



Code of Professional Ethics *and* Explanatory Comments

Effective January 1, 2025

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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 Members.

The Code of Professional Ethics contains:

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

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

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

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

43 **Definitions**

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

46

47 **Appraisal**

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

51

52 **Assignment Results**

53 Opinions and conclusions developed in an appraisal or review.

54

55 **Biased**

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

58

59 **Client**

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

61

62 **Confidential Information**

63 Information that is either:

64

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

67

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

69

70 **Credible**

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

73

74 **Duly Authorized Representative**

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

77

78 **Engagement**

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

80

81 **Hypothetical Condition**

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

83

84 **Intended Use**

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

86

87 **Intended User**

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

89

90 **Justified**

91 Reasonably supported.

92

93 **Know or Knowingly**

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

96

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

110

111 **Member**

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

114

115 **Moral Turpitude**

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

119

120 **Personal Characteristic**

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

125

126 **Relevant Documentation or Information**

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

129

130

131

132 **Relevant Question**

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

135

136 **Report**

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

141

142 **Review**

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

145

146 **Special Assumption**

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

149

150 **Valuation Practice**

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

153

154 **Value**

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

160

161 **Valuer**

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

164 **Exceptions to the Ethical Rules**

165

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

168

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

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

175
176 Ethical Rules

177
178 ER 1-1

179 It is unethical to knowingly:

180

181 (a) act in a manner that is misleading;

182

183 (b) act in a manner that is fraudulent;

184

185 (c) use, or fail to take steps to prevent another from using, a misleading Report;

186

187 (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report;
188 or

189

190 (e) transmit a Report containing an analysis, opinion, or conclusion that reasonable Valuers
191 would not believe to be justified.

192

193 ER 1-2

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

196

197 ER 1-3

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

201

202 (a) disclose the lack of knowledge and/or experience to the client before agreeing to
203 perform the service;

204

205 (b) take all steps necessary or appropriate to complete the service competently; and

206

207 (c) describe the lack of knowledge and/or experience and the steps taken to complete the
208 service competently in the Report.

209

210 ER 1-4

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

212

213 (a) identify appropriate Standards to apply; and

214

215 (b) disclose in any Report the Standards applied.

216 ER 1-5

217 It is unethical:

218

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

225

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

232

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

236

237 ER 1-6

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

239

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

242

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

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

246 Ethical Rules

247 ER 2-1

248 It is unethical:

249

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

252

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

255

256 ER 2-2

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

261

262 ER 2-3

263 It is unethical to knowingly:

264

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

267

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

271

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

274

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

278

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

281

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

284

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

287

288 ER 2-4

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

291

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

293

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

295

296 • any other data, information, and documentation necessary to support the
297 Valuer's analyses, opinions and conclusions and to show compliance with the

298 Code of Professional Ethics and Standards of Professional Practice of the

299 Appraisal Institute, or references to the location(s) of such other documentation
300 accessible to the Valuer.

301

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

303

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

306

307 • the Valuer's signed and dated certification;

308

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

312

313 • all other data, information, and documentation necessary to support the
314 Valuer's analyses, opinions and conclusions and to show compliance with the

315 Code of Professional Ethics and Standards of Professional Practice of the

316 Appraisal Institute, or references to the location(s) of such other documentation
317 accessible to the Valuer.

318

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

320

321 ER 2-5

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

323

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

325

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

328

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

332

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

335

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

338

339 whichever period shall be the last to expire.

340

341 ER 2-6

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

345

346 ER 2-7

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

348

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

351

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

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

356 Ethical Rules

357 ER 3-1

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

360

361 ER 3-2

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

365

366 ER 3-3

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

369

370 ER 3-4

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

373

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

376

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

378

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

381

382 ER 3-5

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

385

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

388

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

390

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

392

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

395

396

397

398 ER 3-6

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

402

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

406

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

409

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

412

413 ER 3-7

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

418

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

422

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

426

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

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

430 Ethical Rules

431 ER 4-1

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

434

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

436

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

439

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

442

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

445

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

448

449 ER 4-2

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

454

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

457

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

460

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

463

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

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

468 Ethical Rules

469 ER 5-1

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

472

473 ER 5-2

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

477

478 ER 5-3

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

482

483 ER 5-4

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

487

488 ER 5-5

489 It is unethical to prepare or use in any manner a resume or statement of qualifications that is
490 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
5 meaning, interpretation and application of the Canons and Ethical Rules, as well as illustrative
6 but not exhaustive examples of certain types of required or prohibited conduct. The
7 Explanatory Comments play an important role in the application of the Code of Professional
8 Ethics and may be taken into consideration during enforcement proceedings. However,
9 individuals are charged with violations only of the Ethical Rules.

10 11 12 Explanatory Comments to Canon 1

13 Canon 1 Comment

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

- 17
18 • educating and training valuation professionals,
- 19
20 • conferring professional membership designations on individuals who meet stringent
21 requirements, and
- 22
23 • conducting peer review that enhances the quality of work product and deters unethical
24 conduct.
25
26

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

32 33 ER 1-1(a) and (b) Comment

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

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

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

47

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

51

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

56

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

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

61

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

63

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

69

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

73

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

75

- 76 • a Valuer transmits a Report to a client that contains a misleading analysis of
77 comparable sales.
- 78
- 79 • a Valuer allows an independent contractor to transmit a Report containing a misleading
80 highest and best use conclusion to a client.

81

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

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

86

87 The test under ER 1-1(e) is whether reasonable Valuers would believe the analysis, opinion, or
88 conclusion to be justified. Valuers can and do differ as to the appropriate solutions to a
89 valuation issue. If, however, reasonable Valuers conclude that an analysis, opinion or

90 conclusion is not reasonably supported, then such analysis, opinion or conclusion would not be
91 justified under this Ethical Rule. Evidence that a Report contains an analysis, opinion or
92 conclusion that reasonable Valuers would not believe to be justified may include, but is not
93 limited to, analyses, opinions and conclusions developed through unsupported and
94 unreasonable appraisal or review practices. The Appraisal Institute Guide Notes to the
95 Standards of Professional Practice and Appraisal Institute courses, seminars, and textbooks
96 such as *The Appraisal of Real Estate* identify many reasonable appraisal and review practices.
97

98 This Ethical Rule applies regardless of whether the Valuer signed the Report.
99

100 Examples of violations of ER 1-1(e) include, but are not limited to, the following:
101

- 102 • a Valuer transmits a Report in which the value of a property is not reasonably
103 supported.
- 104
- 105 • a Valuer transmits a Report to a client that was signed by another individual that
106 contains a sales comparison approach that is not reasonably supported.
107

108 **ER 1-2 Comment**

109 The public and clients must have confidence in the personal honesty and integrity of Appraisal
110 Institute professionals, whom they entrust with matters of critical personal, corporate, and
111 public importance. If a Member fails to comply with his or her legal obligations to society in all
112 activities, not just when engaged in Valuation Practice, the public and clients will lose
113 confidence and trust in the honesty and integrity of the individual; Members, generally; and
114 those who practice the profession. The public and clients will also lose confidence and trust in
115 the Appraisal Institute. As a consequence, the ability of Members, the profession, and the
116 Appraisal Institute to perform their vital roles in our society and the global economy will be
117 adversely affected.
118

119 Failure to comply with obligations to society, particularly relating to fraud, dishonesty, false
120 statements or moral turpitude, can legitimately lead the public and clients to question whether
121 an individual will fail to comply with his or her obligations under the Code of Professional Ethics
122 and Standards of Professional Practice of the Appraisal Institute. The crimes referred to in ER
123 1-2 are not limited to felonies.
124

125 One example of a violation of ER 1-2 is to be convicted of a crime for preparing a fraudulent
126 appraisal as part of a “flipping scheme.” A second example is being convicted of a crime for
127 underreporting taxable income.
128

129 Under Appraisal Institute Regulation No. 6, a violation of ER 1-2 will result in automatic
130 expulsion from membership in the Appraisal Institute subject to the right of appeal.
131

132 **ER 1-5 Comment**

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

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

142

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

150

151 Appraisers must collect and analyze relevant data to develop their opinions and conclusions.
152 Appraisers must avoid misinterpreting data, using data to develop conclusions that are not
153 credible, and transmitting reports that are misleading. They must avoid conclusions about
154 causality that are not grounded in fact.

155

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

161

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

166

167 **ER 1-6 Comment**

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

174

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

179

180 If a Member engages in discriminatory conduct or makes derogatory comments based on an
181 actual or perceived personal characteristic, the public and clients may question whether such

182 individual will perform assignments without bias. Further, the public and clients may lose
183 confidence and trust in the integrity of the individual, the Appraisal Institute, and the
184 profession. Consequently, the ability of valuers, the profession, and the Appraisal Institute to
185 perform their vital roles in our society and the global economy may be adversely affected.

186

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

188

- 189 • a Member engages in conduct that is found to be in violation of a state anti-
190 discrimination law.
- 191
- 192 • a Member declines a valuation assignment based in whole or in part on the race of a
193 homeowner or the racial composition of a neighborhood.

194

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

196

- 197 • a Member identifying himself or herself as an appraiser, posts a comment on social
198 media that includes offensive slurs related to the actual or perceived sexual orientation
199 of another individual.
- 200
- 201 • a Member sends an email that includes belittling statements based on race or national
202 origin and the email includes a reference to an affiliation with the Appraisal Institute.
- 203
- 204 • a Member giving a presentation to a community group concerning the appraisal
205 process makes disparaging comments about a neighborhood based on the religious
206 composition of the neighborhood.

207 **Explanatory Comments to Canon 2**

208

209 **Canon 2 Comment**

210 The Appraisal Institute serves a vital public need by:

211

212 • conferring professional membership designations on individuals who meet stringent
213 requirements,

214

215 • conducting peer review that enhances the quality of work product and deters unethical
216 conduct,

217

218 • conducting a continuing education program, and

219

220 • establishing and conducting other programs that advance the profession and valuation
221 professionals.

222

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

231

232 **ER 2-1 Comment**

233 Confidentiality:

234

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

237

238 • encourages peer review to occur;

239

240 • fosters candid and valuable interchange on the issues of qualifications and the quality
241 of services;

242

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

245

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

247

248 If a Member fails to observe confidentiality rules, the judicial protection given to the Appraisal
249 Institute, especially with respect to admissions matters and peer review proceedings, may
250 erode, thereby impairing the ability of the Appraisal Institute to fulfill critical functions. Such a
251 result would harm the public, the Appraisal Institute, its Members and the profession. All

252 Bylaws, Regulations, policies and procedures regarding confidentiality of admissions, peer
253 review, governance and other matters must be scrupulously observed.

254

255 **ER 2-2 Comment**

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

260

261 **ER 2-3 Comment**

262 The Articles of Incorporation, Bylaws, and Regulations of the Appraisal Institute provide the
263 authority for the Appraisal Institute and the establishment, powers, and duties of various
264 committees. As a corporate entity, the Appraisal Institute will fulfill its functions and exercise
265 its authority through various duly authorized representatives. Committees of the Appraisal
266 Institute will sometimes fulfill their powers and duties as committees of the whole, but such
267 committees may also carry out some powers and duties through individual members of the
268 committees and duly authorized representatives. For the Appraisal Institute to effectively carry
269 out critical functions, including, but not limited to, peer review, admissions, and continuing
270 education, the obligations under ER 2-3 extend not only to the Appraisal Institute but also to its
271 duly authorized representatives.

272

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

276

277 Strict adherence to the Bylaws, Regulations, policies and procedures of the Appraisal Institute
278 is required when participating in the governance of the organization. Failure to do so can make
279 governance ineffective and harm the interests of the Appraisal Institute. For example,
280 everyone involved in governance must adhere strictly to any confidentiality obligations set
281 forth in the Bylaws, Regulations, policies and procedures of the Appraisal Institute.
282 Additionally, they must adhere strictly to the Appraisal Institute Antitrust Policy.

283

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

285

286 • ER 2-3(a): A Member submits a continuing education log to the Appraisal Institute that
287 represents that the individual took a course that the individual did not in fact take or
288 that represents that the course provided a greater number of hours of continuing
289 education than it actually did.

290

291 • ER 2-3(b): A Member fails to promptly comply with a request for information or
292 documentation from an Appraisal Institute Investigator that the individual was required
293 to preserve under ER 2-5.

294

295 **ER 2-4 Comment**

296 The Appraisal Institute has promulgated the Code of Professional Ethics and Standards of
297 Professional Practice in part to establish requirements that will help ensure that Valuers will

298 transmit credible analyses, opinions, and conclusions. Such requirements also give the public
299 and client's confidence that a Valuer's analyses, opinions, and conclusions are based on sound
300 data and reasoning, and that such analyses, opinions, and conclusions are not predetermined
301 or mere speculation.

302

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

307

308 **ER 2-5 Comment**

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

318

319 **ER 2-6 Comment**

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

324

325 **ER 2-7 Comment**

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

335

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

339

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

344 **Explanatory Comments to Canon 3**

345

346 **Canon 3 Comment**

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

351

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

358

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

364

365 **ER 3-1 Comment**

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

371

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

379

380 The Intended Use of the analysis, opinion or conclusion is relevant in determining the direction
381 of a client's interest. For example, a Valuer develops and reports a value opinion for a property
382 owner for purposes of appealing his property taxes. The Valuer's appraisal is based solely on a
383 sales comparison approach. All of the comparable sales analyzed are clearly inferior to the
384 subject property in many respects, but in the adjustment grid, each comparable is shown to be
385 similar to the subject and no upward adjustments are made for differences. Reasonable
386 appraisers would not believe this opinion of value to be justified. Also, in this case, the lower
387 the value opinion, the more the property owner stands to gain if his appeal is successful.

388 Therefore, the Valuer may have developed and reported a biased opinion of value in violation
389 of ER 3-1.

390 One can violate ER 3-1 by signing a Report that the Valuer has not read or has partially read,
391 and that contains a biased analysis, opinion, or conclusion. Not only is the Valuer responsible
392 for the Report by signing it, but he or she has knowingly contributed to or participated in the
393 use and reporting of an analysis, opinion, or conclusion that is biased. The Valuer acted
394 knowingly because he or she acted in disregard of the requirements of the Code of
395 Professional Ethics and Standards of Professional Practice of the Appraisal Institute.
396

397 Evidence that a Valuer performed a service under a contingent fee arrangement does not
398 constitute evidence of bias, in and of itself. Valuers are participants in the global economy. In
399 the global economy the norms for ethical practice concerning specific conduct may differ
400 depending on applicable national customs and standards. The matter of contingent fee
401 arrangements is an example of an area where the norms for ethical practice differ depending
402 on the Standards used by the Valuer. For example, the Uniform Standards of Professional
403 Appraisal Practice (USPAP) prohibits contingent fee arrangements for valuation services. On
404 the other hand, the International Valuation Standards (IVS) permits contingent fee
405 arrangements for valuation services as long as the Valuer's fee does not depend on a
406 predetermined outcome of any valuation or other independent, objective advice contained in
407 the Report, and the Valuer discloses whether the fee is contingent upon any aspect of the
408 Report.
409

410 **ER 3-2 Comment**

411 A Valuer cannot avoid ethical responsibility by doing indirectly that which he or she cannot do
412 directly. The discussion in the ER 3-1 Comment concerning an analysis, opinion, or conclusion
413 that is biased also applies to ER 3-2.
414

415 **ER 3-3 Comment**

416 ER 3-3 does not prohibit accepting services in phases, with the ability to provide a subsequent
417 service contingent upon the results of a prior service, as long as the Valuer does not render an
418 analysis, opinion, or conclusion that is biased in any of the phases.
419

420 To illustrate the point involved, assume the following facts: A government agency makes an
421 offer to a property owner to purchase the owner's property to expand a roadway. The agency
422 has not begun condemnation proceedings at this point, but may in the future. The attorney
423 working with the property owner contacts a Valuer to obtain the Valuer's opinion as to whether
424 the market value of the property is more than the amount of the agency's offer. The Valuer
425 prepares a Report (for the attorney's use only) in which the Valuer's value opinion is "not less
426 than" the amount of the offer. Subsequently, the attorney asks the Valuer to prepare a Report
427 (for which the Intended Users will be both the government agency and the attorney for the
428 property owner) for purposes of the condemnation litigation. Note that these are two separate
429 assignments, with different, though related, Intended Uses and different Intended Users. If the
430 Valuer accepts these assignments, the Valuer will not violate ER 3-3. The Valuer was required
431 to develop and report both the first and second service in an unbiased manner. Although the
432 second service was in essence contingent on the results of the first service, it was not
433 contingent on a "predetermined" analysis, opinion, or conclusion.
434

435 **ER 3-4 Comment**

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

440

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

444

445 **ER 3-5 Comment**

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

451

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

457

458 **ER 3-6 Comment**

459 If a Valuer has a personal interest in the subject or outcome of a service or with respect to the
460 parties involved in the service, such interest may provide an incentive for the Valuer to render
461 an analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable. At a
462 minimum, such a personal interest may create an appearance that any resulting analysis,
463 opinion, or conclusion may be biased, misleading, or otherwise unreliable. An analysis, opinion,
464 or conclusion that is biased, misleading, or otherwise unreliable, or that may be perceived to
465 be so, undermines the confidence and trust that the public and clients must have in Valuers.

466

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

469

470 **ER 3-7 Comment**

471 If a Valuer knowingly acquires an interest in property or assumes a position that could possibly
472 affect the Valuer's judgment or violate the Valuer's responsibilities to the client between the
473 time the Valuer is contacted concerning a service and when the Valuer completes the service,
474 such interest or change in position may provide an incentive for the Valuer to render an
475 analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable and harms
476 the client. At a minimum, such interest or change in position may create an appearance that
477 any resulting analysis, opinion, or conclusion may be biased, misleading, or otherwise
478 unreliable and that the Valuer's interest or position is in conflict with the Valuer's
479 responsibilities to the client.

480 **Explanatory Comments to Canon 4**

481

482 **Canon 4 Comment**

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

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

487

488 **ER 4-1 Comment**

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

490

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

498

499 **ER 4-2 Comment**

500 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,
501 appropriate Appraisal Institute committees and other Appraisal Institute duly authorized
502 representatives must and will have access to confidential information provided to Valuers by
503 their clients. Clients understand and are on notice that appropriate Appraisal Institute
504 committees and other Appraisal Institute duly authorized representatives will have access to
505 their confidential information, as well as analyses, opinions, and conclusions, because Valuers
506 must inform their clients that their Reports are subject to review by the duly authorized
507 representatives of the Appraisal Institute. Further, clients retain Appraisal Institute Valuers in
508 part because of the admissions and peer review functions of the Appraisal Institute and such
509 clients benefit from the resulting increased quality of the services that Members provide. At
510 the same time, Members who serve on committees or other bodies relating to admissions and
511 peer review functions must not act in a manner that would harm a client or take advantage of
512 serving in these important roles to obtain professional advantage by discussing or disclosing
513 confidential information, analyses, opinions, conclusions, and factual data derived from such
514 activities. Since Members must keep strictly confidential the information, analyses, opinions,
515 conclusions, and factual data derived through admissions and peer review activities, the client
516 is protected.

517 **Explanatory Comments to Canon 5**

518

519 **Canon 5 Comment**

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

528

529 **ER 5-1 Comment**

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

537

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

540

541 **ER 5-2 Comment**

542 The Appraisal Institute has established the categories of Designated Member, Associate Member,
543 and Affiliate Member in part to help the public and clients understand the qualifications these
544 individuals hold and the requirements to which they are subject. The different Appraisal Institute
545 designations serve a similar purpose.

546

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

551

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

555

556 **ER 5-3 Comment**

557 Misleading solicitations for services are contrary to the public interest and undermine the
558 reputation of the profession and its practitioners. Therefore, a Member may not solicit for services
559 in a manner that is misleading.

560

561 For example, a Member may not inform a prospective client that the Member has qualifications
562 that the Member does not possess. As another example, a Member may not state or imply in a

563 solicitation for services that the Member can develop, prepare, use, or report an appraisal or
564 review analysis, opinion, or conclusion that is biased.

565

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

571

572 **ER 5-4 Comment**

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

579

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

584

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

590

591 **ER 5-5 Comment**

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