics (VCPE) and Standards of Valuation Practice (SVP) to:

- establish straightforward, enforceable and uniform principles-based requirements for ethical and competent practice;
- help valuers meet the evolving needs of clients and facilitate the variety of work that valuers now perform; and
- promote and maintain a high level of public trust and confidence in the valuation profession and in valuation professionals.

The VCPE and SVP may be used where existing valuation standards and valuer ethics are not already required or do not apply.

## EXCEPTIONS

If any part of a Standards or Ethical Rule is contrary to a law or regulation of any jurisdiction, such part shall be void and of no force or effect in said jurisdiction.

# DEFINITIONS

**Appraisal:** The act or process of developing an opinion of value; an opinion of value. An appraisal must be numerically expressed as a specific amount, as a range of numbers or as a relationship (e.g., not more than, more than, not less than, less than) to a specified amount.

**Assignment Results:** Opinions and conclusions developed in an appraisal or review.

**Biased:** Not reasonably supported, and favoring or promoting the cause or interest of the client, one's self or another.

**Client:** The individual, group or entity who engages a valuer to perform a service.

**Confidential Information:** Information that is either:

- identified by the client as confidential when providing it to a valuer and that is not available from any other source; or
- classified as confidential or private by applicable law or regulation.

**Credible:** Worthy of belief; supported by analysis of relevant information. Credibility is always measured in the context of intended use.

**Date of Report:** The date on which the Report is transmitted to the client.

**Effective Date:** The date on which the appraisal or review opinion applies.

**Engagement:** An agreement between a valuer and a client to provide a service.

**Hypothetical Condition:** A condition that is presumed to be true when it is known to be false.

**Intended Use:** The valuer's intent as to how the Report will be used.

**Intended User:** The party or parties the valuer intends will use the Report.

**Justified:** Reasonably supported.

**Know or Knowingly:** The individual realizes what he or she is doing, is aware of the nature of his or her conduct, and is not acting through mistake or accident.

*Comment:* Knowledge can be inferred from the valuer's conduct and from all the facts and circumstances surrounding the conduct. A determination of "knowingly" should be made in the context of the valuer's training, background and experience. A valuer may have acted (or failed to act) "knowingly" if he or she acted in disregard of the requirements of the applicable Ethics and/or Standards or the profession's recognized methods and techniques. The term "knowingly" includes not only what the valuer knew, but also what the valuer reasonably should have known given all the facts and circumstances of the conduct and the valuer's training, background and experience.

# DEFINITIONS

**Moral Turpitude:** An act of baseness, vileness or depravity in private and social duties which a person owes to other people or to society in general; an act contrary to accepted and customary rules of right and duty between people; in essence contrary to justice, honesty or good morals.

**Report:** The final communication, written or oral, of an appraisal or review transmitted to the client. Finality is evidenced by the presence of the valuer's signature in a written Report or a statement of finality in an oral Report. All communications to the client prior to the final communication must be conspicuously designated as such.

**Review:** The act or process of developing and communicating an opinion to a client about the quality of another's appraisal or review Report.

**Reviewer:** A valuer performing a review.

**Scope of Work:** The type of data and the extent of research and analyses.

**Service:** Work that a valuer performs for a client that is subject to the Valuers Code of Professional Ethics and the Standards of Valuation Practice, including but not limited to appraisal and review.

**Special Assumption:** An assumption, directly applicable to a specific service, which, if found to be false, could alter the opinions or conclusions in an appraisal or review.

**Value:** The monetary relationship between properties and those who buy, sell or use those properties. Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified—for example, market value, liquidation value or investment value.

**Valuer:** One who is expected to provide services relating to the value of property in an unbiased and competent manner.

# STANDARDS OF VALUATION PRACTICE — STANDARD A

“An appraisal must be credible.”



## A-1: Competency

In developing an appraisal, a valuer must:

- (a) be aware of and understand methods and techniques that are necessary to produce credible assignment results;
- (b) not commit a substantial error of omission or commission that significantly affects the assignment results; and
- (c) not make a series of errors that, considered individually, may not significantly affect the assignment results but which, when considered in the aggregate, establish that the appraisal is being rendered in a careless or negligent manner.



## A-2: Problem Identification

The valuer must identify the appraisal problem to be solved at the time of engagement. To identify the appraisal problem, the valuer must ascertain:

- (a) the client and any other intended users;
- (b) the intended use of the Report;
- (c) the type and definition of value;
- (d) the effective date of the valuer's opinions and conclusions;
- (e) the property that is the subject of the appraisal and the interest in that property to be appraised;
- (f) the characteristics of the subject property that are relevant to the type and definition of value and intended use of the appraisal;
- (g) any special assumptions necessary in the appraisal;
- (h) any hypothetical conditions necessary in the appraisal; and
- (i) other conditions of the engagement that affect the scope of work, including general assumptions and applicable laws, regulations and guidelines.



## A-3: Scope of Work

The valuer must determine the scope of work necessary to develop an appraisal that is credible given its intended use. The scope of work for an appraisal is appropriate when it meets:

- (a) what the actions would be of another valuer who possesses competency to prepare the same appraisal, and
- (b) the expectations of parties who are regularly intended users of appraisals under similar circumstances.



## A-4: Application of Methodology

The valuer must:

- (a) research and verify data necessary to develop a credible appraisal, and
- (b) correctly employ methods and techniques necessary to produce a credible appraisal.

# STANDARDS OF VALUATION PRACTICE — STANDARD B

## “A review must be credible.”



### B-1: Competency

In developing a review, a reviewer must:

- (a) be aware of and understand methods and techniques that are necessary to produce credible assignment results;
- (b) not commit a substantial error of omission or commission that significantly affects the review; and
- (c) not make a series of errors that, considered individually, may not significantly affect the review but which, when considered in the aggregate, establish that the review is being rendered in a careless or negligent manner.



### B-2: Problem Identification

The reviewer must identify the review problem to be solved at the time of engagement. To identify the review problem, the reviewer must ascertain:

- (a) the client and any other intended users;
- (b) the intended use of the Report;
- (c) the objective of the review, including whether it will include the development of the reviewer’s own opinion of value (in the case of a review of an appraisal) or the reviewer’s own review opinion (in the case of a review of a review);
- (d) the work under review, which may be a written or oral appraisal or review Report, or portion thereof;
- (e) any special assumptions necessary in the review; and
- (f) other conditions of the engagement that affect the scope of work, including general assumptions and applicable laws, regulations and guidelines.



### B-3: Scope of Work

The reviewer must determine the scope of work necessary to develop a review that is credible given its intended use. The scope of work for a review is appropriate when it meets:

- (a) what the actions would be of another reviewer who possesses competency to prepare the same review, and
- (b) the expectations of parties who are regularly intended users of reviews under similar circumstances.



### B-4: Application of Methodology

The reviewer must:

- (a) correctly employ methods and techniques necessary to produce a credible review;
- (b) support review opinions with relevant evidence and logic;
- (c) develop rationale for any disagreement with the data, analyses, opinions or conclusions presented in the work under review; and
- (d) when the reviewer’s scope of work includes development of the reviewer’s own opinion of value, comply with the requirements of Standard A.

# STANDARDS OF VALUATION PRACTICE — STANDARD C

## “A Report must be clear and not misleading.”



### C-1: Not Misleading

A Report must clearly and accurately set forth the appraisal or review opinions and conclusions in a manner that will not be misleading in the context of the intended use.



### C-2: Sufficient Report Content

An appraisal or review Report, whether oral or written, must contain sufficient information to enable the intended user(s) to understand the Report properly in the context of the intended use.

- (a) A written appraisal Report must:
  - (i) include a signed certification statement in accordance with Standards Rule C-3;
  - (ii) state that the valuer has no (or the specified) present or prospective interest in the property that is a subject of this engagement and no (or the specified) personal interest with respect to the parties involved;
  - (iii) state either that no one provided significant property appraisal assistance to the valuer signing the certification, or state the name of each individual who provided such assistance;
  - (iv) state the identity of the client, or if the client requested anonymity, state that the client's identity is withheld but retained with the valuer's records;
  - (v) state the identity of any other intended user(s), by name or type, of the appraisal Report;
  - (vi) state the intended use of the appraisal Report;
  - (vii) identify the property involved in the appraisal;
  - (viii) state the property interest appraised;
  - (ix) state the type of value and cite the source of its definition;
  - (x) state the effective date of the appraisal;
  - (xi) state the date of Report;
  - (xii) state the scope of work used to develop the appraisal;
  - (xiii) state the methods and techniques used to develop the opinions and conclusions;
  - (xiv) state the extent of any significant appraisal assistance provided to the valuer;
  - (xv) state the opinion(s) and conclusion(s) reached; and
  - (xvi) clearly and conspicuously state all special assumptions and hypothetical conditions, and that their use might have affected the valuer's opinion(s) and conclusion(s).
- (b) A written review Report must:
  - (i) include a signed certification statement in accordance with Standards Rule C-3;
  - (ii) state that the reviewer has no (or the specified) present or prospective interest in the property that is a subject of the work under review and no (or the specified) personal interest with respect to the parties involved;
  - (iii) state either that no one provided significant property appraisal or review assistance to the valuer signing the certification, or state the name of each individual who provided such assistance;





- (iv) state the identity of the reviewer's clients, or if the client requested anonymity, state that the client's identity is withheld but retained with the reviewer's records;
  - (v) state the identity of any other intended user(s), by name or type, of the review Report;
  - (vi) state the intended use of the review Report;
  - (vii) state the objective of the review;
  - (viii) state the identity of the work under review, including the date of Report and effective date of value specified in the work under review;
  - (ix) state the date of the appraisal review Report;
  - (x) state the scope of work used to develop the review;
  - (xi) when the reviewer's scope of work includes the reviewer's development of an opinion of value:
    - state which information, analyses, opinions and conclusions in the work under review the reviewer accepted as credible and used in developing the reviewer's own opinion,
    - state any additional information relied on, and
    - summarize the reasoning for the reviewer's opinion of value;
  - (xii) state the extent of any significant appraisal or review assistance provided to the reviewer;
  - (xiii) clearly and conspicuously state any special assumptions used in the review, and state that their use might have affected the reviewer's opinion(s) and conclusion(s); and
  - (xiv) state the reviewer's opinion(s) and conclusion(s) about the work under review, including the reasons for any disagreement.
- (c) An oral appraisal or review Report must, to the extent that it is both possible and appropriate, address the substantive matters set forth in Standards Rule C-2(a) or (b). A written copy of a signed certification, in accordance with Standards Rule C-3, must be retained by the valuer or reviewer.



## C-3: Certification

A Report must contain the following statement signed by the valuer(s):

**I certify that, to the best of my knowledge and belief, my analyses, opinions and conclusions were developed, and this Report complies with, the Valuers Code of Professional Ethics and Standards of Valuation Practice.**

When the signing valuer(s) relied on work done by others who do not sign the certification, each signing valuer is responsible for the decision to rely on their work. Each signing valuer is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

# VALUERS CODE OF PROFESSIONAL ETHICS — CANON 1

“A valuer must refrain from conduct that is detrimental to the profession, and the public.”



## 1-1

It is unethical to knowingly:

- (a) act in a manner that is misleading;
- (b) act in a manner that is fraudulent;
- (c) use, or fail to take steps to prevent another from using, a misleading Report;
- (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report; or
- (e) transmit a Report containing an analysis, opinion or conclusion that reasonable valuers would not believe to be justified.



## 1-2

It is unethical to engage in conduct of any kind that leads to a conviction of a crime involving fraud, dishonesty, false statements or moral turpitude.



## 1-3

It is unethical to knowingly fail to properly identify the issue to be addressed and have the knowledge and experience to complete the service competently prior to agreeing to perform a service, or alternatively, to:

- (a) disclose the lack of knowledge and/or experience to the client before agreeing to perform the service;
- (b) take all steps necessary or appropriate to complete the service competently; and
- (c) describe the lack of knowledge and/or experience and the steps taken to complete the service competently in the Report.



## 1-4

It is unethical in the performance of a service to knowingly fail to:

- (a) identify appropriate Standards to apply; and
- (b) disclose in any Report the Standards applied.

# VALUERS CODE OF PROFESSIONAL ETHICS — CANON 2

## “A valuer must maintain appropriate records.”



### 2-1

It is unethical to fail to maintain records, documented on any type of media, for each Report. A valuer must possess the required records prior to the transmission of a Report.

- (a) Records for a written Report must include:
  - a copy of the written Report(s); and
  - any other data, information and documentation necessary to support the valuer’s analyses, opinions and conclusions, and to show compliance with the Valuers Code of Professional Ethics and applicable Standards of Practice, or references to the location(s) of such other documentation accessible to the valuer.
- (b) Records for an oral Report must include:
  - the name of the client and the identity, by name or type, of any other intended users;
  - the valuer’s signed and dated certification;
  - a written summary of the oral Report or, if the presentation is in the form of testimony, a transcript of that testimony may be retained in the file in place of the summary; and
    - all other data, information and documentation necessary to support the valuer’s analyses, opinions and conclusions, and to show compliance with the Valuers Code of Professional Ethics and applicable Standards of Practice, or references to the location(s) of such other documentation accessible to the valuer.



### 2-2

It is unethical to fail to retain required records for:

- (a) a period of five years from the date of the completion of the service;
- (b) a period of two years following final disposition of a proceeding in which the valuer gave testimony as part of the service; or
- (c) a period of two years following the final disposition of a review of a service by a governmental licensing or credentialing body—whichever period shall be the last to expire.

# VALUERS CODE OF PROFESSIONAL ETHICS — CANON 3

“In providing services, a valuer must develop and report unbiased analyses, opinions and conclusions.”



## 3-1

It is unethical to knowingly contribute to or participate in the development, preparation, use or reporting of an analysis, opinion or conclusion that is biased.



## 3-2

It is unethical to knowingly permit an entity that is wholly or partially owned or controlled by a valuer to contribute to or participate in the development, preparation, use or reporting of an analysis, opinion or conclusion that is biased.



## 3-3

It is unethical to provide a service that is contingent upon reporting a predetermined analysis, opinion or conclusion.



## 3-4

It is unethical to provide a service that includes a hypothetical condition, unless:

- (a) use of the hypothetical condition is required for legal purposes, for purposes of reasonable analysis or for purposes of comparison;
- (b) use of the hypothetical condition results in a credible analysis; and
- (c) the valuer complies with the applicable disclosure requirements set forth in the applicable Standards for hypothetical conditions.

# VALUERS CODE OF PROFESSIONAL ETHICS — CANON 3

“In providing services, a valuer must develop and report unbiased analyses, opinions and conclusions.”



## 3-5

It is unethical to provide a service that includes a special assumption unless:

- (a) the special assumption is required to properly develop credible opinions and conclusions;
- (b) the valuer has a reasonable basis for the special assumption;
- (c) use of the special assumption results in a credible analysis; and
- (d) the valuer complies with the applicable disclosure requirements set forth in the applicable Standards for special assumptions.



## 3-6

It is unethical to provide a service if a valuer has any direct or indirect, current or prospective personal interest in the subject or outcome of the service or with respect to the parties involved in the service, unless:

- (a) prior to agreeing to provide the service, the valuer carefully considers the facts and reasonably concludes that he or she would remain unbiased and reasonable persons, under the same circumstances, would reach the same conclusion;
- (b) such personal interest is disclosed to the client prior to the valuer agreeing to provide the service; and
- (c) such personal interest is disclosed in each Report resulting from such service.



## 3-7

It is unethical, during the period that commences at the time that a valuer is contacted concerning a service and expires at the completion of such service, to knowingly acquire or plan to acquire any direct or indirect, current or prospective personal interest in the subject or outcome of the service or with respect to the parties involved in the service, unless:

- (a) the valuer carefully considers the facts and reasonably concludes that he or she would remain unbiased and reasonable persons, under the same circumstances, would reach the same conclusion;
- (b) such personal interest is disclosed to the client and the valuer obtains from the client a written statement consenting to or approving such acquisition or change of position; and
- (c) such personal interest is disclosed in each Report resulting from such service.

# VALUERS CODE OF PROFESSIONAL ETHICS — CANON 4

“A valuer must not violate confidentiality.”



## 4-1

It is unethical to disclose confidential information or an analysis, opinion or conclusion specific to a service to anyone other than:

- (a) the client and those persons specifically authorized by the client;
- (b) third parties, when and to the extent that there is a legal obligation to do so by statute, ordinance or court or regulatory order;
- (c) legal counsel, as reasonably necessary in the event of actual or threatened legal or regulatory action; and
- (d) authorized insurance representatives, for the purpose of seeking or maintaining professional liability insurance coverage.

# VALUERS CODE OF PROFESSIONAL ETHICS — CANON 5

“A valuer must not advertise or solicit in a manner that is misleading or otherwise contrary to the public interest.”



## 5-1

It is unethical to utilize misleading advertising. Further, it is unethical to knowingly permit a business entity that one wholly or partially owns or controls to utilize misleading advertising.



## 5-2

It is unethical to solicit services in a misleading manner. Further, it is unethical to knowingly permit an entity one wholly or partially owns or controls to solicit services in a misleading manner.



## 5-3

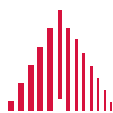
It is unethical to fail to disclose in the Report the payment by the valuer, or by an entity wholly or partially owned or controlled by the valuer, of a referral fee, in cash or kind, paid in connection with the procurement of a service.



## 5-4

It is unethical to prepare or use in any manner a resume or statement of qualifications that is misleading.





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