



**Appraisal  
Institute®**

*Professionals Providing  
Real Estate Solutions*

# Code of Professional Ethics *and* Explanatory Comments

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# Preamble to the Appraisal Institute Code of Professional Ethics

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

8  
9 Because of this vital role and a commitment to professionalism, the Appraisal Institute has  
10 adopted a Code of Professional Ethics and Standards of Professional Practice to establish  
11 requirements for ethical and competent practice. These requirements also serve to promote  
12 and maintain a high level of public trust and confidence in Appraisal Institute Designated  
13 Members, Candidates, Practicing Affiliates, and Affiliates.

14  
15 The Code of Professional Ethics contains:

- 16
- 17 • Definitions;
- 18 • Canons, which are statements of fundamental ethical principles; and
- 19 • Ethical Rules, which are enforceable statements of required and prohibited conduct.
- 20

21 The Appraisal Institute has also issued Explanatory Comments to the Code of Professional  
22 Ethics. The Explanatory Comments help provide non-exclusive context and guidance as to  
23 the meaning, interpretation and application of the Canons and Ethical Rules, as well as  
24 illustrative but not exhaustive examples of certain types of required or prohibited conduct.  
25 The Explanatory Comments play an important role in the application of the Code of  
26 Professional Ethics and may be taken into consideration during enforcement proceedings.  
27 However, individuals are charged with violations only of the Ethical Rules.

28  
29 If a Designated Member, Candidate, Practicing Affiliate or Affiliate acts unethically in violation  
30 of any of the Ethical Rules, he or she will be subject to disciplinary or remedial action under  
31 Regulation No. 6 of the Appraisal Institute.

32  
33 The commitment of Appraisal Institute Designated Members, Candidates, Practicing  
34 Affiliates, and Affiliates to professionalism extends to helping ensure that others act ethically  
35 and competently. Therefore, each Designated Member, Candidate, Practicing Affiliate, and  
36 Affiliate has a responsibility to refer any significant factual information that reasonably  
37 suggests that another Designated Member, Candidate, Practicing Affiliate, or Affiliate may  
38 have acted unethically in violation of the Ethical Rules or failed to comply with the Standards  
39 of Professional Practice to the Professional Practice Department. Each Designated Member,  
40 Candidate, Practicing Affiliate, and Affiliate also has a responsibility to serve on peer review  
41 committees for the Appraisal Institute upon request, if eligible.

# Definitions

42 The following definitions apply to this Code of Professional Ethics. All instances of the following terms  
43 in the Code of Professional Ethics shall have the definitions below.

44

## 45 **Appraisal**

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

49

## 50 **Assignment Results**

51 Opinions and conclusions developed in an appraisal or review.

52

## 53 **Biased**

54 Not reasonably supported, and favoring or promoting the cause or interest of the client, one's self, or  
55 another.

56

## 57 **Client**

58 The individual, group or entity who engage a Valuer to perform a service.

59

## 60 **Confidential Information**

61 Information that is either:

62

63 • identified by the client as confidential when providing it to a Valuer and that is not available  
64 from any other source; or

65

66 • classified as confidential or private by applicable law or regulation.

67

## 68 **Credible**

69 Worthy of belief; supported by analysis of relevant information. Credibility is always measured in the  
70 context of Intended Use.

71

## 72 **Duly Authorized Representative**

73 An individual granted authority by the Appraisal Institute or one of its Committees to perform a  
74 specific action.

75

## 76 **Engagement**

77 An agreement between a Valuer and a client to provide a service.

78

## 79 **Hypothetical Condition**

80 A condition that is presumed to be true when it is known to be false.

81

## 82 **Intended Use**

83 The Valuer's intent as to how the Report will be used.

84 **Intended User**

85 The party or parties the Valuer intends will use the Report.

86

87 **Justified**

88 Reasonably supported.

89

90 **Know or Knowingly**

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

93

94 Comment: Knowledge can be inferred from the individual's conduct and from  
95 all the facts and circumstances surrounding the conduct. A determination of  
96 "knowingly" should be made in the context of the individual's training,  
97 background, and experience. An individual may have acted (or failed to act)  
98 "knowingly" if he or she acted in disregard of the requirements of this Code of  
99 Professional Ethics or applicable Standards of Professional Practice or the  
100 profession's recognized methods and techniques such as those set forth in  
101 Appraisal Institute courses, seminars, textbooks, and other publications. The  
102 term "knowingly" includes not only what the individual knew, but also what  
103 the individual reasonably should have known given all the facts and  
104 circumstances of the conduct and the individual's training, background, and  
105 experience.

106

107 **Moral Turpitude**

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

111

112 **Relevant Documentation or Information**

113 Documentation or information the Appraisal Institute or one of its duly authorized representatives  
114 believes may be relevant in fulfilling its responsibilities.

115

116 **Relevant Question**

117 A question that the Appraisal Institute or one of its duly authorized representatives believes may be  
118 relevant in fulfilling its responsibilities.

119

120 **Report**

121 The final communication, written or oral, of an appraisal or review transmitted to the  
122 client. Finality is evidenced by the presence of the Valuer's signature in written  
123 communication or a statement of finality in the oral communication of assignment  
124 results. All communications to the client prior to the final communication must be  
125 conspicuously designated as such.

126 **Review**

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

129

130

131 **Special Assumption**

132 An assumption, directly applicable to a specific appraisal or review, which, if found to be false, could  
133 alter the opinions or conclusions in an appraisal or review.

134

135 **Valuation Practice**

136 Services performed by an individual acting as a Valuer, including but not limited to providing appraisal  
137 and review opinions.

138

139 **Value**

140 The monetary relationship between properties and those who buy, sell, or use those properties.

141 Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth

142 of a property at a given time in accordance with a specific definition of value. In Valuation Practice,

143 value must always be qualified - for example, market value, liquidation value, or investment value.

144

145 **Valuer**

146 One who is expected to engage in Valuation Practice in an unbiased and competent manner. This  
147 term is synonymous with appraiser.

## Exceptions to the Ethical Rules

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

150

151 When an individual violates an Ethical Rule due to an event beyond the individual's control, such as  
152 an act of God or illness, the Investigator or peer review committee(s) (or any member or duly  
153 authorized representative thereof) reviewing the conduct should consider such event and all the  
154 relevant facts about the case to avoid an inequitable result.

155 Canon 1: One Must Refrain from Conduct that is Detrimental to  
156 the Appraisal Institute, the Profession, and the Public

157  
158 Ethical Rules

159  
160 ER 1-1

161 It is unethical to knowingly:

- 162
- 163 (a) act in a manner that is misleading;
  - 164
  - 165 (b) act in a manner that is fraudulent;
  - 166
  - 167 (c) use, or fail to take steps to prevent another from using, a misleading Report;
  - 168
  - 169 (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report; or
  - 170
  - 171 (e) transmit a Report containing an analysis, opinion, or conclusion that reasonable Valuers
  - 172 would not believe to be justified.
  - 173

174 ER 1-2

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

177  
178 ER 1-3

179 In Valuation Practice it is unethical to knowingly fail to properly identify the issue to be addressed and  
180 have the knowledge and experience to complete the service competently prior to agreeing to perform  
181 a service, or alternatively, to:

- 182
- 183 (a) disclose the lack of knowledge and/or experience to the client before agreeing to perform the
  - 184 service;
  - 185
  - 186 (b) take all steps necessary or appropriate to complete the service competently; and
  - 187
  - 188 (c) describe the lack of knowledge and/or experience and the steps taken to complete the
  - 189 service competently in the Report.
  - 190

191 ER 1-4

192 In Valuation Practice it is unethical in the performance of a service to knowingly fail to:

- 193
- 194 (a) identify appropriate Standards to apply; and
  - 195
  - 196 (b) disclose in any Report the Standards applied.



197 Canon 2: One Must Assist the Appraisal Institute in Fulfilling Its  
198 Role Relating to Qualifications and Compliance with Ethics and  
199 Standards

200 Ethical Rules

201 ER 2-1

202 It is unethical:

203

204 (a) to knowingly violate the confidentiality obligations set forth in the Bylaws, Regulations,  
205 policies and procedures of the Appraisal Institute.

206

207 (b) to fail to keep knowledge of a referral initiating a peer review proceeding or knowledge of any  
208 subsequent screening or review of the matter confidential.

209

210 ER 2-2

211 It is unethical to accept an appointment to, or to fail to immediately resign from, an Appraisal Institute  
212 committee or Appraisal Institute Investigator appointment dealing with an admissions matter or peer  
213 review proceeding if one is unable or unwilling to fulfill the responsibilities of a member of said  
214 position.

215

216 ER 2-3

217 It is unethical to knowingly:

218

219 (a) make false statements or submit misleading information to the Appraisal Institute or one of its  
220 duly authorized representatives;

221

222 (b) fail or refuse to promptly submit any relevant documentation or information that is or should  
223 be in one's possession or control when requested to do so by the Appraisal Institute or one of  
224 its duly authorized representatives;

225

226 (c) fail or refuse to promptly answer all relevant questions when requested to do so by the  
227 Appraisal Institute or one of its duly authorized representatives;

228

229 (d) fail or refuse to appear for a personal interview or participate in an interview conducted by  
230 telephone when requested to do so by the Appraisal Institute or one of its duly authorized  
231 representatives;

232

233 (e) fail to comply with the terms of a summons issued by a duly authorized Hearing Committee;

234

235 (f) fail or refuse to cooperate with the Appraisal Institute or one of its duly authorized  
236 representatives; or

237

238 (g) fail or refuse to fulfill each obligation under the Bylaws, Regulations, policies and procedures  
239 of the Appraisal Institute.

240 ER 2-4

241 It is unethical for a Valuer to fail to maintain records, documented on any type of media, for each  
242 Report.

243

244 (a) Records for a written Report must include:

245

246 • a copy of the written Report(s); and

247

248 • any other data, information, and documentation necessary to support the Valuer's  
249 analyses, opinions and conclusions and to show compliance with the Code of  
250 Professional Ethics and Standards of Professional Practice of the Appraisal Institute, or  
251 references to the location(s) of such other documentation accessible to the Valuer.

252

253 (b) Records for an oral Report must include:

254

255 • the name of the client and the identity, by name or type, of any other Intended User(s);

256

257 • the Valuer's signed and dated certification;

258

259 • a written summary of the oral Report, or, if the presentation is in the form of  
260 testimony, a transcript of that testimony may be retained in the file in place of the  
261 summary; and

262

263 • all other data, information, and documentation necessary to support the Valuer's  
264 analyses, opinions and conclusions and to show compliance with the Code of  
265 Professional Ethics and Standards of Professional Practice of the Appraisal Institute,  
266 or references to the location(s) of such other documentation accessible to the Valuer.

267

268 A Valuer must possess the required records prior to the transmission of a Report.

269

270 ER 2-5

271 In Valuation Practice it is unethical to fail to retain required records for:

272

273 (a) a period of five years from the date of the completion of the service;

274

275 (b) a period of two years following final disposition of a proceeding in which the Valuer gave  
276 testimony as part of the service;

277

278 (c) a period commencing upon notification that a service is the subject of a peer review  
279 proceeding under Regulation No. 6 until notification by the Appraisal Institute of final  
280 disposition of such peer review proceeding;

281

282 (d) a period commencing upon a request from Admissions relating to a service until notification  
283 by the Appraisal Institute of the completion of review by Admissions; or

284 (e) a period of two years following the final disposition of a review of a service by a governmental  
285 licensing or credentialing body;  
286  
287 whichever period shall be the last to expire.

288

289 ER 2-6

290 It is unethical to enter into a contract with one or more obligations that are inconsistent with the  
291 requirements of the Code of Professional Ethics, Standards of Professional Practice, Bylaws, or  
292 Regulations of the Appraisal Institute.

293

294 ER 2-7

295 It is unethical to fail to sincerely and demonstrably seek other employment if one knows:

296

297 (a) that the employer prevents one from complying with the requirements of the Code of  
298 Professional Ethics or Standards of Professional Practice of the Appraisal Institute; or

299

300 (b) that one's employer fails to comply with the Code of Professional Ethics or Standards of  
301 Professional Practice of the Appraisal Institute.

302 **Canon 3: In Valuation Practice, a Valuer Must Develop and**  
303 **Report Unbiased Analyses, Opinions, and Conclusions**

304 **Ethical Rules**

305 ER 3-1

306 In Valuation Practice it is unethical to knowingly contribute to or participate in the development,  
307 preparation, use or reporting of an analysis, opinion, or conclusion that is biased.

308

309 ER 3-2

310 In Valuation Practice it is unethical to knowingly permit an entity that is wholly or partially owned or  
311 controlled by a Valuer to contribute to or participate in the development, preparation, use, or reporting  
312 of an analysis, opinion, or conclusion that is biased.

313

314 ER 3-3

315 In Valuation Practice it is unethical to provide a service that is contingent upon reporting a  
316 predetermined analysis, opinion or conclusion.

317

318 ER 3-4

319 In Valuation Practice it is unethical to provide a service that includes a Hypothetical Condition, unless:

320

321 (a) use of the Hypothetical Condition is required for legal purposes, for purposes of reasonable  
322 analysis, or for purposes of comparison;

323

324 (b) use of the Hypothetical Condition results in a credible analysis; and

325

326 (c) the Valuer complies with the applicable disclosure requirements set forth in the applicable  
327 Standards for Hypothetical Conditions.

328

329 ER 3-5

330 In Valuation Practice it is unethical to provide a service that includes a Special Assumption unless:

331

332 (a) the Special Assumption is required to properly develop credible opinions and conclusions;

333

334 (b) the Valuer has a reasonable basis for the Special Assumption;

335

336 (c) use of the Special Assumption results in a credible analysis; and

337

338 (d) the Valuer complies with the applicable disclosure requirements set forth in the applicable  
339 Standards for Special Assumptions.

340

341 ER 3-6

342 In Valuation Practice it is unethical to provide a service if a Valuer has any direct or indirect, current,  
343 or prospective personal interest in the subject or outcome of the service or with respect to the parties  
344 involved in the service, unless:

345

346

(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;

349

350

(b) such personal interest is disclosed to the client prior to the Valuer agreeing to provide the service; and

351

352

353

(c) such personal interest is disclosed in each Report or other communication provided to the client resulting from such service.

354

355

356 ER 3-7

357

In Valuation Practice 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:

358

359

360

361

362

(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;

363

364

365

366

(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

367

368

369

(c) such personal interest is disclosed in each Report or other communication provided to the client resulting from such service.

370

## 371 Canon 4: One Must Not Violate Confidentiality

### 372 Ethical Rules

#### 373 ER 4-1

374 In Valuation Practice it is unethical to disclose confidential information or an analysis, opinion, or  
375 conclusion specific to a service to anyone other than:

376

377 (a) the client and those persons specifically authorized by the client;

378

379 (b) third parties, when and to the extent that there is a legal obligation to do so by statute,  
380 ordinance, or court or regulatory order;

381

382 (c) legal counsel, as reasonably necessary in the event of actual or threatened legal or  
383 regulatory action;

384

385 (d) authorized insurance representatives, for the purpose of seeking or maintaining professional  
386 liability insurance coverage; and

387

388 (e) the duly authorized Investigators and peer review or admissions committees of the Appraisal  
389 Institute.

390

#### 391 ER 4-2

392 It is unethical for a current or former Appraisal Institute Investigator or peer review or admissions  
393 committee member to discuss or disclose confidential information, analyses, opinions, conclusions, or  
394 factual data derived through investigative or committee activities with anyone other than:

395

396 (a) the individual whose Report or file contains the confidential information, analyses, opinions,  
397 conclusions, or factual data;

398

399 (b) the client and those persons specifically authorized by that client to receive the confidential  
400 information, analyses, opinions, conclusions, or factual data;

401

402 (c) third parties, when and to the extent that the Investigator or committee member is legally  
403 required to do so by statute, ordinance, or court order; and

404

405 (d) Investigators and committee members and their duly authorized representatives within the  
406 scope of the Bylaws and Regulations of the Appraisal Institute.

407 **Canon 5: One Must Not Advertise or Solicit in a Manner that is**  
408 **Misleading or Otherwise Contrary to the Public Interest**

409 **Ethical Rules**

410 ER 5-1

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

413

414 ER 5-2

415 It is unethical to use or refer to the Appraisal Institute or its membership designations in a manner that  
416 is misleading, or to use or display the registered designations, logos, or emblems of the Appraisal  
417 Institute in a manner contrary to Regulation No. 5.

418

419 ER 5-3

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

422

423 ER 5-4

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

427

428 ER 5-5

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

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# Explanatory Comments to Code of Professional Ethics

1 The Explanatory Comments help provide non-exclusive context and guidance as to the meaning,  
2 interpretation and application of the Canons and Ethical Rules, as well as illustrative but not  
3 exhaustive examples of certain types of required or prohibited conduct. The Explanatory Comments  
4 play an important role in the application of the Code of Professional Ethics and may be taken into  
5 consideration during enforcement proceedings. However, individuals are charged with violations only  
6 of the Ethical Rules.

## 7 Explanatory Comments to Canon 1

8

### 9 Canon 1 Comment

10 Public confidence and trust in Appraisal Institute Members, Candidates, Practicing Affiliates, Affiliates,  
11 and the profession is essential to the well-being of our society and the global economy. The Appraisal  
12 Institute serves a vital public need by:

13

- 14 • educating and training valuation professionals,
- 15 • conferring professional membership designations on individuals who meet stringent  
16 requirements, and
- 17 • conducting peer review that enhances the quality of work product and deters unethical  
18 conduct.

19

20 In turn, the work of Appraisal Institute Members, Candidates, Practicing Affiliates and Affiliates fosters  
21 economic growth and stability. If a Member, Candidate, Practicing Affiliate or Affiliate engages in  
22 conduct that is detrimental to the Appraisal Institute, the profession or the public, such individual  
23 undermines the public confidence and trust that is necessary for the Appraisal Institute, Members,  
24 Candidates, Practicing Affiliates, Affiliates and the profession to perform their vital roles in our society  
25 and the global economy.

26

### 27 **ER 1-1(a) and (b) Comment**

28 If an Appraisal Institute Member, Candidate, Practicing Affiliate or Affiliate knowingly acts in a  
29 misleading or fraudulent manner when engaged in Valuation Practice or when engaged in an activity  
30 unrelated to Valuation Practice, such individual harms the reputation of the Appraisal Institute, its  
31 Members, Candidates, Practicing Affiliates, Affiliates and the profession, thereby undermining the  
32 confidence and trust that the public and clients must have in the integrity of the Appraisal Institute,  
33 Members, Candidates, Practicing Affiliates, Affiliates and the profession.

34

35 If an individual acts in a misleading or fraudulent manner in activity unrelated to Valuation Practice,  
36 the public and clients can legitimately question whether such a lack of personal integrity will impact  
37 any services such individual performs. Therefore, ER 1-1(a) and ER 1-1(b) apply to all conduct,  
38 including conduct unrelated to Valuation Practice.



39 An example of a violation of ER 1-1(a) is if a Valuer prepares a Report that includes information that  
40 he or she knows or should know will lead the Intended User(s) of the Report to an improper  
41 conclusion.

42  
43 A second example of a violation of ER 1-1(a) is if an individual misleads the Appraisal Institute by an  
44 act of omission or commission as to his or her eligibility for a particular status or category of  
45 membership, candidacy or affiliation.

46 An example of a violation of ER 1-1(b) is if one acts in a fraudulent manner while engaged in real  
47 estate brokerage. Any such fraudulent conduct would be contrary to the public interest and would  
48 reflect adversely upon the individual; Members, Candidates, Practicing Affiliates and Affiliates  
49 generally; the Appraisal Institute; and the profession.

#### 50 **ER 1-1(c) and (d) Comment**

51 ER 1-1(c) prohibits a valuer from knowingly using a misleading Report. ER 1-1(c) further requires that  
52 a valuer must take steps to prevent another from using a misleading Report, whether the Report was  
53 prepared by the Valuer or by another individual.

54

55 Examples of violations of ER 1-1(c) include, but are not limited to, the following:

56

- 57 • a Valuer allows a client to use a Report that contains a misleading analysis of comparable  
58 sales.
- 59 • a Valuer develops a misleading opinion concerning the appropriate depreciation for an  
60 industrial building and provides the opinion to another Valuer to use in a Report.

61

62 ER 1-1(d) prohibits a Valuer from transmitting a misleading Report. ER 1-1(d) further requires that a  
63 Valuer must take steps to prevent another from transmitting a misleading Report whether the Report  
64 was prepared by the Valuer or by another individual.

65

66 Examples of violations of ER 1-1(d) include, but are not limited to, the following:

67

- 68 • a Valuer transmits a Report to a client that contains a misleading analysis of comparable  
69 sales.
- 70 • a Valuer allows an independent contractor to transmit a Report containing a misleading  
71 highest and best use conclusion to a client.

72

#### 73 **ER 1-1(e) Comment**

74 A Valuer must not transmit a Report that contains an analysis, opinion, or conclusion that is not  
75 justified. To do so harms the public interest and undermines public and client confidence in the  
76 Valuer; Valuers generally; the Appraisal Institute; and the profession.

77

78 The test under ER 1-1(e) is whether reasonable Valuers would believe the analysis, opinion, or  
79 conclusion to be justified. Valuers can and do differ as to the appropriate solutions to a valuation  
80 issue. If, however, reasonable Valuers conclude that an analysis, opinion or conclusion is not  
81 reasonably supported, then such analysis, opinion or conclusion would not be justified under this

82 Ethical Rule. Evidence that a Report contains an analysis, opinion or conclusion that reasonable  
83 Valuers would not believe to be justified may include, but is not limited to, analyses, opinions and  
84 conclusions developed through unsupported and unreasonable appraisal or review practices. The  
85 Appraisal Institute Guide Notes to the Standards of Professional Practice and Appraisal Institute  
86 courses, seminars, and textbooks such as *The Appraisal of Real Estate* identify many reasonable  
87 appraisal and review practices.

88

89 This Ethical Rule applies regardless of whether the Valuer signed the Report.

90

91 Examples of violations of ER 1-1(e) include, but are not limited to, the following:

92

- 93 • a Valuer transmits a Report in which the value of a property is not reasonably supported.
- 94 • a Valuer transmits a Report to a client that was signed by another individual that contains a  
95 sales comparison approach that is not reasonably supported.

96

97 **ER 1-2 Comment**

98 The public and clients must have confidence in the personal honesty and integrity of Appraisal  
99 Institute professionals, whom they entrust with matters of critical personal, corporate, and public  
100 importance. If a Member, Candidate, Practicing Affiliate or Affiliate fails to comply with his or her legal  
101 obligations to society in all activities, not just when engaged in Valuation Practice, the public and  
102 clients will lose confidence and trust in the honesty and integrity of the individual; Members,  
103 Candidates, Practicing Affiliates, and Affiliates generally; and those who practice the profession. The  
104 public and clients will also lose confidence and trust in the Appraisal Institute. As a consequence, the  
105 ability of Members, Candidates, Practicing Affiliates, Affiliates, the profession, and the Appraisal  
106 Institute to perform their vital roles in our society and the global economy will be adversely affected.

107

108 Failure to comply with obligations to society, particularly relating to fraud, dishonesty, false  
109 statements or moral turpitude, can legitimately lead the public and clients to question whether an  
110 individual will fail to comply with his or her obligations under the Code of Professional Ethics and  
111 Standards of Professional Practice of the Appraisal Institute. The crimes referred to in ER 1-2 are not  
112 limited to felonies.

113

114 One example of a violation of ER 1-2 is to be convicted of a crime for preparing a fraudulent appraisal  
115 as part of a “flipping scheme.” A second example is being convicted of a crime for underreporting  
116 taxable income.

117

118 Under Appraisal Institute Regulation No. 6, a violation of ER 1-2 will result in automatic expulsion  
119 from membership, candidacy or affiliation in the Appraisal Institute subject to the right of appeal.

## Explanatory Comments to Canon 2

### Canon 2 Comment

The Appraisal Institute serves a vital public need by:

- conferring professional membership designations on individuals who meet stringent requirements,
- conducting peer review that enhances the quality of work product and deters unethical conduct,
- conducting a continuing education program, and
- establishing and conducting other programs that advance the profession and valuation professionals.

As a result of these programs, the public associates Appraisal Institute Members, Candidates, Practicing Affiliates and Affiliates with a high degree of personal integrity and a commitment to professionalism. To maintain the reputation of the Appraisal Institute and its professionals and facilitate these critical objectives, Members, Candidates, Practicing Affiliates and Affiliates must comply with all confidentiality obligations set forth in the Bylaws, Regulations, policies and procedures of the Appraisal Institute. They must also fulfill committee responsibilities; cooperate with appropriate committees; prepare and preserve records; and ensure that they do not place themselves in a position where they cannot comply with the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

### **ER 2-1 Comment**

Confidentiality:

- encourages Candidates to advance their qualifications through the designation process;
- encourages peer review to occur;
- fosters candid and valuable interchange on the issues of qualifications and the quality of services;
- helps ensure that the consequences of an admissions matter or peer review proceeding are proper and proportionate; and
- helps ensure that the Appraisal Institute can govern itself effectively.

If a Member, Candidate, Practicing Affiliate or Affiliate fails to observe confidentiality rules, the judicial protection given to the Appraisal Institute, especially with respect to admissions matters and peer review proceedings, may erode, thereby impairing the ability of the Appraisal Institute to fulfill critical functions. Such a result would harm the public, the Appraisal Institute, its Members, Candidates, Practicing Affiliates, Affiliates and the profession. All Bylaws, Regulations, policies and procedures regarding confidentiality of admissions, peer review, governance and other matters must be scrupulously observed.

161 **ER 2-2 Comment**

162 While the Appraisal Institute recognizes that individuals who serve on committees dealing with  
163 admissions matters and peer review proceedings are volunteers, such individuals must fulfill their  
164 responsibilities diligently, objectively, and completely for the Appraisal Institute to effectively fulfill its  
165 vital functions.

166 **ER 2-3 Comment**

167 The Articles of Incorporation, Bylaws, and Regulations of the Appraisal Institute provide the authority  
168 for the Appraisal Institute and the establishment, powers, and duties of various committees. As a  
169 corporate entity, the Appraisal Institute will fulfill its functions and exercise its authority through  
170 various duly authorized representatives. Committees of the Appraisal Institute will sometimes fulfill  
171 their powers and duties as committees of the whole, but such committees may also carry out some  
172 powers and duties through individual members of the committees and duly authorized  
173 representatives. For the Appraisal Institute to effectively carry out critical functions, including, but not  
174 limited to, peer review, admissions, and continuing education, the obligations under ER 2-3 extend  
175 not only to the Appraisal Institute but also to its duly authorized representatives.

176  
177 Under Regulation No. 6 of the Appraisal Institute, a violation of ER 2-3(b), (c), or (d) will result in  
178 automatic expulsion from membership, candidacy or affiliation in the Appraisal Institute subject to the  
179 right of appeal.

180  
181 Strict adherence to the Bylaws, Regulations, policies and procedures of the Appraisal Institute is  
182 required when participating in the governance of the organization. Failure to do so can make  
183 governance ineffective and harm the interests of the Appraisal Institute. For example, everyone  
184 involved in governance must adhere strictly to any confidentiality obligations set forth in the Bylaws,  
185 Regulations, policies and procedures of the Appraisal Institute. Additionally, they must adhere strictly  
186 to the Appraisal Institute Antitrust Policy.

187  
188 Examples of violations of ER 2-3 include, but are not limited to, the following:

- 189
- 190 • ER 2-3(a): A Designated Member submits a continuing education log to the Appraisal  
191 Institute that represents that the individual took a course that the individual did not in fact take  
192 or that represents that the course provided a greater number of hours of continuing education  
193 than it actually did.
  - 194 • ER 2-3(b): A Practicing Affiliate fails to promptly comply with a request for information or  
195 documentation from an Appraisal Institute Investigator that the individual was required to  
196 preserve under ER 2-5.

197 **ER 2-4 Comment**

198 The Appraisal Institute has promulgated the Code of Professional Ethics and Standards of  
199 Professional Practice in part to establish requirements that will help ensure that Valuers will transmit  
200 credible analyses, opinions, and conclusions. Such requirements also give the public and client's  
201 confidence that a Valuer's analyses, opinions, and conclusions are based on sound data and

202 reasoning, and that such analyses, opinions, and conclusions are not predetermined or mere  
203 speculation.

204

205 This Ethical Rule ensures that Valuers will be able to provide support for their analyses, opinions, and  
206 conclusions to clients, courts, the Appraisal Institute, regulatory agencies, and others. The required  
207 records provide evidence of whether a Valuer has complied with the Code of Professional Ethics and  
208 Standards of Professional Practice.

209

210 **ER 2-5 Comment**

211 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review, the  
212 Appraisal Institute and its duly authorized representatives must have access to relevant records.  
213 Valuers have a responsibility to consider and correctly apply the factors that can affect the retention  
214 period for records before disposing of such records. For example, if a Valuer prepares an appraisal  
215 on April 30, 2017, the Valuer must initially maintain records relating to that appraisal until at least April  
216 30, 2022. If, however, the Valuer then gives testimony on April 15, 2020, in a judicial proceeding  
217 concerning the appraisal and the judicial proceedings are not completed until May 30, 2021, the  
218 retention period changes and the records must be maintained until at least May 30, 2023.

219

220 **ER 2-6 Comment**

221 A condition of membership, candidacy or affiliation is the agreement to comply with the Bylaws,  
222 Regulations, Code of Professional Ethics, and Standards of Professional Practice of the Appraisal  
223 Institute. This obligation cannot be avoided by entering into a contract that is inconsistent with this  
224 agreement.

225

226 **ER 2-7 Comment**

227 A condition of membership, candidacy or affiliation is the agreement to comply with the Code of  
228 Professional Ethics and Standards of Professional Practice of the Appraisal Institute. Responsibility  
229 for the failure to comply with such requirements cannot be avoided by a Member, Candidate,  
230 Practicing Affiliate or Affiliate because an employer prevents him or her from complying. Because the  
231 Code of Professional Ethics and Standards of Professional Practice elevate the quality of services  
232 provided in the marketplace and enhance confidence of the public and clients in the profession,  
233 Ethical Rule 2-7 also requires that a Member, Candidate, Practicing Affiliate or Affiliate demonstrably  
234 seek other employment if he or she knows that his or her employer fails to comply with the  
235 requirements of the Code of Professional Ethics or Standards of Professional Practice.

236

237 For example, if a Designated Member's employer implements a record retention policy that results in  
238 the disposal of records that must be retained under Ethical Rule 2-5 and the employer is unwilling to  
239 revise such policy, the Designated Member must demonstrably seek other employment.

240

241 Evidence that other employment has been sincerely and demonstrably sought may include, but is not  
242 limited to, sending out letters seeking employment with other companies, correspondence received  
243 from potential employers, a log of calls made to potential employers, or documents indicating efforts  
244 to form a new business.

## 245 Explanatory Comments to Canon 3

246

### 247 Canon 3 Comment

248 Given the role that Valuers serve in our society and the global economy, the public interest demands  
249 that a Valuer develop and report unbiased analyses, opinions, and conclusions. Actual and  
250 perceived bias can undermine the confidence that the public and clients must have in the integrity of  
251 Valuers. The public interest also demands that a Valuer not use an unwarranted Hypothetical  
252 Condition or Special Assumption. Therefore, Canon 3 and its associated Ethical Rules prohibit a  
253 Valuer from using an unwarranted Hypothetical Condition or Special Assumption and from rendering  
254 an analysis, opinion, or conclusion that is not reasonably supported and that favors or promotes the  
255 cause or interest of the client, the Valuer, or another.

256

### 257 ER 3-1 Comment

258 Evidence that a Valuer developed, prepared, used or reported a biased analysis, opinion or  
259 conclusion may include, but is not limited to, deviation from or failure to use reasonable or  
260 supportable appraisal or review practices resulting in an analysis, opinion, or conclusion that is not  
261 reasonably supported and that favors or promotes the client's, the Valuer's, or another's interest or  
262 cause. The Appraisal Institute Guide Notes to the Standards of Professional Practice and Appraisal  
263 Institute courses, seminars, and textbooks such as *The Appraisal of Real Estate* identify many  
264 reasonable appraisal and review practices.

265

266 The Intended Use of the analysis, opinion or conclusion is relevant in determining the direction of a  
267 client's interest. For example, a Valuer develops and reports a value opinion for a property owner for  
268 purposes of appealing his property taxes. The Valuer's appraisal is based solely on a sales  
269 comparison approach. All of the comparable sales analyzed are clearly inferior to the subject  
270 property in many respects, but in the adjustment grid, each comparable is shown to be similar to the  
271 subject and no upward adjustments are made for differences. Reasonable appraisers would not  
272 believe this opinion of value to be justified. Also, in this case, the lower the value opinion, the more  
273 the property owner stands to gain if his appeal is successful. Therefore, the Valuer may have  
274 developed and reported a biased opinion of value in violation of ER 3-1.

275

276 One can violate ER 3-1 by signing a Report that the Valuer has not read or has partially read, and  
277 that contains a biased analysis, opinion, or conclusion. Not only is the Valuer responsible for the  
278 Report by signing it, but he or she has knowingly contributed to or participated in the use and  
279 reporting of an analysis, opinion, or conclusion that is biased. The Valuer acted knowingly because  
280 he or she acted in disregard of the requirements of the Code of Professional Ethics and Standards of  
281 Professional Practice of the Appraisal Institute.

282

283 Evidence that a Valuer performed a service under a contingent fee arrangement does not constitute  
284 evidence of bias, in and of itself. Valuers are participants in the global economy. In the global  
285 economy the norms for ethical practice concerning specific conduct may differ depending on  
286 applicable national customs and standards. The matter of contingent fee arrangements is an example  
287 of an area where the norms for ethical practice differ depending on the Standards used by the Valuer.  
288 For example, the Uniform Standards of Professional Appraisal Practice (USPAP) prohibits contingent

289 fee arrangements for valuation services. On the other hand, the International Valuation Standards  
290 (IVS) permits contingent fee arrangements for valuation services as long as the  
291 Valuer's fee does not depend on a predetermined outcome of any valuation or other  
292 independent, objective advice contained in the Report, and the Valuer discloses whether the  
293 fee is contingent upon any aspect of the Report.

294

295 **ER 3-2 Comment**

296 A Valuer cannot avoid ethical responsibility by doing indirectly that which he or she cannot do directly.  
297 The discussion in the ER 3-1 Comment concerning an analysis, opinion, or conclusion that is biased  
298 also applies to ER 3-2.

299

300 **ER 3-3 Comment**

301 ER 3-3 does not prohibit accepting services in phases, with the ability to provide a subsequent  
302 service contingent upon the results of a prior service, as long as the Valuer does not render an  
303 analysis, opinion, or conclusion that is biased in any of the phases.

304

305 To illustrate the point involved, assume the following facts: A government agency makes an offer to a  
306 property owner to purchase the owner's property to expand a roadway. The agency has not begun  
307 condemnation proceedings at this point, but may in the future. The attorney working with the property  
308 owner contacts a Valuer to obtain the Valuer's opinion as to whether the market value of the property  
309 is more than the amount of the agency's offer. The Valuer prepares a Report (for the attorney's use  
310 only) in which the Valuer's value opinion is "not less than" the amount of the offer. Subsequently, the  
311 attorney asks the Valuer to prepare a Report (for which the Intended Users will be both the  
312 government agency and the attorney for the property owner) for purposes of the condemnation  
313 litigation. Note that these are two separate assignments, with different, though related, Intended Uses  
314 and different Intended Users. If the Valuer accepts these assignments, the Valuer will not violate ER  
315 3-3. The Valuer was required to develop and report both the first and second service in an unbiased  
316 manner. Although the second service was in essence contingent on the results of the first service, it  
317 was not contingent on a "predetermined" analysis, opinion, or conclusion.

318

319 **ER 3-4 Comment**

320 An example of the use of a Hypothetical Condition in an appraisal would be when the subject property  
321 is known to be contaminated but it is valued as though it is free of contamination. Another example  
322 would be when a property is appraised as though improvements exist on the site when in fact the site  
323 is vacant on the date of value.

324

325 An example of a violation of ER 3-4 would be when a Valuer appraises a subject property as though it  
326 is zoned for commercial use when in fact zoning would prohibit such use, and the Valuer does not  
327 disclose that the appraisal is premised on such Hypothetical Condition.

328

329 **ER 3-5 Comment**

330 An example of the use of a Special Assumption in an appraisal would be when there is reason to  
331 believe – though it is uncertain – that the subject property may be contaminated, but it is valued as  
332 though it is free of contamination on the date of value. Another example would be the Valuer does not

333 inspect the subject property and bases the appraisal on the presumption that information provided  
334 about the property (size, condition, etc.) is accurate.

335

336 An example of a violation of ER 3-5 would be when there is evidence that the subject property's  
337 improvements may not be structurally sound, raising uncertainty as to their condition. The Valuer  
338 appraises the property as though the improvements are structurally sound and does not disclose that  
339 the appraisal is premised on a Special Assumption to that effect.

340

341 **ER 3-6 Comment**

342 If a Valuer has a personal interest in the subject or outcome of a service or with respect to the parties  
343 involved in the service, such interest may provide an incentive for the Valuer to render an analysis,  
344 opinion, or conclusion that is biased, misleading, or otherwise unreliable. At a minimum, such a  
345 personal interest may create an appearance that any resulting analysis, opinion, or conclusion may  
346 be biased, misleading, or otherwise unreliable. An analysis, opinion, or conclusion that is biased,  
347 misleading, or otherwise unreliable, or that may be perceived to be so, undermines the confidence  
348 and trust that the public and clients must have in Valuers.

349

350 In review assignments, "parties involved in the service" include the individual who prepared the  
351 Report being reviewed.

352

353 **ER 3-7 Comment**

354 If a Valuer knowingly acquires an interest in property or assumes a position that could possibly affect  
355 the Valuer's judgment or violate the Valuer's responsibilities to the client between the time the Valuer  
356 is contacted concerning a service and when the Valuer completes the service, such interest or  
357 change in position may provide an incentive for the Valuer to render an analysis, opinion, or  
358 conclusion that is biased, misleading, or otherwise unreliable and harms the client. At a minimum,  
359 such interest or change in position may create an appearance that any resulting analysis, opinion, or  
360 conclusion may be biased, misleading, or otherwise unreliable and that the Valuer's interest or  
361 position is in conflict with the Valuer's responsibilities to the client.



## 362 Explanatory Comments to Canon 4

363

### 364 Canon 4 Comment

365 Confidentiality is a critical component of any relationship between a Valuer and a client.

366 Confidentiality fosters full and candid disclosure of relevant information by the client. Such disclosure  
367 enables the Valuer to provide credible analyses, opinions, and conclusions to the client.

368

### 369 ER 4-1 Comment

370 ER 4-1 sets forth the general confidentiality requirements of the Valuer-client relationship.

371

372 The client has a legitimate interest in controlling the disclosure of confidential Information, analyses,  
373 opinions, and conclusions in part because the client pays for services rendered and because the  
374 disclosure of such information, analyses, opinions, and conclusions may harm the client. At the same  
375 time, Valuers must be able to comply with their legal, ethical and professional obligations, must be  
376 able to seek and maintain professional liability insurance coverage, and must be allowed a  
377 reasonable opportunity to defend themselves in a legal or regulatory action.

378

### 379 ER 4-2 Comment

380 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,  
381 appropriate Appraisal Institute committees and other Appraisal Institute duly authorized  
382 representatives must and will have access to confidential information provided to Valuers by their  
383 clients. Clients understand and are on notice that appropriate Appraisal Institute committees and  
384 other Appraisal Institute duly authorized representatives will have access to their confidential  
385 information, as well as analyses, opinions, and conclusions, because Valuers must inform their clients  
386 that their Reports are subject to review by the duly authorized representatives of the Appraisal  
387 Institute. Further, clients retain Appraisal Institute Valuers in part because of the admissions and peer  
388 review functions of the Appraisal Institute and such clients benefit from the resulting increased quality  
389 of the services that Members, Candidates, Practicing Affiliates and Affiliates provide. At the same  
390 time, Members, Candidates, Practicing Affiliates and Affiliates who serve on committees or other  
391 bodies relating to admissions and peer review functions must not act in a manner that would harm a  
392 client or take advantage of serving in these important roles to obtain professional advantage by  
393 discussing or disclosing confidential information, analyses, opinions, conclusions, and factual data  
394 derived from such activities. Since Members, Candidates, Practicing Affiliates and Affiliates must  
395 keep strictly confidential the information, analyses, opinions, conclusions, and factual data derived  
396 through admissions and peer review activities, the client is protected.

397 **Explanatory Comments to Canon 5**

398  
399 **Canon 5 Comment**

400 To serve the public and clients effectively, members of a profession must properly and accurately inform  
401 the public and prospective clients about their qualifications and the functions of the profession. In this  
402 way, prospective clients can make informed decisions as to the type and extent of services they need and  
403 can identify competent and ethical professionals to provide such services. Such information can also help  
404 clients evaluate a service and help hiring parties evaluate potential employees or contractors. Advertising,  
405 solicitations, promotions, resumes, and statements of qualifications that are misleading or are otherwise  
406 contrary to the public interest undermine these important goals.

407  
408 **ER 5-1 Comment**

409 Members, Candidates, Practicing Affiliates and Affiliates may utilize advertising to inform the public and  
410 prospective clients of the services they offer, the cost of such services, and their qualifications. However,  
411 advertising must not be misleading or calculated to create unrealistic expectations in the minds of the  
412 parties to whom the advertising is directed. In promoting their services, Members, Candidates, Practicing  
413 Affiliates and Affiliates must take particular care not to state or imply that they will develop, prepare, use  
414 or report an appraisal or review, analysis, opinion or conclusion that is biased or that they will deviate  
415 from the strict Standards and Ethical requirements with which they have agreed to comply.

416  
417 Also, a Member, Candidate, Practicing Affiliate or Affiliate cannot avoid ethical responsibility by using a  
418 corporation, partnership or other entity (or multiple entities) to advertise services in a misleading manner.

419  
420 **ER 5-2 Comment**

421 The Appraisal Institute has established the categories of Designated Member, Candidate for Designation,  
422 Practicing Affiliate and Affiliate in part to help the public and clients understand the qualifications these  
423 individuals hold and the requirements to which they are subject. The different Appraisal Institute  
424 designations serve a similar purpose.

425  
426 The Appraisal Institute is the sole owner of its name, corporate logo, membership designations, and  
427 emblems (“marks”), which are registered with the United States Patent and Trademark Office.  
428 The authorized or permitted uses of these marks are set forth in the Bylaws, Code of Professional Ethics,  
429 Regulation No. 5, and Trademark Usage Manual, and are subject to federal law.

430  
431 The general rule governing any reference to or use of the Appraisal Institute name, corporate logo,  
432 membership designations and designation emblems is that such reference or use must be authorized or  
433 permitted and must not be misleading or deceptive.

434  
435 **ER 5-3 Comment**

436 Misleading solicitations for services are contrary to the public interest and undermine the reputation of the  
437 profession and its practitioners. Therefore, a Member, Candidate, Practicing Affiliate or Affiliate may not  
438 solicit for services in a manner that is misleading.

439

440 For example, a Designated Member may not inform a prospective client that the Designated Member has  
441 qualifications that the Member does not possess. As another example, a Candidate for designation may  
442 not state or imply in a solicitation for services that the Candidate for designation can develop, prepare,  
443 use, or report an appraisal or review analysis, opinion, or conclusion that is biased.

444  
445 Ethical responsibility cannot be avoided by using a corporation, partnership, or other entity (or multiple  
446 entities) to solicit services in a misleading manner. Therefore, one may not knowingly permit an entity that  
447 is wholly or partially owned or controlled by such individual to solicit services in a manner that is  
448 misleading, even if name of the individual is not specifically mentioned in the solicitation.

449  
450 **ER 5-4 Comment**

451 The primary basis for someone to refer a service to a Valuer should be his or her qualifications, rather  
452 than financial incentive. At the same time, federal law prohibits a professional organization from  
453 prohibiting all referral fees. Therefore, one may pay a fee, commission, or thing of value to procure a  
454 service, but such payment must be disclosed in any resulting Report. The Intended User(s) should know  
455 that a fee, commission, or thing of value was paid to procure the service and to consider such information  
456 in evaluating the service.

457  
458 Disclosure is required only if the payment made is a condition of the referral. For example, if the party to  
459 whom a referral is made subsequently invites the referring party to dinner as a token of appreciation, this  
460 act would not be payment of a “thing of value” and disclosure would not be required.

461  
462 ER 5-4 does not apply when performing work that is subject to the requirements of another licensed  
463 occupation or profession. For example, if one is licensed as a real estate broker and is acting in a  
464 capacity as a real estate broker, the payment and disclosure of a fee, commission, or thing of value for  
465 procurement of the assignment are governed by the laws and regulations governing real estate brokers,  
466 rather than ER 5-4.

467  
468 **ER 5-5 Comment**

469 Potential clients, parties hiring employees and contractors, as well as others, need clear and accurate  
470 information on which to evaluate qualifications and work product.

Effective 5/07/2020