

Code of Professional Ethics *and* Explanatory Comments

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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 Designated Members, Candidates, Practicing Affiliates, and Affiliates.

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 Designated Member, Candidate, Practicing Affiliate or Affiliate 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 Designated Members, Candidates, Practicing Affiliates, and Affiliates to professionalism extends to helping ensure that others act ethically and competently. Therefore, each Designated Member, Candidate, Practicing Affiliate, and Affiliate has a responsibility to refer any significant factual information that reasonably suggests that another Designated Member, Candidate, Practicing Affiliate, or Affiliate 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 Designated Member, Candidate, Practicing Affiliate, and Affiliate 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 following terms
45 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., not
50 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 self, or
57 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 available
66 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 in the
72 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 **Intended User**
87 The party or parties the Valuer intends will use the Report.
88

89 **Justified**
90 Reasonably supported.
91

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

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

109 **Moral Turpitude**
110 An act of baseness, vileness, or depravity in private and social duties which a person owes to other
111 people or to society in general; an act contrary to accepted and customary rules of right and duty
112 between people; in essence contrary to justice, honesty, or good morals.
113

114 **Personal Characteristic**
115 A trait of an individual or group of individuals such as race, color, religion, national origin, gender,
116 sexual orientation, gender identity or expression, marital status, familial status, age, receipt of public
117 assistance income or disability. Some personal characteristics may also be protected characteristics
118 or classes under applicable law.
119

120 **Relevant Documentation or Information**
121 Documentation or information the Appraisal Institute or one of its duly authorized representatives
122 believes may be relevant in fulfilling its responsibilities.
123

124 **Relevant Question**
125 A question that the Appraisal Institute or one of its duly authorized representatives believes may be
126 relevant in fulfilling its responsibilities.
127

128 **Report**
129 The final communication, written or oral, of an appraisal or review transmitted to the
130 client. Finality is evidenced by the presence of the Valuer's signature in written
131 communication or a statement of finality in the oral communication of assignment

132 results. All communications to the client prior to the final communication must be
133 conspicuously designated as such.

134

135 **Review**

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

138

139 **Special Assumption**

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

142

143 **Valuation Practice**

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

146

147 **Value**

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

149 Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth
150 of a property at a given time in accordance with a specific definition of value. In Valuation Practice,
151 value must always be qualified - for example, market value, liquidation value, or investment value.

152

153 **Valuer**

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

156 **Exceptions to the Ethical Rules**

157

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

160

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

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

167
168 Ethical Rules

169
170 ER 1-1

171 It is unethical to knowingly:

- 172
173 (a) act in a manner that is misleading;
174
175 (b) act in a manner that is fraudulent;
176
177 (c) use, or fail to take steps to prevent another from using, a misleading Report;
178
179 (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report; or
180
181 (e) transmit a Report containing an analysis, opinion, or conclusion that reasonable Valuers
182 would not believe to be justified.

183
184 ER 1-2

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

187
188 ER 1-3

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

- 192
193 (a) disclose the lack of knowledge and/or experience to the client before agreeing to perform the
194 service;
195
196 (b) take all steps necessary or appropriate to complete the service competently; and
197
198 (c) describe the lack of knowledge and/or experience and the steps taken to complete the
199 service competently in the Report.

200
201 ER 1-4

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

- 203
204 (a) identify appropriate Standards to apply; and
205
206 (b) disclose in any Report the Standards applied.

207 ER 1-5

208 It is unethical:

209

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

215

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

221

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

225

226 ER 1-6

227 When related to Valuation Practice, it is unethical to:

228

229 (a) engage in discriminatory conduct based on an actual or perceived personal characteristic; or

230

231 (b) make derogatory statement(s) based on an actual or perceived personal characteristic.

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

235 Ethical Rules

236 ER 2-1

237 It is unethical:

238

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

241

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

244

245 ER 2-2

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

250

251 ER 2-3

252 It is unethical to knowingly:

253

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

256

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

260

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

263

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

267

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

269

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

272

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

275 ER 2-4
276 It is unethical for a Valuer to fail to maintain records, documented on any type of media, for each
277 Report.

278
279 (a) Records for a written Report must include:

- 280 • a copy of the written Report(s); and
- 281
- 282
- 283 • any other data, information, and documentation necessary to support the Valuer's
- 284 analyses, opinions and conclusions and to show compliance with the Code of
- 285 Professional Ethics and Standards of Professional Practice of the Appraisal Institute, or
- 286 references to the location(s) of such other documentation accessible to the Valuer.
- 287

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

- 289 • the name of the client and the identity, by name or type, of any other Intended User(s);
- 290
- 291
- 292 • the Valuer's signed and dated certification;
- 293
- 294 • a written summary of the oral Report, or, if the presentation is in the form of
- 295 testimony, a transcript of that testimony may be retained in the file in place of the
- 296 summary; and
- 297
- 298 • all other data, information, and documentation necessary to support the Valuer's
- 299 analyses, opinions and conclusions and to show compliance with the Code of
- 300 Professional Ethics and Standards of Professional Practice of the Appraisal Institute,
- 301 or references to the location(s) of such other documentation accessible to the Valuer.
- 302

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

304

305 ER 2-5

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

307

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

309

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

312

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

316

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

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

321

322 whichever period shall be the last to expire.

323

324 ER 2-6

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

328

329 ER 2-7

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

331

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

334

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

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

339 Ethical Rules

340 ER 3-1

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

343

344 ER 3-2

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

348

349 ER 3-3

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

352

353 ER 3-4

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

355

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

358

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

360

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

363

364 ER 3-5

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

366

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

368

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

370

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

372

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

375

376 ER 3-6

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

- 380 (a) prior to agreeing to provide the service, the Valuer carefully considers the facts and
381 reasonably concludes that he or she would remain unbiased and reasonable persons, under
382 the same circumstances, would reach the same conclusion;
383
384 (b) such personal interest is disclosed to the client prior to the Valuer agreeing to provide the
385 service; and
386
387 (c) such personal interest is disclosed in each Report or other communication provided to the
388 client resulting from such service.
389

390 ER 3-7

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

- 395
396 (a) the Valuer carefully considers the facts and reasonably concludes that he or she would
397 remain unbiased and reasonable persons, under the same circumstances, would reach the
398 same conclusion;
399
400 (b) such personal interest is disclosed to the client and the Valuer obtains from the client a
401 written statement consenting to or approving such acquisition or change of position; and
402
403 (c) such personal interest is disclosed in each Report or other communication provided to the
404 client resulting from such service.

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

406 Ethical Rules

407 ER 4-1

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

410

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

412

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

415

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

418

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

421

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

424

425 ER 4-2

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

429

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

432

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

435

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

438

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

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

443 Ethical Rules

444 ER 5-1

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

447

448 ER 5-2

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

452

453 ER 5-3

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

456

457 ER 5-4

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

461

462 ER 5-5

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

1 Explanatory Comments to Code of 2 Professional Ethics

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

10 11 12 Explanatory Comments to Canon 1

13 14 Canon 1 Comment

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

- 18
- 19 • educating and training valuation professionals,
- 20 • conferring professional membership designations on individuals who meet stringent
- 21 requirements, and
- 22 • conducting peer review that enhances the quality of work product and deters unethical
- 23 conduct.
- 24

25 In turn, the work of Appraisal Institute Members, Candidates, Practicing Affiliates and Affiliates fosters
26 economic growth and stability. If an individual engages in conduct that is detrimental to the Appraisal
27 Institute, the profession or the public, such individual may undermine the public confidence and trust
28 that is necessary for the Appraisal Institute, valuers and the profession to perform their vital roles in
29 our society and the global economy.

30 31 ER 1-1(a) and (b) Comment

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

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

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

46
47 A second example of a violation of ER 1-1(a) is if an individual misleads the Appraisal Institute by an
48 act of omission or commission as to his or her eligibility for a particular status or category of
49 membership, candidacy or affiliation.

50
51 An example of a violation of ER 1-1(b) is if one acts in a fraudulent manner while engaged in real
52 estate brokerage. Any such fraudulent conduct would be contrary to the public interest and would
53 reflect adversely upon the individual; Members, Candidates, Practicing Affiliates and Affiliates
54 generally; the Appraisal Institute; and the profession.

55

56 **ER 1-1(c) and (d) Comment**

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

60

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

62

- 63 • a Valuer allows a client to use a Report that contains a misleading analysis of comparable
64 sales.
- 65 • a Valuer develops a misleading opinion concerning the appropriate depreciation for an
66 industrial building and provides the opinion to another Valuer to use in a Report.

67

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

71

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

73

- 74 • a Valuer transmits a Report to a client that contains a misleading analysis of comparable
75 sales.
- 76 • a Valuer allows an independent contractor to transmit a Report containing a misleading
77 highest and best use conclusion to a client.

78

79 **ER 1-1(e) Comment**

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

83

84 The test under ER 1-1(e) is whether reasonable Valuers would believe the analysis, opinion, or
85 conclusion to be justified. Valuers can and do differ as to the appropriate solutions to a valuation
86 issue. If, however, reasonable Valuers conclude that an analysis, opinion or conclusion is not
87 reasonably supported, then such analysis, opinion or conclusion would not be justified under this
88 Ethical Rule. Evidence that a Report contains an analysis, opinion or conclusion that reasonable

89 Valuers would not believe to be justified may include, but is not limited to, analyses, opinions and
90 conclusions developed through unsupported and unreasonable appraisal or review practices. The
91 Appraisal Institute Guide Notes to the Standards of Professional Practice and Appraisal Institute
92 courses, seminars, and textbooks such as *The Appraisal of Real Estate* identify many reasonable
93 appraisal and review practices.

94

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

96

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

98

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

102

103 **ER 1-2 Comment**

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

113

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

119

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

123

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

126

127 **ER 1-5 Comment**

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

131

132 Valuers and Reviewers have a professional responsibility to ensure that appraisals are prepared fairly
133 and without bias relating to personal characteristics. Personal characteristics are characteristics of an
134 individual or group of individuals such as (but not limited to) race, color, religion, national origin,

135 gender, sexual orientation, gender identity or expression, marital status, familial status, age, receipt of
136 public assistance income, disability, or any protected characteristic under applicable law.

137 The characteristics of people – including but not limited to people who occupy a subject property, live
138 in the area, or are in any way associated with a transaction – are, with limited exceptions, not relevant
139 to the development of any value opinion. Relevant characteristics in the valuation of a property
140 include its physical and economic characteristics, not the personal, not the personal characteristics of
141 those who are in any way connected to the property. Value is an economic concept. Value is created
142 because there is effective demand, not because of the characteristics of people.

143

144 Appraisers must collect and analyze relevant data to develop their opinions and conclusions.
145 Appraisers must avoid misinterpreting data, using data to develop conclusions that are not credible,
146 and transmitting reports that are misleading. They must avoid conclusions about causality that are not
147 grounded in fact.

148

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

154

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

158

159 **ER 1-6 Comment**

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

166

167 Discriminatory conduct is an action or failure to act which exhibits bias or prejudice towards an
168 individual or group of individuals based on an actual or perceived personal characteristic.
169 Discriminatory conduct may result in an outcome that adversely affects an individual or group of
170 individuals.

171

172 If a Member, Candidate, Practicing Affiliate, or Affiliate engages in discriminatory conduct or makes
173 derogatory comments based on an actual or perceived personal characteristic, the public and clients
174 may question whether such individual will perform assignments without bias. Further, the public and
175 clients may lose confidence and trust in the integrity of the individual, the Appraisal Institute, and the
176 profession. Consequently, the ability of valuers, the profession, and the Appraisal Institute to perform
177 their vital roles in our society and the global economy may be adversely affected.

178

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

180

181 • a Member, Candidate, Practicing Affiliate, or Affiliate engages in conduct that is found to be in
182 violation of a state anti-discrimination law.

183

184 • a Member, Candidate, Practicing Affiliate, or Affiliate declines a valuation assignment based
185 in whole or in part on the race of a homeowner or the racial composition of a neighborhood.

186

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

188

189 • a Member, Candidate, Practicing Affiliate, or Affiliate, identifying himself or herself as an
190 appraiser, posts a comment on social media that includes offensive slurs related to the actual
191 or perceived sexual orientation of another individual.

192

193 • a Member, Candidate, Practicing Affiliate, or Affiliate sends an email that includes belittling
194 statements based on race or national origin and the email includes a reference to an
195 affiliation with the Appraisal Institute.

196

197 • a Member, Candidate, Practicing Affiliate, or Affiliate giving a presentation to a community
198 group concerning the appraisal process makes disparaging comments about a neighborhood
199 based on the religious composition of the neighborhood.

200 **Explanatory Comments to Canon 2**

201 **Canon 2 Comment**

202 The Appraisal Institute serves a vital public need by:

- 203 • conferring professional membership designations on individuals who meet stringent
- 204 requirements,
- 205 • conducting peer review that enhances the quality of work product and deters unethical
- 206 conduct,
- 207 • conducting a continuing education program, and
- 208 • establishing and conducting other programs that advance the profession and valuation
- 209 professionals.
- 210
- 211

212
213 As a result of these programs, the public associates Appraisal Institute Members, Candidates,
214 Practicing Affiliates and Affiliates with a high degree of personal integrity and a commitment to
215 professionalism. To maintain the reputation of the Appraisal Institute and its professionals and
216 facilitate these critical objectives, Members, Candidates, Practicing Affiliates and Affiliates must
217 comply with all confidentiality obligations set forth in the Bylaws, Regulations, policies and procedures
218 of the Appraisal Institute. They must also fulfill committee responsibilities; cooperate with appropriate
219 committees; prepare and preserve records; and ensure that they do not place themselves in a
220 position where they cannot comply with the Code of Professional Ethics and Standards of
221 Professional Practice of the Appraisal Institute.

222 **ER 2-1 Comment**

223 Confidentiality:

- 224 • encourages Candidates to advance their qualifications through the designation process;
- 225 • encourages peer review to occur;
- 226 • fosters candid and valuable interchange on the issues of qualifications and the quality of
- 227 services;
- 228 • helps ensure that the consequences of an admissions matter or peer review proceeding are
- 229 proper and proportionate; and
- 230 • helps ensure that the Appraisal Institute can govern itself effectively.
- 231
- 232

233
234 If a Member, Candidate, Practicing Affiliate or Affiliate fails to observe confidentiality rules, the judicial
235 protection given to the Appraisal Institute, especially with respect to admissions matters and peer
236 review proceedings, may erode, thereby impairing the ability of the Appraisal Institute to fulfill critical
237 functions. Such a result would harm the public, the Appraisal Institute, its Members, Candidates,
238 Practicing Affiliates, Affiliates and the profession. All Bylaws, Regulations, policies and procedures
239 regarding confidentiality of admissions, peer review, governance and other matters must be
240 scrupulously observed.

241 **ER 2-2 Comment**

242 While the Appraisal Institute recognizes that individuals who serve on committees dealing with
243 admissions matters and peer review proceedings are volunteers, such individuals must fulfill their
244

245 responsibilities diligently, objectively, and completely for the Appraisal Institute to effectively fulfill its
246 vital functions.

247

248 **ER 2-3 Comment**

249 The Articles of Incorporation, Bylaws, and Regulations of the Appraisal Institute provide the authority
250 for the Appraisal Institute and the establishment, powers, and duties of various committees. As a
251 corporate entity, the Appraisal Institute will fulfill its functions and exercise its authority through
252 various duly authorized representatives. Committees of the Appraisal Institute will sometimes fulfill
253 their powers and duties as committees of the whole, but such committees may also carry out some
254 powers and duties through individual members of the committees and duly authorized
255 representatives. For the Appraisal Institute to effectively carry out critical functions, including, but not
256 limited to, peer review, admissions, and continuing education, the obligations under ER 2-3 extend
257 not only to the Appraisal Institute but also to its duly authorized representatives.

258

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

262

263 Strict adherence to the Bylaws, Regulations, policies and procedures of the Appraisal Institute is
264 required when participating in the governance of the organization. Failure to do so can make
265 governance ineffective and harm the interests of the Appraisal Institute. For example, everyone
266 involved in governance must adhere strictly to any confidentiality obligations set forth in the Bylaws,
267 Regulations, policies and procedures of the Appraisal Institute. Additionally, they must adhere strictly
268 to the Appraisal Institute Antitrust Policy.

269

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

271

- 272 • ER 2-3(a): A Designated Member submits a continuing education log to the Appraisal
273 Institute that represents that the individual took a course that the individual did not in fact take
274 or that represents that the course provided a greater number of hours of continuing education
275 than it actually did.
- 276 • ER 2-3(b): A Practicing Affiliate fails to promptly comply with a request for information or
277 documentation from an Appraisal Institute Investigator that the individual was required to
278 preserve under ER 2-5.

279

280 **ER 2-4 Comment**

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

287

288 This Ethical Rule ensures that Valuers will be able to provide support for their analyses, opinions, and
289 conclusions to clients, courts, the Appraisal Institute, regulatory agencies, and others. The required

290 records provide evidence of whether a Valuer has complied with the Code of Professional Ethics and
291 Standards of Professional Practice.

292

293 **ER 2-5 Comment**

294 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review, the
295 Appraisal Institute and its duly authorized representatives must have access to relevant records.
296 Valuers have a responsibility to consider and correctly apply the factors that can affect the retention
297 period for records before disposing of such records. For example, if a Valuer prepares an appraisal
298 on April 30, 2017, the Valuer must initially maintain records relating to that appraisal until at least April
299 30, 2022. If, however, the Valuer then gives testimony on April 15, 2020, in a judicial proceeding
300 concerning the appraisal and the judicial proceedings are not completed until May 30, 2021, the
301 retention period changes and the records must be maintained until at least May 30, 2023.

302

303 **ER 2-6 Comment**

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

308

309 **ER 2-7 Comment**

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

319

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

323

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

328 **Explanatory Comments to Canon 3**

329

330 **Canon 3 Comment**

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

335

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

341

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

347

348 **ER 3-1 Comment**

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

353

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

361

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

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

377

378 Evidence that a Valuer performed a service under a contingent fee arrangement does not constitute
379 evidence of bias, in and of itself. Valuers are participants in the global economy. In the global
380 economy the norms for ethical practice concerning specific conduct may differ depending on
381 applicable national customs and standards. The matter of contingent fee arrangements is an example
382 of an area where the norms for ethical practice differ depending on the Standards used by the Valuer.
383 For example, the Uniform Standards of Professional Appraisal Practice (USPAP) prohibits contingent
384 fee arrangements for valuation services. On the other hand, the International Valuation Standards
385 (IVS) permits contingent fee arrangements for valuation services as long as the Valuer's fee does not
386 depend on a predetermined outcome of any valuation or other independent, objective advice
387 contained in the Report, and the Valuer discloses whether the fee is contingent upon any aspect of
388 the Report.

389

390 **ER 3-2 Comment**

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

394

395 **ER 3-3 Comment**

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

399

400 To illustrate the point involved, assume the following facts: A government agency makes an offer to a
401 property owner to purchase the owner's property to expand a roadway. The agency has not begun
402 condemnation proceedings at this point, but may in the future. The attorney working with the property
403 owner contacts a Valuer to obtain the Valuer's opinion as to whether the market value of the property
404 is more than the amount of the agency's offer. The Valuer prepares a Report (for the attorney's use
405 only) in which the Valuer's value opinion is "not less than" the amount of the offer. Subsequently, the
406 attorney asks the Valuer to prepare a Report (for which the Intended Users will be both the
407 government agency and the attorney for the property owner) for purposes of the condemnation
408 litigation. Note that these are two separate assignments, with different, though related, Intended Uses
409 and different Intended Users. If the Valuer accepts these assignments, the Valuer will not violate ER
410 3-3. The Valuer was required to develop and report both the first and second service in an unbiased
411 manner. Although the second service was in essence contingent on the results of the first service, it
412 was not contingent on a "predetermined" analysis, opinion, or conclusion.

413

414 **ER 3-4 Comment**

415 An example of the use of a Hypothetical Condition in an appraisal would be when the subject property
416 is known to be contaminated but it is valued as though it is free of contamination. Another example

417 would be when a property is appraised as though improvements exist on the site when in fact the site
418 is vacant on the date of value.

419

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

423

424 **ER 3-5 Comment**

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

430

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

435

436 **ER 3-6 Comment**

437 If a Valuer has a personal interest in the subject or outcome of a service or with respect to the parties
438 involved in the service, such interest may provide an incentive for the Valuer to render an analysis,
439 opinion, or conclusion that is biased, misleading, or otherwise unreliable. At a minimum, such a
440 personal interest may create an appearance that any resulting analysis, opinion, or conclusion may
441 be biased, misleading, or otherwise unreliable. An analysis, opinion, or conclusion that is biased,
442 misleading, or otherwise unreliable, or that may be perceived to be so, undermines the confidence
443 and trust that the public and clients must have in Valuers.

444

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

447

448 **ER 3-7 Comment**

449 If a Valuer knowingly acquires an interest in property or assumes a position that could possibly affect
450 the Valuer's judgment or violate the Valuer's responsibilities to the client between the time the Valuer
451 is contacted concerning a service and when the Valuer completes the service, such interest or
452 change in position may provide an incentive for the Valuer to render an analysis, opinion, or
453 conclusion that is biased, misleading, or otherwise unreliable and harms the client. At a minimum,
454 such interest or change in position may create an appearance that any resulting analysis, opinion, or
455 conclusion may be biased, misleading, or otherwise unreliable and that the Valuer's interest or
456 position is in conflict with the Valuer's responsibilities to the client.

457 **Explanatory Comments to Canon 4**

458

459 **Canon 4 Comment**

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

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

463

464 **ER 4-1 Comment**

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

466

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

473

474 **ER 4-2 Comment**

475 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,
476 appropriate Appraisal Institute committees and other Appraisal Institute duly authorized
477 representatives must and will have access to confidential information provided to Valuers by their
478 clients. Clients understand and are on notice that appropriate Appraisal Institute committees and
479 other Appraisal Institute duly authorized representatives will have access to their confidential
480 information, as well as analyses, opinions, and conclusions, because Valuers must inform their clients
481 that their Reports are subject to review by the duly authorized representatives of the Appraisal
482 Institute. Further, clients retain Appraisal Institute Valuers in part because of the admissions and peer
483 review functions of the Appraisal Institute and such clients benefit from the resulting increased quality
484 of the services that Members, Candidates, Practicing Affiliates and Affiliates provide. At the same
485 time, Members, Candidates, Practicing Affiliates and Affiliates who serve on committees or other
486 bodies relating to admissions and peer review functions must not act in a manner that would harm a
487 client or take advantage of serving in these important roles to obtain professional advantage by
488 discussing or disclosing confidential information, analyses, opinions, conclusions, and factual data
489 derived from such activities. Since Members, Candidates, Practicing Affiliates and Affiliates must
490 keep strictly confidential the information, analyses, opinions, conclusions, and factual data derived
491 through admissions and peer review activities, the client is protected.

492 **Explanatory Comments to Canon 5**

493 494 **Canon 5 Comment**

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

502 503 **ER 5-1 Comment**

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

511
512 Also, a Member, Candidate, Practicing Affiliate or Affiliate cannot avoid ethical responsibility by using a
513 corporation, partnership or other entity (or multiple entities) to advertise services in a misleading manner.

514 515 **ER 5-2 Comment**

516 The Appraisal Institute has established the categories of Designated Member, Candidate, Practicing
517 Affiliate and Affiliate in part to help the public and clients understand the qualifications these individuals
518 hold and the requirements to which they are subject. The different Appraisal Institute designations serve a
519 similar purpose.

520
521 The Appraisal Institute is the sole owner of its name, corporate logo, membership designations, and
522 emblems ("marks"), which are registered with the United States Patent and Trademark Office.
523 The authorized or permitted uses of these marks are set forth in the Bylaws, Code of Professional Ethics,
524 Regulation No. 5, and Trademark Usage Manual, and are subject to federal law.

525
526 The general rule governing any reference to or use of the Appraisal Institute name, corporate logo,
527 membership designations and designation emblems is that such reference or use must be authorized or
528 permitted and must not be misleading or deceptive.

529 530 **ER 5-3 Comment**

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

534
535 For example, a Designated Member may not inform a prospective client that the Designated Member has
536 qualifications that the Member does not possess. As another example, a Candidate may not state or

537 imply in a solicitation for services that the Candidate can develop, prepare, use, or report an appraisal or
538 review analysis, opinion, or conclusion that is biased.

539
540 Ethical responsibility cannot be avoided by using a corporation, partnership, or other entity (or multiple
541 entities) to solicit services in a misleading manner. Therefore, one may not knowingly permit an entity that
542 is wholly or partially owned or controlled by such individual to solicit services in a manner that is
543 misleading, even if name of the individual is not specifically mentioned in the solicitation.

544
545 **ER 5-4 Comment**

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

552
553 Disclosure is required only if the payment made is a condition of the referral. For example, if the party to
554 whom a referral is made subsequently invites the referring party to dinner as a token of appreciation, this
555 act would not be payment of a “thing of value” and disclosure would not be required.

556
557 ER 5-4 does not apply when performing work that is subject to the requirements of another licensed
558 occupation or profession. For example, if one is licensed as a real estate broker and is acting in a
559 capacity as a real estate broker, the payment and disclosure of a fee, commission, or thing of value for
560 procurement of the assignment are governed by the laws and regulations governing real estate brokers,
561 rather than ER 5-4.

562
563 **ER 5-5 Comment**

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