

# Code of Professional Ethics of the Appraisal Institute

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## DEFINITIONS

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1 The following definitions apply to the Code of Professional Ethics. Each Member must know and  
2 understand each defined term in the Code of Professional Ethics. Where a definition in the Code of  
3 Professional Ethics is used verbatim or adapted from a definition in the Uniform Standards of  
4 Professional Appraisal Practice (USPAP), such source is noted. Since the Code of Professional Ethics  
5 applies to Members of the Appraisal Institute, whereas USPAP applies solely to appraisers as defined by  
6 USPAP, some references in USPAP definitions to “appraiser” have been changed to “Member.” Further,  
7 because the Code of Professional Ethics also applies to real property consulting, some USPAP  
8 definitions have been adapted to incorporate real property consulting where appropriate.

### 9 **Admissions Matter**

10 Any action relating to a requirement for admission to Appraisal Institute Affiliate, Associate, or  
11 Designated Membership.

12 **Appraisal** (Source: adapted from USPAP definition of “appraisal” as a noun)

13 The act or process of developing an opinion of value; an opinion of value. Also known as valuation.

14 Comment: An appraisal must be numerically expressed as a specific amount, as a range of numbers, or  
15 as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark  
16 (e.g., assessed value, collateral value).

17 **Appraisal Consulting** (Source: USPAP)

18 The act or process of developing an analysis, recommendation, or opinion, where an opinion of value is a  
19 component of the analysis leading to the assignment results.

20 Comment: An appraisal consulting assignment involves an opinion of value but does not have an  
21 appraisal or an appraisal review as its primary purpose.

22 **Appraisal Review** (Source: Adapted from USPAP)

23 The act or process of developing and communicating an opinion for a client about the quality of another  
24 appraiser’s work.

25 Comment: The subject of an appraisal review assignment may be all or part of an appraisal report,  
26 workfile, or a combination of these.

### 27 **Assignment**

28 An appraisal, appraisal review, or appraisal consulting service provided for a client.

29 **Assumption** (Source: USPAP)

30 That which is taken to be true.

## DEFINITIONS (continued)

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31 **Biased**

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

34 Comment: A Member may never develop, prepare, use, or report a biased analysis, opinion, or  
35 conclusion.

36 Evidence that a Member developed, prepared, used, or reported a biased analysis, opinion, or  
37 conclusion may include, but is not limited to, deviation from reasonable appraisal, appraisal review,  
38 appraisal consulting, or real property consulting practices resulting in an analysis, opinion, or conclusion  
39 that is not reasonably supported and that favors or promotes the client's, the Member's, or another's  
40 interest or cause. Many of these reasonable practices are outlined in the Standards of Professional  
41 Appraisal Practice of the Appraisal Institute, Guide Notes to the Standards of Professional Appraisal  
42 Practice, and Appraisal Institute courses, seminars, and textbooks such as *The Appraisal of Real Estate*.  
43 The intended use of the analysis, opinion, or conclusion is relevant in determining the direction of a  
44 client's interest.

45 **Client** (Source: Adapted from USPAP)

46 The party or parties who engage a Member (by employment or contract) in a specific service.

47 Comment: The client identified by the Member in an appraisal, appraisal review, appraisal consulting  
48 service (or in the service workfile), or real property consulting service is the party or parties with whom  
49 the Member has a relationship in the related service, and may be an individual, group, or entity.

50 **Committee**

51 Any Board, Committee, Subcommittee, Council, or Panel formed pursuant to the Bylaws or Regulations  
52 of the Appraisal Institute.

53 **Confidential Information** (Source: Adapted from USPAP by changing "appraiser" to "Member")

54 Information that is either:

- 55       • identified by the client as confidential when providing it to a Member and that is not available  
56       from any other source; or
- 57       • classified as confidential or private by applicable law or regulation\*.

58 \*NOTICE: For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some  
59 public agencies have adopted privacy regulations that affect Members. As a result, the Federal Trade  
60 Commission issued a rule focused on the protection of "non-public personal information" provided by  
61 consumers to those involved in financial activities "found to be closely related to banking or usual in  
62 connection with the transaction of banking." These activities have been deemed to include "appraising  
63 real or personal property." (Quotations are from the Federal Trade Commission, Privacy of Consumer  
64 Financial Information; Final Rule, 16 CFR Part 313.)

## DEFINITIONS (continued)

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65 **Consulting**

66 See appraisal consulting and real property consulting.

67 **Extraordinary Assumption** (Source: Adapted from USPAP)

68 An assumption, directly related to a specific service, which, if found to be false, could alter the  
69 Member's opinions or conclusions.

70 Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical,  
71 legal, or economic characteristics of the subject property; or about conditions external to the property,  
72 such as market conditions or trends; or about the integrity of data used in an analysis.

73 **Hypothetical Condition** (Source: USPAP)

74 That which is contrary to what exists but is supposed for the purpose of analysis.

75 Comment: Hypothetical conditions assume conditions contrary to known facts about physical, legal, or  
76 economic characteristics of the subject property; or about conditions external to the property, such as  
77 market conditions or trends; or about the integrity of data used in an analysis.

78 **Intended Use** (Source: Adapted from USPAP)

79 The use or uses of a Member's reported appraisal, appraisal review, appraisal consulting, or real  
80 property consulting service analyses, opinions, and conclusions, as identified by the Member based on  
81 communication with the client at the time of the service.

82 **Intended User** (Source: Adapted from USPAP)

83 The client and any other party as identified, by name or type, as users of the appraisal, appraisal review,  
84 appraisal consulting, or real property consulting report by the Member on the basis of communication  
85 with the client at the time of the service.

86 **Know or Knowingly**

87 The Member realizes what he or she is doing, is aware of the nature of his or her conduct, and is not  
88 acting through mistake or accident.

89 Knowledge can be inferred from the Member's conduct and from all the facts and circumstances  
90 surrounding the case. The determination of "knowingly" should be made in the context of the Member's  
91 training, background, and other relevant experience. A Member will be deemed to have acted (or failed to  
92 act) "knowingly" if he or she acted in disregard of the requirements of the Code of Professional Ethics or  
93 Standards of Professional Appraisal Practice or the recognized methods and techniques such as those  
94 set forth in Appraisal Institute courses, seminars, textbooks, and other publications. The term  
95 "knowingly" includes not only what the Member knew, but also what the Member reasonably should have  
96 known given all the facts and circumstances of the case and the Member's training, appraisal  
97 background, and experience.

98 **Member**

99 A Designated Member, Associate Member, or Affiliate Member of the Appraisal Institute.

## DEFINITIONS (continued)

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### 100 **Peer Review Committee**

101 The Professional Ethics and Counseling Committee, the Ethics Appeals Panel, the Ethics Administration  
102 Division, any Grievance Committee, or any Hearing Committee duly constituted under Regulation No. 6 of  
103 the Appraisal Institute.

### 104 **Peer Review Proceeding**

105 All actions taken pursuant to Regulation No. 6 of the Appraisal Institute to determine whether a Member  
106 may have violated or did violate the requirements of the Standards of Professional Appraisal Practice or  
107 Code of Professional Ethics of the Appraisal Institute and to take appropriate remedial or disciplinary  
108 measures. The term “peer review proceeding” also applies to actions taken pursuant to this Regulation  
109 to determine whether a Member has failed to comply with the terms of suspension; has been convicted  
110 of a crime committed prior to becoming a Member; or has knowingly made false statements, submitted  
111 false information, or failed to fully disclose information requested in an application for admission to  
112 membership, candidacy, or affiliate status and to take appropriate disciplinary action.

### 113 **Real Property Consulting**

114 The act or process of developing and reporting an analysis, recommendation, or opinion concerning real  
115 property, where an opinion of value is not a component of the analysis, recommendation, or opinion.

### 116 **Report** (Source: Adapted from USPAP)

117 Any communication, written or oral, of an appraisal, appraisal review, appraisal consulting, or real  
118 property consulting service that is transmitted to the client.

119 Comment: Most reports are written and most clients mandate written reports. Oral report requirements  
120 (see the Record Keeping section of the Ethics Rule of USPAP) are included to cover court testimony and  
121 other oral communications of an appraisal, appraisal review, appraisal consulting, or real property  
122 consulting service.

### 123 **Service**

124 Work that a Member performs for a client that is subject to the Code of Professional Ethics and  
125 Standards of Professional Appraisal Practice of the Appraisal Institute. Services include appraisal,  
126 appraisal review, appraisal consulting, and real property consulting.

### 127 **Value** (Source: USPAP)

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

129 Comment: *Value* expresses an economic concept. As such, it is never a fact but always an opinion of the  
130 worth of a property at a given time in accordance with a specific definition of value. In appraisal practice,  
131 value must always be qualified—for example, market value, liquidation value, or investment value.

## DEFINITIONS (continued)

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132 **Workfile** (Source: Adapted from USPAP)

133 Documentation necessary to support a Member's analyses, opinions, and conclusions. A workfile must  
134 include at a minimum the following:

- 135 • the name of the client and the identity, by name or type, of any other intended users;
- 136 • true copies of any written reports, documented on any type of media;
- 137 • summaries of any oral reports or testimony, or a transcript of testimony, including the Member's  
138 limiting and hypothetical conditions, and the Member's signed and dated certification; and
- 139 • all other data, information, and documentation necessary to support the Member's analyses,  
140 opinions, and conclusions and to show compliance with the Code of Professional Ethics and  
141 Standards of Professional Appraisal Practice of the Appraisal Institute, or references to the  
142 location(s) of such other documentation accessible to the Member.

## EXCEPTIONS TO ETHICAL RULES

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143 If any part of an Ethical Rule is contrary to the law or public policy of any jurisdiction, such part shall be  
144 void and of no force or effect in such jurisdiction.

145 When a Member violates an Ethical Rule due to an event beyond the Member's control, such as an act  
146 of God or illness, the peer review committee(s) (or any member or duly authorized agent thereof)  
147 reviewing the Member's conduct should consider such event and all the relevant facts about the case to  
148 avoid an inequitable result.

149 **A Member Must Refrain from Conduct that is**  
150 **Detrimental to the Appraisal Institute, the**  
151 **Profession, and the Public**

152 **Ethical Rules**

153 **E.R. 1-1**

154 It is unethical to knowingly:

- 155 (a) act in a manner that is misleading or fraudulent;
- 156 (b) use, or permit an employee or third party to use, a misleading analysis, opinion, conclusion, or  
157 report;
- 158 (c) communicate, or permit an employee or third party to communicate, any analysis, opinion,  
159 conclusion, or report in a manner that is misleading;
- 160 (d) contribute to or participate in the development, preparation, or use of an appraisal, appraisal review,  
161 appraisal consulting, or real property consulting analysis, opinion, or conclusion that reasonable  
162 appraisers would not believe to be justified; or
- 163 (e) contribute to or participate in the preparation or delivery of a report containing an appraisal,  
164 appraisal review, appraisal consulting, or real property consulting analysis, opinion, or conclusion  
165 that reasonable appraisers would not believe to be justified, whether or not such report is signed or  
166 delivered by the Member.

167 **E.R. 1-2**

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

170 **E.R. 1-3**

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

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

**CANON 1 (continued)**

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179 **E.R. 1-4**

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

181 (a) identify the appropriate Standards to be applied;

182 (b) disclose in any report the Standards applied; or

183 (c) take all steps necessary or appropriate to understand the Standards applied.

184 **A Member Must Assist the Appraisal Institute in**  
185 **Fulfilling Its Role Relating to Member Qualifications and**  
186 **Member Compliance with Ethics and Standards**

187 **Ethical Rules**

188 **E.R. 2-1**

189 It is unethical:

190 (a) to knowingly violate the rules set forth in the Regulations of the Appraisal Institute that govern the  
191 confidentiality of an admissions matter or the confidentiality of a peer review proceeding.

192 (b) for a Member who has made a referral initiating a peer review proceeding, or who has any knowledge  
193 of the existence of such referral or any subsequent screening or review of the matter, to fail to treat  
194 such knowledge confidentially.

195 **E.R. 2-2**

196 It is unethical to accept an appointment to, or to fail to immediately resign from, an Appraisal Institute  
197 committee dealing with an admissions matter or peer review proceeding if the Member is unable or  
198 unwilling to fulfill the responsibilities of a member of said committee.

199 **E.R. 2-3**

200 It is unethical to knowingly:

201 (a) make false statements or submit misleading information to the Appraisal Institute, an Appraisal  
202 Institute committee or member thereof, or one of their duly authorized agents;

203 (b) fail or refuse to promptly submit any relevant documentation or information that is or should be in  
204 the possession or control of such Member when requested to do so by the Appraisal Institute, an  
205 Appraisal Institute committee or member thereof, or one of their duly authorized agents;

206 (c) fail or refuse to promptly answer all relevant questions when requested to do so by the Appraisal  
207 Institute, an Appraisal Institute committee or member thereof, or one of their duly authorized agents;

208 (d) fail or refuse to appear for a personal interview or participate in an interview conducted by telephone  
209 when requested to do so by the Appraisal Institute, an Appraisal Institute committee or member  
210 thereof, or one of their duly authorized agents;

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

212 (f) fail or refuse to cooperate with the Appraisal Institute, an Appraisal Institute committee or member  
213 thereof, or one of their duly authorized agents; or

**CANON 2 (continued)**

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214 (g) fail or refuse to fulfill each of the Member's obligations under the Bylaws, Regulations, and  
215 policies of the Appraisal Institute.

216 **E.R. 2-4**

217 It is unethical to fail to prepare a workfile for each service (appraisal, appraisal review, appraisal  
218 consulting, or real property consulting). The workfile must be prepared for each service prior to the  
219 issuance of an oral or written report.

220 **E.R. 2-5**

221 It is unethical to fail to preserve each workfile for:

222 (a) a period of five years from the date of preparation of such workfile;

223 (b) a period of two years following final disposition of a proceeding in which the Member gave testimony  
224 pertaining to the subject matter of the workfile;

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

228 (d) a period commencing upon a request from Admissions relating to a service (appraisal, appraisal  
229 review, appraisal consulting, or real property consulting) until notification by the Appraisal Institute of  
230 the completion of review by Admissions; or

231 (e) a period of two years following the final disposition of a review of a service (appraisal, appraisal  
232 review, appraisal consulting, or real property consulting) by a state licensing and/or certification  
233 board,

234 whichever period shall be the last to expire.

235 **E.R. 2-6**

236 It is unethical to enter into a contract that:

237 (a) places one or more obligations on the Member that are inconsistent with the requirements of the  
238 Code of Professional Ethics, Standards of Professional Appraisal Practice, Bylaws, or Regulations of  
239 the Appraisal Institute; or

240 (b) does not provide that the Member will develop and report a service (appraisal, appraisal review,  
241 appraisal consulting, or real property consulting) in conformity with and subject to the requirements  
242 of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal  
243 Institute.

**CANON 2 (continued)**

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244 **E.R. 2-7**

245 It is unethical to fail to sincerely and demonstrably seek other employment if:

246 (a) the Member's employer prevents such Member from complying with the requirements of the Code of  
247 Professional Ethics or Standards of Professional Appraisal Practice of the Appraisal Institute; or

248 (b) the Member knows that the Member's employer fails to comply with the Code of Professional Ethics  
249 or Standards of Professional Appraisal Practice of the Appraisal Institute.

250 In Providing Services (Appraisal, Appraisal Review,  
251 Appraisal Consulting, or Real Property Consulting),  
252 A Member Must Develop and Report Unbiased Analyses,  
253 Opinions, and Conclusions

254 Ethical Rules

255 **E.R. 3-1**

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

258 **E.R. 3-2**

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

262 **E.R. 3-3**

263 It is unethical to agree to provide or provide a service (appraisal, appraisal review, appraisal consulting,  
264 or real property consulting) that is contingent upon reporting a predetermined analysis, opinion, or  
265 conclusion.

266 **E.R. 3-4**

267 It is unethical to agree to or accept compensation for an appraisal, appraisal review, or appraisal  
268 consulting assignment when such compensation is contingent on the analysis, opinion, or conclusion  
269 reached, the attainment of a stipulated result, or the occurrence of a subsequent event, unless:

- 270 (a) it is appropriate to perform the assignment under the International Valuation Standards;
- 271 (b) contingent fee arrangements are customary for the assignment and are permitted by appropriate  
272 national Standards; and
- 273 (c) the Member clearly and conspicuously discloses the existence and basis of any contingent fee in  
274 reporting the results of the assignment.

275 **E.R. 3-5**

276 It is unethical to agree to or accept compensation for a real property consulting service when such  
277 compensation is contingent on the analysis, opinion, or conclusion reached or the occurrence of a  
278 subsequent event, unless:

- 279 (a) the Member is not acting in a disinterested manner and would not reasonably be perceived as  
280 performing a service that requires impartiality; and
- 281 (b) the Member clearly and conspicuously discloses the existence and basis of any contingent fee in  
282 reporting the results of the service.

**CANON 3 (continued)**

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283 E.R. 3-5 does not apply to a Member when providing real property consulting services that are subject to  
284 the requirements of another licensed occupation or profession.

285 **E.R. 3-6**

286 It is unethical to agree to provide or provide a service (appraisal, appraisal review, appraisal consulting,  
287 or real property consulting) that includes a hypothetical condition, unless:

288 (a) use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable  
289 analysis, or for purposes of comparison; and

290 (b) use of the hypothetical condition results in a credible analysis.

291 **E.R. 3-7**

292 It is unethical to agree to provide or provide a service (appraisal, appraisal review, appraisal consulting,  
293 or real property consulting) that includes an extraordinary assumption unless:

294 (a) the extraordinary assumption is required to properly develop credible opinions and conclusions;

295 (b) the Member has a reasonable basis for the extraordinary assumption;

296 (c) use of the extraordinary assumption results in a credible analysis; and

297 (d) the Member complies with the applicable disclosure requirements set forth in USPAP for  
298 extraordinary assumptions.

299 **E.R. 3-8**

300 It is unethical to agree to provide or to provide a service (appraisal, appraisal review, appraisal  
301 consulting, or real property consulting) if a Member has any direct or indirect, current, or prospective  
302 personal interest in the subject or outcome of the service or with respect to the parties involved in the  
303 service, unless:

304 (a) prior to agreeing to provide the service, the Member carefully considers the facts and reasonably  
305 concludes that his or her judgment will not be affected and reasonable persons, under the same  
306 circumstances, would reach the same conclusion;

307 (b) such personal interest is fully and accurately disclosed to the client prior to the Member agreeing to  
308 provide the service; and

309 (c) such personal interest is fully and accurately disclosed in each report resulting from such service.

310 **E.R. 3-9**

311 It is unethical, during the period that commences at the time that a Member is contacted concerning a  
312 service (appraisal, appraisal review, appraisal consulting, or real property consulting) and expires a  
313 reasonable length of time after the completion of such service, to knowingly acquire an interest in  
314 property or assume a position that could possibly affect the Member's judgment or violate the Member's  
315 responsibilities to the client unless, prior to such acquisition or change of position,

**CANON 3 (continued)**

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- 316 (a) the Member carefully considers the facts and reasonably concludes that the proposed acquisition or  
317 change of position will not affect the Member's judgment or violate the Member's responsibilities to  
318 the client;
- 319 (b) the Member makes full disclosure to the client and obtains from the client a written statement  
320 consenting to or approving such acquisition or change of position;
- 321 (c) at the time of such disclosure, the Member gives the client the right to terminate the service without  
322 payment of any fee or other charge; and
- 323 (d) the facts concerning such acquisition or change of position are fully and accurately described in  
324 each report resulting from the service.

325 **A Member Must Not Violate the**  
326 **Confidential Nature of the Member-Client Relationship**

327 Ethical Rules

328 **E.R. 4-1**

329 It is unethical to disclose confidential information or an analysis, opinion, or conclusion specific to a  
330 service (appraisal, appraisal review, appraisal consulting, or real property consulting) to anyone other  
331 than:

- 332 (a) the client and those persons specifically authorized by the client;
- 333 (b) third parties, when and to the extent that the Member is legally required to do so by statute,  
334 ordinance, or court order; and
- 335 (c) the duly authorized committees of the Appraisal Institute.

336 **E.R. 4-2**

337 If a Member is furnished confidential information by a client and a third party subsequently requests a  
338 service (appraisal, appraisal review, appraisal consulting, or real property consulting) that will be  
339 materially affected by the use of, or the failure to use, such confidential information, it is unethical to  
340 agree to provide such subsequent service, unless:

- 341 (a) the source that provided such confidential information permits ~~such the~~ information to be used in  
342 the subsequent service; or
- 343 (b) such information has subsequently been made public or is available from another source and  
344 therefore is no longer confidential.

345 **E.R. 4-3**

346 It is unethical for a current or former Appraisal Institute committee member to discuss or disclose  
347 confidential information, analyses, opinions, conclusions, or factual data derived through committee  
348 activities with anyone other than:

- 349 (a) the Member whose report or workfile contains the confidential information, analyses, opinions,  
350 conclusions, or factual data;
- 351 (b) such Member's client and those persons specifically authorized by that client to receive the  
352 confidential information, analyses, opinions, conclusions, or factual data;
- 353 (c) third parties, when and to the extent that the committee member is legally required to do so by  
354 statute, ordinance, or court order; and

**CANON 4 (continued)**

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- 355 (d) committee members and their duly authorized agents within the scope of the Bylaws and  
356 Regulations of the Appraisal Institute.

357 A Member Must Not Advertise or Solicit in a Manner ~~that~~  
358 ~~that~~ is Misleading or Otherwise Contrary to the Public  
359 Interest

360 Ethical Rules

361 **E.R. 5-1**

362 It is unethical to utilize misleading advertising. Further, it is unethical to knowingly permit a business  
363 entity that is wholly or partially owned or controlled by a Member to utilize misleading advertising.

364 **E.R. 5-2**

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

368 **E.R. 5-3**

369 It is unethical to solicit services (appraisal, appraisal review, appraisal consulting, or real property  
370 consulting) in a misleading manner. Further, it is unethical to knowingly permit an entity wholly or partially  
371 owned or controlled by a Member to solicit services in a misleading manner.

372 **E.R. 5-4**

373 It is unethical to fail to disclose the payment by the Member, or by an entity wholly or partially owned or  
374 controlled by the Member, of a fee, commission, or thing of value for the procurement of a service  
375 (appraisal, appraisal review, appraisal consulting, or real property consulting). The disclosure of fees,  
376 commissions, and things of value paid in connection with the procurement of a service must appear in  
377 the certification of any resulting written report and in any transmittal letter in which an analysis, opinion,  
378 or conclusion is stated.

379 Intra-company payments to employees or partners for business development are not deemed to be a  
380 “fee, commission, or thing of value” for the purpose of this Rule. E.R. 5-4 does not apply to a Member  
381 when providing real property consulting services that are subject to the requirements of another licensed  
382 occupation or profession.

383 **E.R. 5-5**

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

386 **CANON 1 COMMENT**

387 Public confidence and trust in the Appraisal Institute, Members, and the profession is essential to the  
388 well being of our society and the global economy. The Appraisal Institute serves a vital public need by  
389 educating and training professionals concerning real property, by conferring professional membership  
390 designations on individuals who meet stringent requirements, and by conducting peer review that  
391 enhances the quality of Members' work product, and disciplines and deters unethical conduct. In turn,  
392 the services of Appraisal Institute Members foster economic growth and stability. If a Member engages  
393 in conduct that is detrimental to the Appraisal Institute, the profession, or the public, the Member  
394 undermines the public confidence and trust that is necessary for the Appraisal Institute, Members, and  
395 the profession to perform their vital roles in our society and the global economy.

396 **E.R. 1-1(a) Comment**

397 If an Appraisal Institute Member knowingly acts in a misleading or fraudulent manner when providing a  
398 service or when engaged in an activity unrelated to a service, the Member harms the reputation of the  
399 Appraisal Institute, its Members, and the profession, thereby undermining the confidence and trust that  
400 the public and clients must have in the integrity of the Appraisal Institute, Members, and the profession.  
401 Therefore, the prohibition in Ethical Rule 1-1(a) against acting in a misleading or fraudulent manner  
402 applies to all activities of a Member, including appraisal, appraisal review, appraisal consulting, and real  
403 property consulting, as well as activities unrelated to such services.

404 For example, if a Member prepares a report that includes information that the Member knows or should  
405 know will lead the intended users of the report to an improper conclusion, the Member acts in a manner  
406 that is misleading, in violation of Ethical Rule 1-1(a).

407 A second example is that if a Member acts in a misleading or fraudulent manner while engaged in real  
408 estate brokerage, such Member violates Ethical Rule 1-1(a). Any such misleading or fraudulent conduct  
409 will be contrary to the public interest, and will reflect adversely upon the Member, the Appraisal Institute,  
410 Members generally, and the profession.

411 A third example is that if a Member misleads the Appraisal Institute, by an act of omission or  
412 commission, as to the Member's eligibility for a particular membership status or category, the Member  
413 violates Ethical Rule 1-1(a). Such conduct undermines the confidence that the public and clients must  
414 have in the integrity of the Member's services, Members generally, the Appraisal Institute, and the  
415 profession. If a Member acts in a misleading or fraudulent manner in activity unrelated to a service, the  
416 public and clients can legitimately question whether such a lack of personal integrity will impact the  
417 services a Member provides.

418 **E.R. 1-1(b) Comment**

419 A misleading analysis, opinion, conclusion, or report harms the public interest and undermines the  
420 confidence of the public and clients in Members, the profession, and the Appraisal Institute.  
421 Furthermore, because the public and clients rely on a Member's expertise and integrity, they will give  
422 credibility to any analysis, opinion, conclusion, or report that a Member uses, or permits an employee or  
423 third party to use, even if it is misleading. Therefore, Ethical Rule 1-1(b) prohibits a Member from  
424 knowingly using an analysis, opinion, conclusion, or report that is misleading. Further, to the extent that  
425 such Member is in a position to control such use, Ethical Rule 1-1(b) prohibits a Member from knowingly  
426 permitting an employee or third party to use a misleading analysis, opinion, conclusion, or report. A

## EXPLANATORY COMMENTS TO CANON 1 (continued)

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427 Member cannot avoid ethical responsibility by doing indirectly that which the Member cannot do directly.  
428 Further, a Member who uses, or permits an employee or third party to use, a misleading analysis,  
429 opinion, conclusion, or report, but who does not take the appropriate steps to ascertain whether such  
430 analysis, opinion, conclusion, or report is in fact misleading, is responsible for the use of the misleading  
431 analysis, opinion, conclusion, or report under this Ethical Rule.

432 One example of a violation of Ethical Rule 1-1(b) is if in the performance of an appraisal a Member  
433 knowingly develops a misleading analysis of comparable sales.

434 A second example is that if a Member knowingly develops a misleading opinion concerning the  
435 appropriate depreciation for an industrial building and provides the opinion to another appraiser to use in  
436 developing a conclusion as to the value of the industrial building, such Member violates Ethical Rule 1-  
437 1(b) even though the Member did not develop the final conclusion.

438 A third example is that if a Member incorporates a misleading conclusion prepared by the Member's  
439 partner into a report prepared by the Member, such Member is in violation of Ethical Rule 1-1(b) if the  
440 Member found or should have found the misleading conclusion given the Member's training and  
441 background, as well as all of the relevant facts and circumstances.

### 442 **E.R. 1-1(c) Comment**

443 A misleading analysis, opinion, conclusion, or report harms the public interest and undermines the  
444 confidence of the public and clients in Members, the profession, and the Appraisal Institute.  
445 Furthermore, because the public and clients rely on a Member's expertise and integrity, they will give  
446 credibility to any analysis, opinion, conclusion, or report that a Member communicates, or permits an  
447 employee or third party to communicate. Therefore, Ethical Rule 1-1(c) prohibits a Member from  
448 knowingly communicating an analysis, opinion, conclusion, or report in a manner that is misleading.  
449 Further, to the extent that such Member is in a position to control such use, Ethical Rule 1-1(c) prohibits  
450 a Member from knowingly permitting an employee or third party to communicate an analysis, opinion,  
451 conclusion, or report in a manner that is misleading. A Member cannot avoid ethical responsibilities by  
452 doing indirectly that which the Member cannot do directly. Further, a Member who communicates, or  
453 permits an employee or third party to communicate, an analysis, opinion, conclusion, or report in a  
454 manner that is misleading, but who does not take the appropriate steps to ascertain whether such  
455 analysis, opinion, conclusion, or report is in fact communicated in a manner that is misleading, is  
456 responsible for the communication of the misleading analysis, opinion, conclusion, or report under this  
457 Ethical Rule.

458 Under this Ethical Rule, a Member must pay particular attention to a client's request for permission to  
459 quote all or a portion of an analysis, opinion, conclusion, or report to ensure that the client will not  
460 communicate the analysis, opinion, conclusion, or report in a misleading manner.

461 **E.R. 1-1(d) Comment**

462 A Member must use the Member’s expertise to develop, prepare, and use analyses, opinions, and  
463 conclusions that are justified. To do otherwise harms the public interest and undermines public and  
464 client confidence in the Member, Members generally, the Appraisal Institute, and the profession.  
465 Therefore, Ethical Rule 1-1(d) prohibits a Member from knowingly contributing to or participating in the  
466 development, preparation, or use of an appraisal, appraisal review, appraisal consulting, or real property  
467 consulting analysis, opinion, or conclusion that reasonable appraisers would not believe to be justified.  
468 This Ethical Rule applies to a Member regardless of whether the Member is publicly identified with the  
469 analysis, opinion, or conclusion because the ethical issue is the same in either situation.

470 The test under Ethical Rule 1-1(d) is whether reasonable appraisers would believe the analysis, opinion,  
471 or conclusion to be “justified,” rather than “misleading.” Members can and do differ as to the  
472 appropriate solutions to a real property issue. If, however, reasonable appraisers conclude that an  
473 analysis, opinion, or conclusion is not reasonably supported, then such analysis, opinion, or conclusion  
474 would not be “justified” under this Ethical Rule. Evidence that a Member did not develop, prepare, or use  
475 an analysis, opinion, or conclusion that reasonable appraisers would believe to be justified may include,  
476 but ~~is not be~~ limited to, deviation from reasonable appraisal, appraisal review, appraisal consulting, or  
477 real property consulting practices such as those outlined in the Standards of Professional Appraisal  
478 Practice of the Appraisal Institute, Guide Notes to the Standards of Professional Appraisal Practice, and  
479 Appraisal Institute courses, seminars, and textbooks such as *The Appraisal of Real Estate*.

480 One example of a violation of Ethical Rule 1-1(d) is if a Member knowingly develops an opinion that is not  
481 reasonably supported and the Member provides such opinion to another appraiser to use in the  
482 performance of an appraisal service, even if the Member does not sign the final report.

483 A second example is if in the performance of an appraisal service that requires a sales comparison  
484 approach, a Member knowingly makes inappropriate adjustments to the sales comparables resulting in a  
485 conclusion that is not reasonably supported, the Member violates Ethical Rule 1-1(d).

486 **E.R. 1-1(e) Comment**

487 A Member must utilize the Member’s expertise to prepare or deliver reports that contain analyses,  
488 opinions, and conclusions that are justified. To do otherwise harms the public interest and undermines  
489 public and client confidence in the Member, Members generally, the Appraisal Institute, and the  
490 profession. Therefore, Ethical Rule 1-1(e) prohibits a Member from knowingly contributing to or  
491 participating in the preparation or delivery of an appraisal, appraisal review, appraisal consulting, or real  
492 property consulting analysis, opinion, or conclusion that reasonable appraisers would not believe to be  
493 justified. This Ethical Rule applies to a Member regardless of whether the Member signs or delivers the  
494 report because the ethical issue is the same in either situation.

495 The test under Ethical Rule 1-1(e) is whether reasonable appraisers would believe the analysis, opinion,  
496 or conclusion to be “justified,” rather than “misleading.” Members can and do differ as to the  
497 appropriate solutions to a real property issue. If, however, reasonable appraisers conclude that an  
498 analysis, opinion, or conclusion is not reasonably supported, then such analysis, opinion, or conclusion  
499 would not be “justified” under this Ethical Rule. Evidence that a Member did not develop, prepare, or use  
500 an analysis, opinion, or conclusion that reasonable appraisers would believe to be justified may include,  
501 but is not limited to, deviation from reasonable appraisal, appraisal review, appraisal consulting, or real

502 property consulting practices such as those outlined in the Standards of Professional Appraisal Practice  
503 of the Appraisal Institute, Guide Notes to the Standards of Professional Appraisal Practice, and Appraisal  
504 Institute courses, seminars, and textbooks such as *The Appraisal of Real Estate*.

505 One example of a violation of Ethical Rule 1-1(e) is if a Member knowingly develops an opinion of the  
506 highest and best use of a property that is not reasonably supported and the Member provides such  
507 opinion to another appraiser to use in a report, even if the Member does not sign the final report.

508 A second example is if a Member prepares an appraisal report that contains a sales comparison  
509 approach that is not reasonably supported because the Member knowingly makes inappropriate  
510 adjustments to the sales comparables, the Member violates Ethical Rule 1-1(e).

### 511 **E.R. 1-2 Comment**

512 The public and clients must have confidence in the personal honesty and integrity of Members, whom  
513 they entrust with matters of critical personal, corporate, and public importance. If a Member fails to  
514 comply with the Member's legal obligations to society in all activities, not just in the services the  
515 Member performs, the public and clients will lose confidence and trust in the honesty and integrity of the  
516 Member, Members generally, and those who practice the profession. The public and clients will also lose  
517 confidence and trust in the Appraisal Institute. As a consequence, the ability of Members, the  
518 profession, and the Appraisal Institute to perform their vital roles in our society and the global economy  
519 will be adversely affected. If a Member fails to comply with the Member's obligations to society,  
520 particularly those relating to fraud, dishonesty, false statements, or moral turpitude, the public and  
521 clients can legitimately question whether such Member will fail to comply with the Member's obligations  
522 under the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal  
523 Institute when providing services. Therefore, a Member must not engage in misconduct of any kind that  
524 leads to conviction of a crime involving fraud, dishonesty, false statements, or moral turpitude. The types  
525 of crimes referred to in E.R. 1-2 are not limited to felonies.

526 For the purposes of E.R. 1-2, "moral turpitude" means an act of baseness, vileness, or depravity in  
527 private and social duties which a person owes to other people, or to society in general, an act contrary to  
528 accepted and customary rules of right and duty between people, in essence contrary to justice, honesty,  
529 or good morals.

530 One example of a violation of Ethical Rule 1-2 is if a Member prepares a fraudulent appraisal as part of a  
531 "flipping scheme" resulting in a conviction of the Member of a crime. A second example is if a Member  
532 knowingly underreports income received for work as a general contractor that leads to a conviction of the  
533 Member of a crime, such Member violates Ethical Rule 1-2.

534 Under the Regulation No. 6 of the Appraisal Institute, a violation of Ethical Rule 1-2 will result in  
535 automatic expulsion from membership in the Appraisal Institute subject to the right of appeal.

536 **E.R. 1-3 Comment**

537 Ethical Rule 1-3 generally relates to the competency that a Member must have or obtain to accept and  
538 perform a service. While a similar requirement appears in the Competency Rule of USPAP, the Appraisal  
539 Institute has adopted this requirement as an Ethical Rule in its Code of Professional Ethics because a  
540 Member's failure to comply with its requirements constitutes a lack of integrity and so that violation can  
541 result in disciplinary action.

542 **CANON 2 COMMENT**

543 The Appraisal Institute serves a vital public need by conferring professional membership designations on  
544 individuals who meet stringent requirements and by conducting peer review that enhances the quality of  
545 Members' work product, and disciplines and deters unethical conduct. As a result of these programs,  
546 the public associates Appraisal Institute membership with a high degree of personal integrity and a  
547 commitment to professionalism. To facilitate these critical objectives and maintain the reputation of the  
548 Appraisal Institute and its Members, a Member must preserve confidentiality in admissions matters and  
549 peer review proceedings, fulfill committee responsibilities, cooperate with appropriate committees,  
550 prepare and preserve their workfiles, and ensure that they do not place themselves in a position where  
551 they cannot comply with the Code of Professional Ethics and Standards of Professional Appraisal  
552 Practice of the Appraisal Institute.

553 **E.R. 2-1 Comment**

554 Confidentiality encourages Associate Members to advance their qualifications through the admissions  
555 process, encourages peer review to occur, fosters candid and valuable interchange on the issues of  
556 qualifications and the quality of services, and ensures that the consequences of an admissions matter  
557 or peer review proceeding are proper and proportionate. Therefore, each Member who has contact with  
558 or is involved in an admissions matter or peer review proceeding must scrupulously observe the rules  
559 governing the confidentiality of those functions. If a Member fails to observe such confidentiality rules,  
560 the judicial protection given to the Appraisal Institute with respect to admissions matters and peer review  
561 proceedings may erode, thereby impairing the ability of the Appraisal Institute to carry out these critical  
562 functions. Such a result would harm the public, the Appraisal Institute, its Members, and the profession.

563 **E.R. 2-2 Comment**

564 While the Appraisal Institute recognizes that Members who serve on committees dealing with  
565 admissions matters and peer review proceedings are volunteers, such Members must fulfill their  
566 responsibilities diligently, objectively, and completely for the Appraisal Institute to effectively fulfill the  
567 vital functions of admissions and peer review. If after appointment to a committee dealing with an  
568 admissions matter or a peer review proceeding, a Member is unable or unwilling to fulfill any of the  
569 Member's responsibilities on such committee, the Member must immediately resign from the  
570 committee.

571 **E.R. 2-3 Comment**

572 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review, as well  
573 as continuing education and other programs, Members must honestly and fully cooperate with the  
574 Appraisal Institute, its committees, and their authorized agents. Such cooperation includes but is not  
575 limited to Members fulfilling the obligations they have under the Bylaws and Regulations of the Appraisal  
576 Institute, submitting full and accurate documentation and information promptly upon request and when  
577 otherwise required, participating in requested interviews, responding fully and honestly to any questions,  
578 and fully complying with the terms of a summons issued by a Hearing Committee. Members may not  
579 mislead any Appraisal Institute committee, or member or authorized agent thereof.

580 Therefore, for example, a Member violates Ethical Rule 2-3 if the Member submits a continuing  
581 education log to the Appraisal Institute representing that the Member took a course that the Member did  
582 not in fact take or represents that the course provided a greater number of hours of continuing education  
583 than it actually did. As another example, a Member violates Ethical Rule 2-3 if the Member fails or  
584 refuses to submit relevant information in the Member’s possession about the status of litigation related  
585 to a peer review file, when requested to do so by a peer review committee or authorized member or  
586 agent thereof.

587 A Member violates Ethical Rule 2-3 if the Member fails to promptly comply with a request for information  
588 or documentation that the Member was required to preserve under Ethical Rule 2-5, even if such  
589 information is not physically in the Member’s possession or control. As used in Ethical Rule 2-3,  
590 “relevant information” means information the appropriate committee (or member or agent thereof)  
591 reasonably believes may be relevant in fulfilling its responsibilities. As used in Ethical Rule 2-3, “relevant  
592 question” means a question that the appropriate committee (or member or duly authorized agent  
593 thereof) reasonably believes may be relevant in fulfilling its responsibilities.

594 Ethical Rule 2-3 also uses the phrase “Appraisal Institute, an Appraisal Institute committee or member  
595 thereof, or one of their duly authorized agents.” The Articles of Incorporation, Bylaws, and Regulations of  
596 the Appraisal Institute provide the authority for the Appraisal Institute and the establishment, powers,  
597 and duties of various committees. As a corporate entity, the Appraisal Institute will carry out its functions  
598 and exercise its authority through various agents. Committees of the Appraisal Institute will sometimes  
599 fulfill their powers and duties as committees of the whole, but such committees may also carry out some  
600 powers and duties through individual members of the committees and authorized agents. For the  
601 Appraisal Institute to effectively carry out critical functions, including, but not limited to, peer review,  
602 admissions, and continuing education, Members’ obligations under Ethical Rule 2-3 extend not only to  
603 the Appraisal Institute and its committees, but to their authorized agents as well. Authorized agents of  
604 the Appraisal Institute and its committees include but are not limited to appropriate Appraisal Institute  
605 staff such as the Director of Ethics and Standards Counseling, a paralegal in the Professional Practice  
606 Department, the Director of Experience Screening and Review, or a member of the Products and Services  
607 Department staff.

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

#### 610 **E.R. 2-4 Comment**

611 The Appraisal Institute has promulgated the Code of Professional Ethics and Standards of Professional  
612 Appraisal Practice in part to establish requirements that will help ensure that Members will develop and  
613 report credible analyses, opinions, and conclusions. Such requirements also give the public and clients  
614 confidence that Members’ analyses, opinions, and conclusions are based on sound data and reasoning,  
615 and that such analyses, opinions, and conclusions are not predetermined or mere speculation.

616 Ethical Rule 2-4 requires that Members prepare a workfile for each service and that Members prepare  
617 such workfile prior to the issuance of an oral or written report. This Ethical Rule helps ensure that  
618 Members have sound bases for their analyses, opinions, and conclusions prior to issuance of a report.  
619 The Rule also ensures that Members can provide support for their analyses, opinions, and conclusions  
620 to clients, courts, the Appraisal Institute, regulatory agencies, and others. By providing such support  
621 when needed or requested, the public and clients will have greater confidence in Members' analyses,  
622 opinions, and conclusions, and the rules to which Members are subject can be enforced. A Member's  
623 workfile provides evidence of whether the Member complied with the Code of Professional Ethics and  
624 Standards of Professional Appraisal Practice.

625 **E.R. 2-5 Comment**

626 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,  
627 appropriate committees, as well as members and authorized agents thereof, must have access to  
628 relevant workfiles of the Members. Therefore, the Appraisal Institute not only has adopted Ethical Rule 2-  
629 4 requiring Members to prepare a workfile for each service, but it also has adopted Ethical Rule 2-5  
630 requiring Members to preserve their workfiles for specified periods of time.

631 Members have a responsibility to consider and correctly apply the factors that can affect the retention  
632 period for a workfile before disposing of such workfile. For example, if a Member prepares an appraisal  
633 on April 30, 2002, the Member must initially maintain the workfile relating to that appraisal until at least  
634 April 30, 2007. If, however, the Member then gives testimony on April 15, 2005 in a judicial proceeding  
635 concerning the appraisal and the judicial proceedings are not completed until May 30, 2006, the  
636 retention period changes and the workfile must be maintained until at least May 30, 2008.

637 **E.R. 2-6 Comment**

638 As a condition of membership in the Appraisal Institute, Members agree to comply with the Bylaws,  
639 Regulations, Code of Professional Ethics, and Standards of Professional Appraisal Practice of the  
640 Appraisal Institute. Members cannot avoid this obligation by entering into a contract that is inconsistent  
641 with their agreement with the Appraisal Institute. Therefore, Ethical Rule 2-6(a) prohibits Members from  
642 entering into any contract that places one or more obligations on the Member that are inconsistent with  
643 the Bylaws, Regulations, Code of Professional Ethics, or Standards of Professional Appraisal Practice of  
644 the Appraisal Institute. Ethical Rule 2-6(b) places an affirmative obligation on Members to include in their  
645 written contracts for services a statement that they will develop and report their services in conformity  
646 with and subject to the requirements of the Code of Professional Ethics and Standards of Professional  
647 Appraisal Practice of the Appraisal Institute. For oral agreements for services, Members must ensure  
648 that their clients understand and agree that the Members will develop and report their services in  
649 conformity with and subject to the requirements of the Code of Professional Ethics and Standards of  
650 Professional Appraisal Practice of the Appraisal Institute.

651 **E.R. 2-7 Comment**

652 As a condition of membership in the Appraisal Institute, Members agree to comply with the Code of  
653 Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Further,  
654 the Code of Professional Ethics and Standards of Professional Appraisal Practice serve the public  
655 interest by establishing requirements for the ethical and competent provision of services. Because of  
656 this agreement and the importance of each Member's resulting obligations, Ethical Rule 2-7 requires a  
657 Member to seek other employment if the Member's employer prevents the Member from complying with

## EXPLANATORY COMMENTS TO CANON 2 (continued)

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658 the requirements of the Code of Professional Ethics or Standards of Professional Appraisal Practice. A  
659 Member cannot avoid responsibility for ~~their~~-his or her failure to comply with such requirements because  
660 the Member's employer prevents the Member from complying. Therefore, for example, a Member must  
661 demonstrably seek other employment if the Member's employer mandates that the Member not identify  
662 extraordinary assumptions necessary in an assignment.

663 Because the Code of Professional Ethics and Standards of Professional Appraisal Practice elevate the  
664 quality of services provided in the marketplace and enhance confidence of the public and clients in the  
665 profession, Ethical Rule 2-7 also requires that a Member demonstrably seek other employment if such  
666 Member knows that the Member's employer fails to comply with the requirements of the Code of  
667 Professional Ethics and Standards of Professional Appraisal Practice.

668 For example, if a Member sees an advertisement that the Member's employer plans to place and that  
669 advertisement refers to an Appraisal Institute designation in a misleading manner, the Member must  
670 demonstrably seek other employment if the employer proceeds to run the advertisement.

671 A second example is if a Member's employer implements a workfile retention policy that results in the  
672 disposal of workfiles that must be retained under Ethical Rule 2-5 and the Record Keeping section of the  
673 Ethics Rule of USPAP, the Member must demonstrably seek other employment.

674 Evidence that a Member sincerely and demonstrably sought other employment may include but not be  
675 limited to a significant number of letters seeking employment with other companies, correspondence  
676 received from potential employers, a log of calls made to potential employers, or documents indicating  
677 the Member's efforts to form a new business.

678 **CANON 3 COMMENT**

679 Given the role that Members serve in our society and the global economy, the public interest demands  
680 that each Member develop and report unbiased analyses, opinions, and conclusions. Therefore, Canon 3  
681 and its associated Ethical Rules prohibit a Member from rendering an analysis, opinion, or conclusion  
682 that is ~~both~~ not reasonably supported and that favors or promotes the cause or interest of the client, the  
683 Member, or another. The Ethical Rules associated with this Canon ~~not only~~ prohibit Members from  
684 developing and reporting biased analyses, opinions, and conclusions, ~~but also~~ and address how a  
685 Member must ~~address~~ handle issues that may offer an incentive to provide biased analyses, opinions,  
686 or conclusions or can create a perception that analyses, opinions, or conclusions are biased. ~~Therefore,~~  
687 ¶The Ethical Rules set forth requirements concerning how a Member must address situations where a  
688 client requests a predetermined analysis, opinion, or conclusion as a condition of engaging the Member;  
689 where the Member has a personal interest in the subject or outcome of the service or with respect to the  
690 parties involved; and where the Member acquires an interest in property or assumes a position that  
691 could possibly affect the Member’s judgment. The Ethical Rules also provide requirements relating to  
692 contingent fees, hypothetical conditions, and extraordinary assumptions. Actual and perceived bias can  
693 undermine the confidence that the public and clients must have in the integrity of Members.

694 **E.R. 3-1 Comment**

695 Ethical Rule 3-1 contains the basic prohibition on a Member from knowingly contributing to or  
696 participating in the development, preparation, use, or reporting of an analysis, opinion, or conclusion that  
697 is biased. Violation of Ethical Rule 3-1 is one of the most serious ethical violations a Member can  
698 commit.

699 A Member may never develop, prepare, use, or report a biased analysis, opinion, or conclusion. A biased  
700 analysis, opinion, or conclusion is: a) not reasonably supported; and b) favors or promotes the cause or  
701 interest of the client, one’s self, or another.

702 Evidence that a Member developed, prepared, used, or reported a biased analysis, opinion, or  
703 conclusion may include, but is not limited to, deviation from reasonable appraisal, appraisal review,  
704 appraisal consulting, or real property consulting practices resulting in an analysis, opinion, or conclusion  
705 that is not reasonably supported and that favors or promotes the client’s, the Member’s, or another’s  
706 interest or cause. Many of these reasonable practices are outlined in the Standards of Professional  
707 Appraisal Practice of the Appraisal Institute, Guide Notes to the Standards of Professional Appraisal  
708 Practice, and Appraisal Institute courses, seminars, and textbooks such as *The Appraisal of Real Estate*.  
709 The intended use of the analysis, opinion, or conclusion is relevant in determining the direction of a  
710 client’s interest.

711 For example, assume that a seller and a prospective buyer have a dispute as to the market value of  
712 Blackacre on X-date. The seller would benefit from a high opinion of value. The seller retains a Member  
713 to develop an opinion of the market value of Blackacre on X-date and requests that the value opinion be  
714 “as high as possible.” The intended use is to assist in establishing a sale price. The Member  
715 subsequently delivers a report with a cover letter stating that “subject to the terms and conditions in the  
716 report, the market value of Blackacre on X-date was \$1,000,000,” with a footnote on page 97 of the  
717 report stating that the Member’s opinion of value is based upon the hypothetical condition that the  
718 zoning allows development ~~that when~~, in fact, it does not ~~allow~~. The hypothetical condition was not  
719 required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. The

720 hypothetical condition had a substantial effect upon the Member's opinion of value. In this example, the  
721 Member developed and reported a biased opinion of value in violation of Ethical Rule 3-1. The Member  
722 deviated from ~~reasonable-recognized~~ appraisal ~~methods and techniques, practices~~ resulting in an opinion  
723 of value that was not reasonably supported and that deviated in a direction favoring the client's interest.  
724 This Member also violated Ethical Rule 3-6 concerning extraordinary assumptions and Ethical Rule 1-1  
725 (misleading opinion that reasonable appraisers would not believe to be justified).

726 A Member can violate Ethical Rule 3-1 by signing a report that the Member has not read or has partially  
727 read, and that contains a biased analysis, opinion, or conclusion. Not only is the Member responsible for  
728 the report by signing it, but the Member has knowingly contributed to or participated in the use and  
729 reporting of an analysis, opinion, or conclusion that is biased. The Member acted knowingly because the  
730 Member acted in disregard of the requirements of the Code of Professional Ethics and Standards of  
731 Professional Appraisal Practice of the Appraisal Institute, as well as recognized methods and techniques.  
732 The Member reasonably should have known about the biased analysis, opinion, or conclusion given the  
733 all the facts and circumstances and the Member's training, background, and experience.

### 734 **E.R. 3-2 Comment**

735 A Member cannot avoid ethical responsibility by doing indirectly that which the Member cannot do  
736 directly. Therefore, Ethical Rule 3-2 prohibits a Member from knowingly permitting an entity that is wholly  
737 or partially owned or controlled by a Member to contribute to or participate in the development,  
738 preparation, use, or reporting of an analysis, opinion, or conclusion that is biased. The discussion in the  
739 E.R. 3-1 Comment concerning an analysis, opinion, or conclusion that is biased also applies to Ethical  
740 Rule 3-2.

### 741 **E.R. 3-3 Comment**

742 A Member must use the Member's expertise and independent judgment to develop and report a  
743 reasonably supported analysis, opinion, or conclusion in accordance with the Code of Professional Ethics  
744 and Standards of Professional Appraisal Practice of the Appraisal Institute. Therefore, a Member clearly  
745 cannot accept or provide a service that is contingent upon reporting a predetermined analysis, opinion,  
746 or conclusion. Doing so would undermine the trust and confidence that the public must have in Members  
747 to provide unbiased and credible analyses, opinions, and conclusions.

748 Nothing in Ethical Rule 3-3 should be construed to prohibit a Member from accepting services in phases,  
749 with the right to provide a subsequent service contingent upon the results of a prior service, as long as  
750 the Member does not render an analysis, opinion, or conclusion that is biased and the Member complies  
751 with the requirements of Ethical Rules 3-8 and 3-9, where applicable. Those Ethical Rules concern a  
752 Member's personal interest and a Member assuming a position that could possibly affect the Member's  
753 judgment or violate the Member's responsibilities to the client.

754 To illustrate the point involved, assume the following facts. A government agency makes an offer to a  
755 property owner to purchase the owner's property in order to expand a roadway. The agency has not  
756 begun condemnation proceedings at this point, but may in the future. The attorney working with the  
757 property owner contacts a Member to obtain the Member's opinion as to whether the market value of  
758 the property is more than the amount of the agency's offer. The Member prepares a Restricted Use  
759 Appraisal Report, for the attorney's use only, in which the Member's value opinion is "not less than" the  
760 amount of the offer. Subsequently, the attorney asks the Member to prepare a Self-Contained Appraisal

761 Report, for which the intended users will be both the government agency and the attorney for the  
762 property owner, for purposes of the condemnation litigation. Note that these are two separate  
763 assignments, with different, though related, intended uses and different intended users.

764

765 If the Member accepts these assignments, the Member will not violate Ethical Rule 3-3. The Member  
766 was required to develop and report both the first and second service in an unbiased manner. The second  
767 service was in essence contingent on the results of the first service, but was not contingent on a  
768 “predetermined” analysis, opinion, or conclusion.

769 **E.R. 3-4 Comment**

770 Appraisers are participants in the global economy. In the global economy the norms for ethical practice  
771 concerning specific conduct may differ depending on applicable national customs and standards. The  
772 matter of contingent fee arrangements is an example of an area where the norms for ethical practice  
773 differ. For example, USPAP prohibits contingent fee arrangements for valuation services. On the other  
774 hand, the International Valuation Standards allow contingent fee arrangements for valuation services as  
775 long as the appraiser’s fee does not depend on the predetermined outcome of any valuation or other  
776 independent, objective advice contained in the valuation report, and the appraiser discloses whether the  
777 fee is contingent upon any aspect of the report.

[Therefore, under](#)

778 **E.R. 3-6 Comment**

779 The requirements set forth in Ethical Rule 3-6 concerning hypothetical conditions reflect those set forth  
780 in USPAP. The Appraisal Institute has placed these requirements in the Code of Professional Ethics  
781 because a Member’s failure to comply with such requirements constitutes a lack of integrity and so that  
782 a violation can result in disciplinary action.

783 **E.R. 3-7 Comment**

784 The requirements set forth in Ethical Rule 3-7 concerning extraordinary assumptions reflect those set  
785 forth in USPAP. The Appraisal Institute has placed these requirements in the Code of Professional Ethics  
786 because a Member’s failure to comply with such requirements constitutes a lack of integrity and so that  
787 a violation can result in disciplinary action.

788 **E.R. 3-8 Comment**

789 If a Member has a personal interest in the subject or outcome of a service or with respect to the parties  
790 involved in the service, such interest may provide an incentive for the Member to render an analysis,  
791 opinion, or conclusion that is biased, misleading, or otherwise unreliable. At a minimum, such a personal  
792 interest may create an appearance that any resulting analysis, opinion, or conclusion may be biased,  
793 misleading, or otherwise unreliable. An analysis, opinion, or conclusion that is biased, misleading, or  
794 otherwise unreliable, or that may be perceived to be so, undermines the confidence and trust that the  
795 public and clients must have in Members.

796 In deciding whether to accept a service when the Member has a direct or indirect, current or prospective  
797 personal interest in the subject or outcome of the service or with respect to the parties involved in the  
798 service, the Member must make a reasonable determination as to whether the Member’s judgment will  
799 be affected. A Member’s determination is reasonable if reasonable persons in the same circumstances  
800 would reach the same determination. If the Member concludes that the Member’s judgment will be  
801 affected or if reasonable persons in the same circumstances would conclude that judgment will be

802 affected, the Member must refuse the proffered service. In appraisal review assignments, “parties  
803 involved in the service” include the individual who prepared the report being reviewed.

804 Prior to accepting a service where the Member has a personal interest in the subject or outcome of a  
805 service or with respect to the parties involved in the service, a Member must also fully and accurately  
806 disclose the personal interest to the client so that the client can make an informed decision as to  
807 whether to retain the Member. Should the Member ultimately accept the service, the Member must fully  
808 and accurately disclose the personal interest in each report resulting from such service so that any  
809 reader can consider any analyses, opinions, and conclusions in the context of the Member’s personal  
810 interest.

811 **E.R. 3-9 Comment**

812 If a Member knowingly acquires an interest in property or assumes a position that could possibly affect  
813 the Member’s judgment or violate the Member’s responsibilities to the client between the time the  
814 Member is contacted concerning a service and expires when the Member completes the service, such  
815 interest or change in position may provide an incentive for the Member to render an analysis, opinion, or  
816 conclusion that is biased, misleading, or otherwise unreliable and harms the client. At a minimum, such  
817 interest or change in position may create an appearance that any resulting analysis, opinion, or  
818 conclusion may be biased, misleading, or otherwise unreliable and that the Member’s interest or  
819 position is in conflict with the Member’s responsibilities to the client.

820 If a Member knowingly acquires an interest in property or assumes a position that could possibly affect  
821 the Member’s judgment or violate the Member’s responsibilities to the client between the time the  
822 Member completes a service and expires a reasonable length of time after the completion of such  
823 service, such interest or change in position, if anticipated, may provide an incentive for the Member to  
824 render an analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable and harms  
825 the client. If acquiring such an interest or the change in position was not anticipated, the Member at a  
826 minimum may create an appearance that the Member’s analysis, opinion, or conclusion may be biased,  
827 misleading, or otherwise unreliable and that the Member’s interest or position is in conflict with the  
828 Member’s responsibilities to the client.

829 An analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable, or that may be  
830 perceived to be so, can undermine the confidence and trust that the public and clients must have in  
831 Members, [the profession](#), and [the Appraisal Institute](#). Further, a Member who violates or appears to  
832 violate the Member’s responsibilities to the client also undermines the confidence and trust that the  
833 public and clients must have in Members, [the profession](#), and [the Appraisal Institute](#).

834 In deciding whether to acquire an interest in property or assume a position that could possibly affect the  
835 Member’s judgment or violate the Member’s responsibilities to the client, the Member must make a  
836 reasonable determination as to whether the Member’s judgment will be affected or will violate the  
837 Member’s responsibilities to the client. A Member’s determination is reasonable if reasonable persons  
838 in the same circumstances would reach the same determination. If the Member concludes that the  
839 Member’s judgment will be affected or will violate the Member’s responsibilities to the client, or if  
840 reasonable persons in the same circumstances would so conclude, the Member must not acquire the  
841 interest in property or assume the position.

**EXPLANATORY COMMENTS TO CANON 3 (continued)**

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842 Even if the Member reasonably concludes that the proposed acquisition or change of position will not  
843 affect the Member's judgment or violate the Member's responsibilities to the client, the Member still  
844 cannot go forward with such acquisition or change in position without fulfilling a number of other  
845 requirements. The Member must make full and accurate disclosure to the client and give the client the  
846 right to terminate the service without payment, and the client must provide written permission to the  
847 Member consenting to or approving the acquisition or change of position. Finally, if the Member meets  
848 all of these conditions and is able to proceed with the service, the Member must fully and accurately  
849 describe the acquisition or change of position in the Member's report so that the analyses, opinions,  
850 and conclusions can be understood in the context of such information.

851 **CANON 4 COMMENTS**

852 Confidentiality is a critical component of any relationship between a professional and a client. For a  
853 Member providing services, confidentiality fosters full and candid disclosure of relevant information by  
854 the client. Such disclosure enables the Member to provide credible analyses, opinions, and conclusions  
855 to the client.

856 The client has a legitimate interest in controlling the disclosure of confidential information, analyses,  
857 opinions, and conclusions in part because the client pays for services rendered and because the  
858 disclosure of such information, analyses, opinions, and conclusions may harm the client. At the same  
859 time, a Member must be able to use market data, and at the Member's option, provide other Members  
860 and the profession with access to such data, to serve the public and clients generally.

861 To facilitate these objectives, the Appraisal Institute has adopted a definition of confidential information  
862 and a series of Ethical Rules relating to and protecting the confidentiality of the Member-client  
863 relationship.

864 **E.R. 4-1 Comment**

865 Ethical Rule 4-1 sets forth the general requirements relating to the confidentiality of the Member-client  
866 relationship. It is unethical for a Member to disclose confidential information or an analysis, opinion, or  
867 conclusion specific to a service except under specified circumstances. Confidential information is  
868 defined as information that is either identified by the client as confidential when providing it to a Member  
869 and that is not available from any other source; or is classified as confidential or private by applicable  
870 law or regulation. Therefore, for example, information that is not confidential includes data secured from  
871 public records and information a Member can obtain from a source other than the client. General  
872 analyses, opinions, and conclusions about the community in which the subject property is located are  
873 also not confidential.

874 One example of the application of Ethical Rule 4-1 is where a Member is provided with information about  
875 the sale of a property from a client, who tells the Member that the information is confidential and the  
876 information is not available from any other source. If the Member subsequently shares this information  
877 with another appraiser seeking comparable data, the Member is in violation of this Ethical Rule.

878 Another example would be if a Member casually states at a social function that the Member appraised a  
879 certain property for \$X. This Ethical Rule prohibits the disclosure of service results in such a manner  
880 without the client's express permission.

881 **E.R. 4-2 Comment**

882 Ethical Rule 4-2 addresses the situation where a client requests a service that will be materially affected  
883 by the Member's use of, or failure to use, confidential information the Member has received from  
884 another client. A Member may only accept such service if the previous client permits the Member to use  
885 such information or the information is no longer confidential.

886 **E.R. 4-3 Comment**

887 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,  
888 appropriate Appraisal Institute committees must and will have access to confidential information  
889 provided to Members by their clients. Clients understand and are on notice that appropriate Appraisal  
890 Institute committees will have access to their confidential information, as well as confidential analyses,  
891 opinions, and conclusions, because Members must inform their clients that their reports are subject to  
892 review by the duly authorized representatives of the Appraisal Institute. Further, clients retain Appraisal  
893 Institute Members because of the admissions and peer review functions of the Appraisal Institute and  
894 such clients benefit from the resulting increased quality of the services that Members provide. At the  
895 same time, Members who serve on committees relating to admissions and peer review functions must  
896 not [act in a manner that would](#) harm ~~the~~ [a](#) clients or take advantage of serving in these important roles  
897 to obtain professional advantage by discussing or disclosing confidential information, analyses, opinions,

## EXPLANATORY COMMENTS TO CANON 5

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898 conclusions, and factual data derived from such activities. Therefore, Ethical Rule 4-3 provides that it is  
899 unethical for a Member to discuss or disclose confidential information, analyses, opinions, conclusions,  
900 and factual data with limited exceptions. Since committee members must keep strictly confidential the  
901 information, analyses, opinions, conclusions, and factual data derived through committee activities, the  
902 client is protected.

903 **CANON 5 COMMENT**

904 To serve the public and clients effectively, members of a profession must not only offer their expertise,  
905 but they must also properly and accurately inform the public and prospective clients about their  
906 qualifications and the functions of the profession. In this way, prospective clients can make informed  
907 decisions as to the type and extent of services they need and can identify competent and ethical  
908 professionals to provide such services. Such information can also help clients evaluate a service and  
909 help hiring parties evaluate potential employees or contractors. Advertising, solicitations, promotions,  
910 resumes, and statements of qualifications that are misleading or are otherwise contrary to the public  
911 interest undermine these important goals.

912 **E.R. 5-1 Comment**

913 Members of the Appraisal Institute may utilize advertising to inform the public and prospective clients of  
914 the services they offer, the cost of such services, and their qualifications. However, Member advertising  
915 must not be misleading or calculated to create unrealistic expectations in the minds of the parties to  
916 whom the advertising is directed. In promoting their services, Members must take particular care not to  
917 state or imply that they will develop, prepare, use, or report an analysis, opinion, or conclusion that is  
918 biased or that they will deviate from the strict Standards and Ethical requirements that they have agreed  
919 to comply with as Appraisal Institute Members.

920 A Member cannot avoid ethical responsibility by using a corporation, partnership, or other entity (or  
921 multiple entities) to advertise services in a misleading manner. Therefore, a Member may not knowingly  
922 permit an entity that is wholly or partially owned or controlled by such Member to utilize misleading  
923 advertising, even if the name of a Member is not specifically mentioned in the advertisement.

924 **E.R. 5-2 Comment**

925 The Appraisal Institute has established the categories of Designated, Associate, and Affiliate  
926 membership in part to help the public and clients understand the qualifications that Members hold and  
927 the requirements to which they are subject. The different Appraisal Institute designations serve a similar  
928 purpose.

929 The Appraisal Institute is the sole owner of its name, corporate logo, membership designations, and  
930 emblems (“marks”), which are registered with the United States Patent and Trademark Office.

931 Based on these considerations, the Appraisal Institute has established rules for the use of its name,  
932 corporate logo, designations, and designation emblems. The authorized or permitted uses of these  
933 marks are set forth in the Bylaws, Code of Professional Ethics, Regulation No. 5, Trademark Usage  
934 Manual, and various other Regulations of the Appraisal Institute, and are subject to federal law.

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

## EXPLANATORY COMMENTS TO CANON 5

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938 Therefore, for example, under Ethical Rule 5-2, a Member may only use a membership designation and  
939 its associated emblem if the Member currently holds such designation and is a Member in good  
940 standing. A Member may not use such designation in a manner that suggests that a partnership,  
941 corporation, or other organization holds such designation.

942 A second example is that under Ethical Rule 5-2, a Member may use or refer to the Appraisal Institute  
943 name to convey membership, but must do so in a manner that clearly and accurately sets forth the type  
944 of membership held. Therefore, for example, a General Associate Member can use the words “General  
945 Associate Member, Appraisal Institute,” but cannot place those words under a heading entitled  
946 “Professional Designations” or abbreviate those words to appear like a designation.

947 A third example is that the Appraisal Institute permits some Designated Members to use the Appraisal  
948 Institute corporate logo under very limited circumstances to convey a very specific message to the  
949 public. If a Member uses the corporate logo but does not meet the requirements for such use, the  
950 Member misleads the public and potential clients, thereby violating Ethical Rule 5-2.

951 ~~Use of the~~ The Appraisal Institute name, corporate logo, membership designations, and designation  
952 emblems must be used in a manner that preserves and respects the federal trademark rights of the  
953 Appraisal Institute and interests therein. ~~Such appropriate~~ Appropriate use ultimately strengthens these  
954 marks, which benefits Appraisal Institute Members. Therefore, for example, Designated Members who  
955 use the corporate logo and designation emblems must use exact reproductions of the official versions in  
956 the appropriate colors and in an appropriate size.

957 Finally, when a Member uses an advertisement or promotion that refers to the Appraisal Institute marks,  
958 such use must be dignified, conservative, and in keeping with the highest professional standards.

### 959 **E.R. 5-3 Comment**

960 Members may solicit for services in a manner consistent with the public interest. Therefore, a Member  
961 may not solicit for services in a manner that is misleading.

962 For example, a Member not may inform a prospective client that the Member has qualifications or  
963 expertise that the Member does not possess. As another example, a Member may not state or imply  
964 that the Member can develop, prepare, use, or report an analysis, opinion, or conclusion that is biased.

965 A Member cannot avoid ethical responsibility by using a corporation, partnership, or other entity (or  
966 multiple entities) to solicit services in a misleading manner. Therefore, a Member may not knowingly  
967 permit an entity that is wholly or partially owned or controlled by such Member to solicit services in a  
968 manner that is misleading, even if name of a Member is not specifically mentioned in the solicitation.

969 **E.R. 5-4 Comment**

970 The primary basis for someone to refer a service to a Member should be the Member's qualifications,  
971 rather than financial incentive. At the same time, federal law prohibits a professional organization from  
972 prohibiting all referral fees. Therefore, a Member may pay a fee, commission, or thing of value to procure  
973 a service, but the Member must disclose such payment in the certification of any resulting written report  
974 and in any transmittal letter in which an analysis, opinion, or conclusion is stated. The intended user(s)  
975 is(are) entitled to know that the Member paid a fee, commission, or thing of value to procure the service  
976 and to consider such information in evaluating the service.

977 In construing this rule, disclosure is required only if the payment made is a condition of the referral. For  
978 example, if the party to whom a referral is made subsequently invites the referring party to dinner as a  
979 token of [thanks appreciation](#), this act would not be payment of a "thing of value" and disclosure would  
980 not be required.

981 Ethical Rule 5-4 does not apply to a Member when providing real property consulting services that are  
982 subject to the requirements of another licensed occupation or profession. Therefore, for example, if a  
983 Member is licensed as a real estate broker and is acting in a capacity as a real estate broker, the  
984 Member's payment and disclosure of a fee, commission, or thing of value for procurement of a real  
985 property consulting service are governed by the laws and regulations governing real estate brokers,  
986 rather than Ethical Rule 5-4.

987 **E.R. 5-5 Comment**

988 Potential clients, parties hiring employees and contractors, as well as others, need clear and accurate  
989 information on which to evaluate Members' qualifications and work product. Therefore, a Member may  
990 not prepare or use in any manner a resume or statement of qualifications that is misleading.