

Code of Professional Ethics *and* Explanatory Comments

Code of Professional Ethics, Effective January 1, 2025
Explanatory Comments, Effective April 16, 2026

Copyright © 2026 Appraisal Institute. All rights reserved.

Printed in the United States of America. No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopy, recording or otherwise, without the prior written consent of the publisher.

Table of Contents

Preamble to the Appraisal Institute Code of Professional Ethics3

Definitions.....4

Exceptions to the Ethical Rules.....7

Canon 1: One Must Refrain from Conduct that is Detrimental to the Appraisal Institute, the Profession, and the Public8

Canon 2: One Must Assist the Appraisal Institute in Fulfilling Its Role Relating to Qualifications and Compliance with Ethics and Standards 10

Canon 3: In Valuation Practice, a Valuer Must Develop and Report Unbiased Analyses, Opinions, and Conclusions.....13

Canon 4: One Must Not Violate Confidentiality 15

Canon 5: One Must Not Advertise or Solicit in a Manner that is Misleading or Otherwise Contrary to the Public Interest..... 16

Explanatory Comments to Code of Professional Ethics..... 17

Explanatory Comments to Canon 1 17

Explanatory Comments to Canon 2 21

Explanatory Comments to Canon 3 24

Explanatory Comments to Canon 427

Explanatory Comments to Canon 5 28

Preamble to the Appraisal Institute Code of Professional Ethics

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 valuation professionals are vital to the well-being of our society and the global economy, and foster economic growth, stability, and public confidence.

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

The Code of Professional Ethics contains:

- Definitions;
- Canons, which are statements of fundamental ethical principles; and
- Ethical Rules, which are enforceable statements of required and prohibited conduct.

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

If a Member acts unethically in violation of any of the Ethical Rules, he or she will be subject to disciplinary or remedial action under Regulation No. 6 of the Appraisal Institute.

The commitment of Appraisal Institute Members to professionalism extends to helping ensure that others act ethically and competently. Therefore, each Member has a responsibility to refer any significant factual information that reasonably suggests that another Member may have acted unethically in violation of the Ethical Rules or failed to comply with the Standards of Professional Practice to the Professional Practice Department. Each Member also has a responsibility to serve on peer review committees for the Appraisal Institute upon request, if eligible.

43 **Definitions**

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

46

47 **Appraisal**

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

51

52 **Assignment Results**

53 Opinions and conclusions developed in an appraisal or review.

54

55 **Biased**

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

58

59 **Client**

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

61

62 **Confidential Information**

63 Information that is either:

64

- 65 • identified by the client as confidential when providing it to a Valuer and that is not
66 available from any other source; or
- 67
- 68 • classified as confidential or private by applicable law or regulation.

69

70 **Credible**

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

73

74 **Duly Authorized Representative**

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

77

78 **Engagement**

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

80

81 **Hypothetical Condition**

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

83

84 **Intended Use**

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

86

87 **Intended User**

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

89

90 **Justified**

91 Reasonably supported.

92

93 **Know or Knowingly**

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

96

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

110

111 **Member**

112 An individual who is a Designated Member, Associate Member, or Affiliate Member of the
113 Appraisal Institute.

114

115 **Moral Turpitude**

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

119

120 **Personal Characteristic**

121 A trait of an individual or group of individuals such as race, color, religion, national origin,
122 gender, sexual orientation, gender identity or expression, marital status, familial status, age,
123 receipt of public assistance income or disability. Some personal characteristics may also be
124 protected characteristics or classes under applicable law.

125

126 **Relevant Documentation or Information**

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

129

130 **Relevant Question**

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

133

134 **Report**

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

139

140 **Review**

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

143

144 **Special Assumption**

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

147

148 **Valuation Practice**

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

151

152 **Value**

153 The monetary relationship between properties and those who buy, sell, or use those
154 properties. Value expresses an economic concept. As such, it is never a fact but always an
155 opinion of the worth of a property at a given time in accordance with a specific definition of
156 value. In Valuation Practice, value must always be qualified - for example, market value,
157 liquidation value, or investment value.

158

159 **Valuer**

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

162 **Exceptions to the Ethical Rules**

163

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

166

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

171 **Canon 1: One Must Refrain from Conduct that is Detrimental to the**
172 **Appraisal Institute, the Profession, and the Public**

173
174 Ethical Rules

175
176 ER 1-1

177 It is unethical to knowingly:

- 178 (a) act in a manner that is misleading;
180
181 (b) act in a manner that is fraudulent;
182
183 (c) use, or fail to take steps to prevent another from using, a misleading Report;
184
185 (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report;
186 or
187
188 (e) transmit a Report containing an analysis, opinion, or conclusion that reasonable Valuers
189 would not believe to be justified.

190
191 ER 1-2

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

194
195 ER 1-3

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

- 199
200 (a) disclose the lack of knowledge and/or experience to the client before agreeing to
201 perform the service;
202
203 (b) take all steps necessary or appropriate to complete the service competently; and
204
205 (c) describe the lack of knowledge and/or experience and the steps taken to complete the
206 service competently in the Report.

207
208 ER 1-4

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

- 210
211 (a) identify appropriate Standards to apply; and
212
213 (b) disclose in any Report the Standards applied.

214
215
216
217
218
219
220
221
222
223
224
225
226
227
228
229
230
231
232
233
234
235
236
237
238
239
240
241

ER 1-5

It is unethical:

- (a) To base an analysis, opinion, or conclusion, either partially or completely, on a personal characteristic such as race, color, religion, national origin, gender, sexual orientation, gender identity or expression, marital status, familial status, age, receipt of public assistance income, disability, or any protected characteristic under applicable law, or a conclusion that homogeneity of such characteristics is necessary to maximize value; and
- (b) To transmit a Report containing an analysis, opinion or conclusion based, either partially or completely, on a personal characteristic such as race, color, religion, national origin, gender, sexual orientation, gender identity or expression, marital status, familial status, age, receipt of public assistance income, disability, or any protected characteristic under applicable law, or a conclusion that homogeneity of such characteristics is necessary to maximize value.

Ethical Rules 1-5(a) and 1-5(b) do not apply when applicable law or regulation either requires or does not prohibit consideration of a personal characteristic, and consideration of that personal characteristic is relevant to the analysis, opinion, or conclusion.

ER 1-6

When related to Valuation Practice, it is unethical to:

- (a) engage in discriminatory conduct based on an actual or perceived personal characteristic; or
- (b) make derogatory statement(s) based on an actual or perceived personal characteristic.

242 **Canon 2: One Must Assist the Appraisal Institute in Fulfilling Its Role**
243 **Relating to Qualifications and Compliance with Ethics and Standards**

244 Ethical Rules

245 ER 2-1

246 It is unethical:

247

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

250

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

253

254 ER 2-2

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

259

260 ER 2-3

261 It is unethical to knowingly:

262

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

265

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

269

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

272

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

276

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

279

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

282

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

285

286 ER 2-4

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

289

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

291

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

293

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

299

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

301

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

304

305 • the Valuer's signed and dated certification;

306

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

310

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

316

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

318

319 ER 2-5

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

321

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

323

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

326

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

330

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

333

334 (e) a period of two years following the final disposition of a review of a service by a
335 governmental licensing or credentialing body;

336

337 whichever period shall be the last to expire.

338

339 ER 2-6

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

343

344 ER 2-7

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

346

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

349

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

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

354 Ethical Rules

355 ER 3-1

356 In Valuation Practice it is unethical to knowingly contribute to or participate in the
357 development, preparation, use or reporting of an analysis, opinion, or conclusion that is biased.
358

359 ER 3-2

360 In Valuation Practice it is unethical to knowingly permit an entity that is wholly or partially
361 owned or controlled by a Valuer to contribute to or participate in the development, preparation,
362 use, or reporting of an analysis, opinion, or conclusion that is biased.
363

364 ER 3-3

365 In Valuation Practice it is unethical to provide a service that is contingent upon reporting a
366 predetermined analysis, opinion or conclusion.
367

368 ER 3-4

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

371

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

374

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

376

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

379

380 ER 3-5

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

383

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

386

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

388

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

390

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

393

394

395

396 ER 3-6

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

400

401 (a) prior to agreeing to provide the service, the Valuer carefully considers the facts and
402 reasonably concludes that he or she would remain unbiased and reasonable persons,
403 under the same circumstances, would reach the same conclusion;

404

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

407

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

410

411 ER 3-7

412 In Valuation Practice it is unethical, during the period that commences at the time that a Valuer
413 is contacted concerning a service and expires at the completion of such service, to knowingly
414 acquire, or plan to acquire any direct or indirect, current, or prospective personal interest in the
415 subject or outcome of the service or with respect to the parties involved in the service, unless:

416

417 (a) the Valuer carefully considers the facts and reasonably concludes that he or she would
418 remain unbiased and reasonable persons, under the same circumstances, would reach
419 the same conclusion;

420

421 (b) such personal interest is disclosed to the client and the Valuer obtains from the client a
422 written statement consenting to or approving such acquisition or change of position;
423 and

424

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

427 **Canon 4: One Must Not Violate Confidentiality**

428 Ethical Rules

429 ER 4-1

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

432

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

434

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

437

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

440

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

443

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

446

447 ER 4-2

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

452

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

455

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

458

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

461

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

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

466 Ethical Rules

467 ER 5-1

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

470

471 ER 5-2

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

475

476 ER 5-3

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

480

481 ER 5-4

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

485

486 ER 5-5

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

489 Explanatory Comments to Code of Professional 490 Ethics

491
492 The Explanatory Comments help provide non-exclusive context and guidance as to the meaning,
493 interpretation and application of the Canons and Ethical Rules, as well as illustrative but not
494 exhaustive examples of certain types of required or prohibited conduct. The Explanatory
495 Comments play an important role in the application of the Code of Professional Ethics and may be
496 taken into consideration during enforcement proceedings. However, individuals are charged with
497 violations only of the Ethical Rules.

498
499

500 Explanatory Comments to Canon 1

501

502 Canon 1 Comment

503 Public confidence and trust in Appraisal Institute Members and the profession is essential to the
504 well-being of our society and the global economy. The Appraisal Institute serves a vital public
505 need by:

506

- 507 • educating and training valuation professionals,
- 508
- 509 • conferring professional membership designations on individuals who meet stringent
510 requirements, and
- 511
- 512 • conducting peer review that enhances the quality of work product and deters unethical
513 conduct.

514

515 In turn, the work of Appraisal Institute Members fosters economic growth and stability. If an
516 individual engages in conduct that is detrimental to the Appraisal Institute, the profession or the
517 public, such individual may undermine the public confidence and trust that is necessary for the
518 Appraisal Institute, valuers and the profession to perform their vital roles in our society and the
519 global economy.

520

521 ER 1-1(a) and (b) Comment

522 If an Appraisal Institute Member knowingly acts in a misleading or fraudulent manner when
523 engaged in Valuation Practice or when engaged in an activity unrelated to Valuation Practice, such
524 individual harms the reputation of the Appraisal Institute, its Members and the profession, thereby
525 undermining the confidence and trust that the public and clients must have in the integrity of the
526 Appraisal Institute, Members, and the profession.

527

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

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

535
536 A second example of a violation of ER 1-1(a) is if an individual misleads the Appraisal Institute by
537 an act of omission or commission as to his or her eligibility for a particular status or category of
538 membership.

539
540 An example of a violation of ER 1-1(b) is if one acts in a fraudulent manner while engaged in real
541 estate brokerage. Any such fraudulent conduct would be contrary to the public interest and would
542 reflect adversely upon the individual; Members generally; the Appraisal Institute; and the
543 profession.

544
545 **ER 1-1(c) and (d) Comment**

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

549
550 Examples of violations of ER 1-1(c) include, but are not limited to, the following:

- 551
- 552 • a Valuer allows a client to use a Report that contains a misleading analysis of comparable
553 sales.
 - 554
 - 555 • a Valuer develops a misleading opinion concerning the appropriate depreciation for an
556 industrial building and provides the opinion to another Valuer to use in a Report.

557
558 ER 1-1(d) prohibits a Valuer from transmitting a misleading Report. ER 1-1(d) further requires that a
559 Valuer must take steps to prevent another from transmitting a misleading Report whether the
560 Report was prepared by the Valuer or by another individual.

561
562 Examples of violations of ER 1-1(d) include, but are not limited to, the following:

- 563
- 564 • a Valuer transmits a Report to a client that contains a misleading analysis of comparable
565 sales.
 - 566
 - 567 • a Valuer allows an independent contractor to transmit a Report containing a misleading
568 highest and best use conclusion to a client.

569
570 **ER 1-1(e) Comment**

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

574
575 The test under ER 1-1(e) is whether reasonable Valuers would believe the analysis, opinion, or
576 conclusion to be justified. Valuers can and do differ as to the appropriate solutions to a valuation
577 issue. If, however, reasonable Valuers conclude that an analysis, opinion or conclusion is not

578 reasonably supported, then such analysis, opinion or conclusion would not be justified under this
579 Ethical Rule. Evidence that a Report contains an analysis, opinion or conclusion that reasonable
580 Valuers would not believe to be justified may include, but is not limited to, analyses, opinions and
581 conclusions developed through unsupported and unreasonable appraisal or review practices. The
582 Appraisal Institute Guide Notes to the Standards of Professional Practice and Appraisal Institute
583 courses, seminars, and textbooks such as *The Appraisal of Real Estate* identify many reasonable
584 appraisal and review practices.

585

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

587

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

589

- 590 • a Valuer transmits a Report in which the value of a property is not reasonably supported.

591

- 592 • a Valuer transmits a Report to a client that was signed by another individual that contains a
593 sales comparison approach that is not reasonably supported.

594

595 **ER 1-2 Comment**

596 The public and clients must have confidence in the personal honesty and integrity of Appraisal
597 Institute professionals, whom they entrust with matters of critical personal, corporate, and public
598 importance. If a Member fails to comply with his or her legal obligations to society in all activities,
599 not just when engaged in Valuation Practice, the public and clients will lose confidence and trust in
600 the honesty and integrity of the individual; Members, generally; and those who practice the
601 profession. The public and clients will also lose confidence and trust in the Appraisal Institute. As a
602 consequence, the ability of Members, the profession, and the Appraisal Institute to perform their
603 vital roles in our society and the global economy will be adversely affected.

604

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

610

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

614

615 Under Appraisal Institute Regulation No. 6, a violation of ER 1-2 will result in automatic expulsion
616 from membership in the Appraisal Institute subject to the right of appeal.

617

618 **ER 1-5 Comment**

619 By definition, a Valuer must be unbiased. A Valuer’s opinions and conclusions must be prepared in
620 an unbiased manner, and they must be credible, which means they must be supported with
621 relevant data and analyses.

622 Valuers and Reviewers have a professional responsibility to ensure that appraisals are prepared
623 fairly and without bias relating to personal characteristics. Personal characteristics are

624 characteristics of an individual or group of individuals such as (but not limited to) race, color,
625 religion, national origin, gender, sexual orientation, gender identity or expression, marital status,
626 familial status, age, receipt of public assistance income, disability, or any protected characteristic
627 under applicable law.

628
629 The characteristics of people – including but not limited to people who occupy a subject property,
630 live in the area, or are in any way associated with a transaction – are, with limited exceptions, not
631 relevant to the development of any value opinion. Relevant characteristics in the valuation of a
632 property include its physical and economic characteristics, not the personal, not the personal
633 characteristics of those who are in any way connected to the property. Value is an economic
634 concept. Value is created because there is effective demand, not because of the characteristics of
635 people.

636
637 Appraisers must collect and analyze relevant data to develop their opinions and conclusions.
638 Appraisers must avoid misinterpreting data, using data to develop conclusions that are not
639 credible, and transmitting reports that are misleading. They must avoid conclusions about
640 causality that are not grounded in fact.

641
642 Appraisers must also avoid preconceived notions about buyer preferences. For example, just
643 because an area has a high percentage of properties with deferred maintenance does not mean
644 there is low demand for properties in that area. Just because there are properties that are larger or
645 in better condition does not mean there is no demand – or less demand -- for properties that are
646 smaller or in inferior condition.

647
648 In valuing property, appraisers must consider effective demand. Are there buyers or renters in the
649 market who are willing and able to buy or rent the property? The personal characteristics of those
650 buyers or renters, or of others associated with the property or transaction, is irrelevant.

651
652 **ER 1-6 Comment**

653 The public and clients must have confidence that valuers, whom they entrust with matters of
654 critical personal, corporate, and public importance will perform assignments without bias;
655 therefore, Ethical Rule 1-6 applies to conduct related to Valuation Practice. Conduct related to
656 Valuation Practice includes actions taken in providing valuation and valuation related services and
657 actions taken in which an individual identifies oneself as someone who provides appraisal, review,
658 or other valuation related services.

659
660 Discriminatory conduct is an action or failure to act which exhibits bias or prejudice towards an
661 individual or group of individuals based on an actual or perceived personal characteristic.
662 Discriminatory conduct may result in an outcome that adversely affects an individual or group of
663 individuals.

664
665 If a Member engages in discriminatory conduct or makes derogatory comments based on an
666 actual or perceived personal characteristic, the public and clients may question whether such
667 individual will perform assignments without bias. Further, the public and clients may lose
668 confidence and trust in the integrity of the individual, the Appraisal Institute, and the profession.

669 Consequently, the ability of valuers, the profession, and the Appraisal Institute to perform their
670 vital roles in our society and the global economy may be adversely affected.

671
672 Examples of violations of E.R. 1-6(a) include, but are not limited to:

- 673
- 674 • a Member engages in conduct that is found to be in violation of a state anti-discrimination
675 law.
- 676
- 677 • a Member declines a valuation assignment based in whole or in part on the race of a
678 homeowner or the racial composition of a neighborhood.
- 679

680 Examples of violations of E.R. 1-6(b) include, but are not limited to:

- 681
- 682 • a Member identifying himself or herself as an appraiser, posts a comment on social media
683 that includes offensive slurs related to the actual or perceived sexual orientation of another
684 individual.
- 685
- 686 • a Member sends an email that includes belittling statements based on race or national
687 origin and the email includes a reference to an affiliation with the Appraisal Institute.
- 688
- 689 • a Member giving a presentation to a community group concerning the appraisal process
690 makes disparaging comments about a neighborhood based on the religious composition of
691 the neighborhood.
- 692

693

694 **Explanatory Comments to Canon 2**

695
696 Canon 2 Comment

697 The Appraisal Institute serves a vital public need by:

- 698
- 699 • conferring professional membership designations on individuals who meet stringent
700 requirements,
- 701
- 702 • conducting peer review that enhances the quality of work product and deters unethical
703 conduct,
- 704
- 705 • conducting a continuing education program, and
- 706
- 707 • establishing and conducting other programs that advance the profession and valuation
708 professionals.
- 709

710 As a result of these programs, the public associates Appraisal Institute Members with a high
711 degree of personal integrity and a commitment to professionalism. To maintain the reputation of
712 the Appraisal Institute and its professionals and facilitate these critical objectives, Members must
713 comply with all applicable obligations set forth in the Bylaws, Regulations, policies and procedures

714 of the Appraisal Institute. They must also fulfill committee responsibilities; cooperate with
715 appropriate committees; prepare and preserve records; and ensure that they do not place
716 themselves in a position where they cannot comply with the Code of Professional Ethics and
717 Standards of Professional Practice of the Appraisal Institute.

718

719 **ER 2-1 Comment**

720 Confidentiality:

721

722 • encourages Candidates to advance their qualifications through the designation process;

723

724 • encourages peer review to occur;

725

726 • fosters candid and valuable interchange on the issues of qualifications and the quality of
727 services;

728

729 • helps ensure that the consequences of an admissions matter or peer review proceeding
730 are proper and proportionate; and

731

732 • helps ensure that the Appraisal Institute can govern itself effectively.

733

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

740

741 **ER 2-2 Comment**

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

746

747 **ER 2-3 Comment**

748 The obligations of Ethical Rule 2-3 apply to all Appraisal Institute Members. Every Member shares
749 responsibility for supporting the Appraisal Institute's functions and for complying with its Bylaws,
750 Regulations, policies and procedures. Members are expected to remain familiar with, and adhere
751 to, such requirements as they are adopted, updated, and made available through Appraisal
752 Institute communications and publications.

753

754 The Articles of Incorporation, Bylaws, and Regulations of the Appraisal Institute provide the
755 authority for the Appraisal Institute and the establishment, powers, and duties of various
756 committees. As a corporate entity, the Appraisal Institute will fulfill its functions and exercise its
757 authority through various duly authorized representatives. Committees of the Appraisal Institute
758 will sometimes fulfill their powers and duties as committees of the whole, but such committees
759 may also carry out some powers and duties through individual members of the committees and

760 duly authorized representatives. For the Appraisal Institute to effectively carry out critical
761 functions, including, but not limited to, peer review, admissions, and continuing education, the
762 obligations under ER 2-3 extend to all Appraisal Institute Members, committees, and a committee's
763 duly authorized representatives.

764

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

767

768 Strict adherence to the Bylaws, Regulations, policies and procedures of the Appraisal Institute is
769 required, including when participating in the governance of the organization. Failure to do so can
770 make governance ineffective and harm the interests of the Appraisal Institute. For example,
771 everyone involved in governance must adhere strictly to any confidentiality obligations set forth in
772 the Bylaws, Regulations, policies and procedures of the Appraisal Institute. Additionally, they must
773 adhere strictly to the Appraisal Institute Antitrust Policy.

774

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

776

- 777 • ER 2-3(a): A Member submits a continuing education log to the Appraisal Institute that
778 represents that the individual took a course that the individual did not in fact take or that
779 represents that the course provided a greater number of hours of continuing education
780 than it actually did.
- 781 • ER 2-3(b): A Member fails to promptly comply with a request for information or
782 documentation from an Appraisal Institute Investigator that the individual was required to
783 preserve under ER 2-5.
- 784 • ER 2-3(g): A Member knowingly fails or refuses to comply with an Appraisal Institute policy
785 concerning harassment.

786

789 **ER 2-4 Comment**

790 The Appraisal Institute has promulgated the Code of Professional Ethics and Standards of
791 Professional Practice in part to establish requirements that will help ensure that Valuers will
792 transmit credible analyses, opinions, and conclusions. Such requirements also give the public and
793 client's confidence that a Valuer's analyses, opinions, and conclusions are based on sound data
794 and reasoning, and that such analyses, opinions, and conclusions are not predetermined or mere
795 speculation.

796

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

801

802 **ER 2-5 Comment**

803 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review, the
804 Appraisal Institute and its duly authorized representatives must have access to relevant records.
805 Valuers have a responsibility to consider and correctly apply the factors that can affect the

806 retention period for records before disposing of such records. For example, if a Valuer prepares an
807 appraisal on April 30, 2017, the Valuer must initially maintain records relating to that appraisal until
808 at least April 30, 2022. If, however, the Valuer then gives testimony on April 15, 2020, in a judicial
809 proceeding concerning the appraisal and the judicial proceedings are not completed until May 30,
810 2021, the retention period changes and the records must be maintained until at least May 30,
811 2023.

812

813 **ER 2-6 Comment**

814 A condition of membership is the agreement to comply with the Bylaws, Regulations, Code of
815 Professional Ethics, and Standards of Professional Practice of the Appraisal Institute. This
816 obligation cannot be avoided by entering into a contract that is inconsistent with this agreement.

817

818 **ER 2-7 Comment**

819 A condition of membership is the agreement to comply with the Code of Professional Ethics and
820 Standards of Professional Practice of the Appraisal Institute. Responsibility for the failure to
821 comply with such requirements cannot be avoided by a Member because an employer prevents
822 him or her from complying. Because the Code of Professional Ethics and Standards of Professional
823 Practice elevate the quality of services provided in the marketplace and enhance confidence of
824 the public and clients in the profession, Ethical Rule 2-7 also requires that a Member demonstrably
825 seek other employment if he or she knows that his or her employer fails to comply with the
826 requirements of the Code of Professional Ethics or Standards of Professional Practice.

827

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

831

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

836

837

838 **Explanatory Comments to Canon 3**

839

840 **Canon 3 Comment**

841 Given the role that Valuers serve in our society and the global economy, the public interest
842 demands that a Valuer develop and report unbiased analyses, opinions, and conclusions. Actual
843 and perceived bias can undermine the confidence that the public and clients must have in the
844 integrity of Valuers.

845

846 Valuers also have a professional responsibility to ensure that appraisals are prepared fairly and
847 without bias relating to personal characteristics. Personal characteristics are characteristics of an
848 individual or group of individuals such as (but not limited to) race, color, religion, national origin,
849 gender, sexual orientation, gender identity or expression, marital status, familial status, age,
850 receipt of public assistance income, disability, or any protected characteristic under applicable
851 law.

852
853 The public interest also demands that a Valuer not use an unwarranted Hypothetical Condition or
854 Special Assumption. Therefore, Canon 3 and its associated Ethical Rules prohibit a Valuer from
855 using an unwarranted Hypothetical Condition or Special Assumption and from rendering an
856 analysis, opinion, or conclusion that is not reasonably supported and that favors or promotes the
857 cause or interest of the client, the Valuer, or another.

858
859 **ER 3-1 Comment**

860 Evidence that a Valuer developed, prepared, used or reported a biased analysis, opinion or
861 conclusion may include, selecting comparable sales based on race, color, religion, national origin,
862 gender, sexual orientation, gender identity or expression, marital status, familial status, age,
863 receipt of public assistance income, disability, or any protected characteristic under applicable
864 law.

865
866 Evidence that a Valuer developed, prepared, used or reported a biased analysis, opinion or
867 conclusion may include, but is not limited to, deviation from or failure to use reasonable or
868 supportable appraisal or review practices resulting in an analysis, opinion, or conclusion that is not
869 reasonably supported and that favors or promotes the client's, the Valuer's, or another's interest or
870 cause. The Appraisal Institute Guide Notes to the Standards of Professional Practice and Appraisal
871 Institute courses, seminars, and textbooks such as *The Appraisal of Real Estate* identify many
872 reasonable appraisal and review practices.

873
874 The Intended Use of the analysis, opinion or conclusion is relevant in determining the direction of a
875 client's interest. For example, a Valuer develops and reports a value opinion for a property owner
876 for purposes of appealing his property taxes. The Valuer's appraisal is based solely on a sales
877 comparison approach. All of the comparable sales analyzed are clearly inferior to the subject
878 property in many respects, but in the adjustment grid, each comparable is shown to be similar to
879 the subject and no upward adjustments are made for differences. Reasonable appraisers would
880 not believe this opinion of value to be justified. Also, in this case, the lower the value opinion, the
881 more the property owner stands to gain if his appeal is successful. Therefore, the Valuer may
882 have developed and reported a biased opinion of value in violation of ER 3-1.

883
884 One can violate ER 3-1 by signing a Report that the Valuer has not read or has partially read, and
885 that contains a biased analysis, opinion, or conclusion. Not only is the Valuer responsible for the
886 Report by signing it, but he or she has knowingly contributed to or participated in the use and
887 reporting of an analysis, opinion, or conclusion that is biased. The Valuer acted knowingly because
888 he or she acted in disregard of the requirements of the Code of Professional Ethics and Standards
889 of Professional Practice of the Appraisal Institute.

890
891 Evidence that a Valuer performed a service under a contingent fee arrangement does not
892 constitute evidence of bias, in and of itself. Valuers are participants in the global economy. In the
893 global economy the norms for ethical practice concerning specific conduct may differ depending
894 on applicable national customs and standards. The matter of contingent fee arrangements is an
895 example of an area where the norms for ethical practice differ depending on the Standards used
896 by the Valuer. For example, the Uniform Standards of Professional Appraisal Practice (USPAP)
897 prohibits contingent fee arrangements for valuation services. On the other hand, the International

898 Valuation Standards (IVS) permits contingent fee arrangements for valuation services as long as
899 the Valuer's fee does not depend on a predetermined outcome of any valuation or other
900 independent, objective advice contained in the Report, and the Valuer discloses whether the fee is
901 contingent upon any aspect of the Report.

902

903 **ER 3-2 Comment**

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

907

908 **ER 3-3 Comment**

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

912

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

927

928 **ER 3-4 Comment**

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

933

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

937

938 **ER 3-5 Comment**

939 An example of the use of a Special Assumption in an appraisal would be when there is reason to
940 believe – though it is uncertain – that the subject property may be contaminated, but it is valued as
941 though it is free of contamination on the date of value. Another example would be the Valuer does
942 not inspect the subject property and bases the appraisal on the presumption that information
943 provided about the property (size, condition, etc.) is accurate.

944

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

949

950 **ER 3-6 Comment**

951 If a Valuer has a personal interest in the subject or outcome of a service or with respect to the
952 parties involved in the service, such interest may provide an incentive for the Valuer to render an
953 analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable. At a minimum,
954 such a personal interest may create an appearance that any resulting analysis, opinion, or
955 conclusion may be biased, misleading, or otherwise unreliable. An analysis, opinion, or conclusion
956 that is biased, misleading, or otherwise unreliable, or that may be perceived to be so, undermines
957 the confidence and trust that the public and clients must have in Valuers.

958

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

961

962 **ER 3-7 Comment**

963 If a Valuer knowingly acquires an interest in property or assumes a position that could possibly
964 affect the Valuer's judgment or violate the Valuer's responsibilities to the client between the time
965 the Valuer is contacted concerning a service and when the Valuer completes the service, such
966 interest or change in position may provide an incentive for the Valuer to render an analysis,
967 opinion, or conclusion that is biased, misleading, or otherwise unreliable and harms the client. At a
968 minimum, such interest or change in position may create an appearance that any resulting
969 analysis, opinion, or conclusion may be biased, misleading, or otherwise unreliable and that the
970 Valuer's interest or position is in conflict with the Valuer's responsibilities to the client.

971

972

973 **Explanatory Comments to Canon 4**

974

975 **Canon 4 Comment**

976 Confidentiality is a critical component of any relationship between a Valuer and a client.
977 Confidentiality fosters full and candid disclosure of relevant information by the client. Such
978 disclosure enables the Valuer to provide credible analyses, opinions, and conclusions to the client.

979

980 **ER 4-1 Comment**

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

982

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

989

990 **ER 4-2 Comment**

991 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,
992 appropriate Appraisal Institute committees and other Appraisal Institute duly authorized
993 representatives must and will have access to confidential information provided to Valuers by their
994 clients. Clients understand and are on notice that appropriate Appraisal Institute committees and
995 other Appraisal Institute duly authorized representatives will have access to their confidential
996 information, as well as analyses, opinions, and conclusions, because Valuers must inform their
997 clients that their Reports are subject to review by the duly authorized representatives of the
998 Appraisal Institute. Further, clients retain Appraisal Institute Valuers in part because of the
999 admissions and peer review functions of the Appraisal Institute and such clients benefit from the
1000 resulting increased quality of the services that Members provide. At the same time, Members who
1001 serve on committees or other bodies relating to admissions and peer review functions must not
1002 act in a manner that would harm a client or take advantage of serving in these important roles to
1003 obtain professional advantage by discussing or disclosing confidential information, analyses,
1004 opinions, conclusions, and factual data derived from such activities. Since Members must keep
1005 strictly confidential the information, analyses, opinions, conclusions, and factual data derived
1006 through admissions and peer review activities, the client is protected.

1007

1008

1009 **Explanatory Comments to Canon 5**

1010

1011 **Canon 5 Comment**

1012 To serve the public and clients effectively, members of a profession must properly and accurately
1013 inform the public and prospective clients about their qualifications and the functions of the
1014 profession. In this way, prospective clients can make informed decisions as to the type and extent
1015 of services they need and can identify competent and ethical professionals to provide such
1016 services. Such information can also help clients evaluate a service and help hiring parties evaluate
1017 potential employees or contractors. Advertising, solicitations, promotions, resumes, and
1018 statements of qualifications that are misleading or are otherwise contrary to the public interest
1019 undermine these important goals.

1020

1021 **ER 5-1 Comment**

1022 Members may utilize advertising to inform the public and prospective clients of the services they
1023 offer, the cost of such services, and their qualifications. However, advertising must not be
1024 misleading or calculated to create unrealistic expectations in the minds of the parties to whom the
1025 advertising is directed. In promoting their services, Members must take particular care not to state
1026 or imply that they will develop, prepare, use or report an appraisal or review, analysis, opinion or
1027 conclusion that is biased or that they will deviate from the strict Standards and Ethical
1028 requirements with which they have agreed to comply.

1029

1030 Also, a Member cannot avoid ethical responsibility by using a corporation, partnership or other
1031 entity (or multiple entities) to advertise services in a misleading manner.

1032

1033 **ER 5-2 Comment**

1034 The Appraisal Institute has established the categories of Designated Member, Associate Member,
1035 and Affiliate Member in part to help the public and clients understand the qualifications these

1036 individuals hold and the requirements to which they are subject. The different Appraisal Institute
1037 designations serve a similar purpose.

1038
1039 The Appraisal Institute is the sole owner of its name, corporate logo, membership designations,
1040 and emblems (“marks”), which are registered with the United States Patent and Trademark Office.
1041 The authorized or permitted uses of these marks are set forth in the Bylaws, Code of Professional
1042 Ethics, Regulation No. 5, and Trademark Usage Manual, and are subject to federal law.

1043
1044 The general rule governing any reference to or use of the Appraisal Institute name, corporate logo,
1045 membership designations and designation emblems is that such reference or use must be
1046 authorized or permitted and must not be misleading or deceptive.

1047
1048 **ER 5-3 Comment**
1049 Misleading solicitations for services are contrary to the public interest and undermine the
1050 reputation of the profession and its practitioners. Therefore, a Member may not solicit for services
1051 in a manner that is misleading.

1052
1053 For example, a Member may not inform a prospective client that the Member has qualifications
1054 that the Member does not possess. As another example, a Member may not state or imply in a
1055 solicitation for services that the Member can develop, prepare, use, or report an appraisal or
1056 review analysis, opinion, or conclusion that is biased.

1057
1058 Ethical responsibility cannot be avoided by using a corporation, partnership, or other entity (or
1059 multiple entities) to solicit services in a misleading manner. Therefore, one may not knowingly
1060 permit an entity that is wholly or partially owned or controlled by such individual to solicit services
1061 in a manner that is misleading, even if name of the individual is not specifically mentioned in the
1062 solicitation.

1063
1064 **ER 5-4 Comment**
1065 The primary basis for someone to refer a service to a Valuer should be his or her qualifications,
1066 rather than financial incentive. At the same time, federal law prohibits a professional organization
1067 from prohibiting all referral fees. Therefore, one may pay a fee, commission, or thing of value to
1068 procure a service, but such payment must be disclosed in any resulting Report. The Intended
1069 User(s) should know that a fee, commission, or thing of value was paid to procure the service and
1070 to consider such information in evaluating the service.

1071
1072 Disclosure is required only if the payment made is a condition of the referral. For example, if the
1073 party to whom a referral is made subsequently invites the referring party to dinner as a token of
1074 appreciation, this act would not be payment of a “thing of value” and disclosure would not be
1075 required.

1076
1077 ER 5-4 does not apply when performing work that is subject to the requirements of another
1078 licensed occupation or profession. For example, if one is licensed as a real estate broker and is
1079 acting in a capacity as a real estate broker, the payment and disclosure of a fee, commission, or
1080 thing of value for procurement of the assignment are governed by the laws and regulations
1081 governing real estate brokers, rather than ER 5-4.

1082

1083 **ER 5-5 Comment**

1084 Potential clients, parties hiring employees and contractors, as well as others, need clear and
1085 accurate information on which to evaluate qualifications and work product.