



Code of Professional Ethics *and* Explanatory Comments

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Preamble to the Appraisal Institute Code of Professional Ethics

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

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

The Code of Professional Ethics contains:

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

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

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

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

45 **Definitions**

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

48

49 **Appraisal**

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

53

54 **Assignment Results**

55 Opinions and conclusions developed in an appraisal or review.

56

57 **Biased**

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

60

61 **Client**

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

63

64 **Confidential Information**

65 Information that is either:

66

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

69

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

71

72 **Credible**

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

75

76 **Duly Authorized Representative**

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

79

80 **Engagement**

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

82

83 **Hypothetical Condition**

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

85

86 **Intended Use**

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

88

89 **Intended User**

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

91

92 **Justified**

93 Reasonably supported.

94

95 **Know or Knowingly**

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

98

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

112

113 **Moral Turpitude**

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

117

118 **Personal Characteristic**

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

123

124 **Relevant Documentation or Information**

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

127

128 **Relevant Question**

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

131

132

133

134 **Report**

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

140

141 **Review**

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

144

145 **Special Assumption**

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

148

149 **Valuation Practice**

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

152

153 **Value**

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

159

160 **Valuer**

161 One who is expected to engage in Valuation Practice in an unbiased and competent manner.

162 This term is synonymous with appraiser.

163 **Exceptions to the Ethical Rules**

164

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

167

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

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

174
175 Ethical Rules

176
177 ER 1-1

178 It is unethical to knowingly:

- 179
180 (a) act in a manner that is misleading;
181
182 (b) act in a manner that is fraudulent;
183
184 (c) use, or fail to take steps to prevent another from using, a misleading Report;
185
186 (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report;
187 or
188
189 (e) transmit a Report containing an analysis, opinion, or conclusion that reasonable Valuers
190 would not believe to be justified.

191
192 ER 1-2

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

195
196 ER 1-3

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

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

208
209 ER 1-4

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

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

215 ER 1-5

216 It is unethical:

217

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

224

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

231

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

235

236 ER 1-6

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

238

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

241

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

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

245 Ethical Rules

246 ER 2-1

247 It is unethical:

248

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

251

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

254

255 ER 2-2

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

260

261 ER 2-3

262 It is unethical to knowingly:

263

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

266

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

270

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

273

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

277

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

280

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

283

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

286

287 ER 2-4

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

290

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

292

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

294

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

300

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

302

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

305

306 • the Valuer's signed and dated certification;

307

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

311

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

317

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

319

320 ER 2-5

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

322

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

324

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

327

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

331

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

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

336

337 whichever period shall be the last to expire.

338

339 ER 2-6

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

343

344 ER 2-7

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

346

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

349

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

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

354 Ethical Rules

355 ER 3-1

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

359 ER 3-2

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

363

364 ER 3-3

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

367

368 ER 3-4

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

371

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

374

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

376

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

379

380 ER 3-5

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

383

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

386

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

388

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

390

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

393

394

395

396 ER 3-6

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

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

403

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

406

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

409

410 ER 3-7

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

415

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

419

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

423

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

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

427 Ethical Rules

428 ER 4-1

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

431

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

433

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

436

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

439

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

442

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

445

446 ER 4-2

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

451

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

454

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

457

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

460

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

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

465 Ethical Rules

466 ER 5-1

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

469

470 ER 5-2

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

474

475 ER 5-3

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

479

480 ER 5-4

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

484

485 ER 5-5

486 It is unethical to prepare or use in any manner a resume or statement of qualifications that is
487 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 14 Canon 1 Comment

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

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

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

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

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

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, Candidates, Practicing Affiliates
55 and Affiliates generally; the Appraisal Institute; 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 • a Valuer develops a misleading opinion concerning the appropriate depreciation for an
67 industrial building and provides the opinion to another Valuer to use in a Report.

68

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

72

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

74

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

79

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

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

84

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

90 conclusion that reasonable Valuers would not believe to be justified may include, but is not
91 limited to, analyses, opinions and conclusions developed through unsupported and
92 unreasonable appraisal or review practices. The Appraisal Institute Guide Notes to the
93 Standards of Professional Practice and Appraisal Institute courses, seminars, and textbooks
94 such as *The Appraisal of Real Estate* identify many reasonable appraisal and review practices.
95

96 This Ethical Rule applies regardless of whether the Valuer signed the Report.
97

98 Examples of violations of ER 1-1(e) include, but are not limited to, the following:
99

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

105 **ER 1-2 Comment**

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

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

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

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

131 **ER 1-5 Comment**

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

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

149
150 Appraisers must collect and analyze relevant data to develop their opinions and conclusions.
151 Appraisers must avoid misinterpreting data, using data to develop conclusions that are not
152 credible, and transmitting reports that are misleading. They must avoid conclusions about
153 causality that are not grounded in fact.

154
155 Appraisers must also avoid preconceived notions about buyer preferences. For example, just
156 because an area has a high percentage of properties with deferred maintenance does not
157 mean there is low demand for properties in that area. Just because there are properties that
158 are larger or in better condition does not mean there is no demand – or less demand -- for
159 properties that are smaller or in inferior condition.

160
161 In valuing property, appraisers must consider effective demand. Are there buyers or renters in
162 the market who are willing and able to buy or rent the property? The personal characteristics
163 of those buyers or renters, or of others associated with the property or transaction, is
164 irrelevant.

165
166 **ER 1-6 Comment**

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

173
174 Discriminatory conduct is an action or failure to act which exhibits bias or prejudice towards an
175 individual or group of individuals based on an actual or perceived personal characteristic.
176 Discriminatory conduct may result in an outcome that adversely affects an individual or group
177 of individuals.

178
179 If a Member, Candidate, Practicing Affiliate, or Affiliate engages in discriminatory conduct or
180 makes derogatory comments based on an actual or perceived personal characteristic, the

181 public and clients may question whether such individual will perform assignments without bias.
182 Further, the public and clients may lose confidence and trust in the integrity of the individual,
183 the Appraisal Institute, and the profession. Consequently, the ability of valuers, the profession,
184 and the Appraisal Institute to perform their vital roles in our society and the global economy
185 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, Candidate, Practicing Affiliate, or Affiliate engages in conduct that is found
190 to be in violation of a state anti-discrimination law.

191

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

195

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

197

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

201

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

205

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

209 **Explanatory Comments to Canon 2**

210

211 **Canon 2 Comment**

212 The Appraisal Institute serves a vital public need by:

213

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

221

222 As a result of these programs, the public associates Appraisal Institute Members, Candidates,
223 Practicing Affiliates and Affiliates with a high degree of personal integrity and a commitment to
224 professionalism. To maintain the reputation of the Appraisal Institute and its professionals and
225 facilitate these critical objectives, Members, Candidates, Practicing Affiliates and Affiliates
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 • encourages peer review to occur;
- 238 • fosters candid and valuable interchange on the issues of qualifications and the quality
- 239 of services;
- 240 • helps ensure that the consequences of an admissions matter or peer review
- 241 proceeding are proper and proportionate; and
- 242 • helps ensure that the Appraisal Institute can govern itself effectively.

243

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

251

252 **ER 2-2 Comment**

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

255 their responsibilities diligently, objectively, and completely for the Appraisal Institute to
256 effectively fulfill its vital functions.

257

258 **ER 2-3 Comment**

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

269

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

273

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

280

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

282

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

290

291 **ER 2-4 Comment**

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

298

299 This Ethical Rule ensures that Valuers will be able to provide support for their analyses,
300 opinions, and conclusions to clients, courts, the Appraisal Institute, regulatory agencies, and

301 others. The required records provide evidence of whether a Valuer has complied with the
302 Code of Professional Ethics and Standards of Professional Practice.

303

304 **ER 2-5 Comment**

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

314

315 **ER 2-6 Comment**

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

320

321 **ER 2-7 Comment**

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

332

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

337

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

342 **Explanatory Comments to Canon 3**

343

344 **Canon 3 Comment**

345 Given the role that Valuers serve in our society and the global economy, the public interest
346 demands that a Valuer develop and report unbiased analyses, opinions, and conclusions.

347 Actual and perceived bias can undermine the confidence that the public and clients must have
348 in the integrity of Valuers.

349

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

356

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

362

363 **ER 3-1 Comment**

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

369

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

377

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

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

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

394

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

407

408 **ER 3-2 Comment**

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

412

413 **ER 3-3 Comment**

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

417

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

432

433 **ER 3-4 Comment**

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

438

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

442

443 **ER 3-5 Comment**

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

449

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

455

456 **ER 3-6 Comment**

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

464

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

467

468 **ER 3-7 Comment**

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

478 **Explanatory Comments to Canon 4**

479

480 **Canon 4 Comment**

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

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

485

486 **ER 4-1 Comment**

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

488

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

496

497 **ER 4-2 Comment**

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

516 **Explanatory Comments to Canon 5**

517
518 **Canon 5 Comment**

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

527
528 **ER 5-1 Comment**

529 Members, Candidates, Practicing Affiliates and Affiliates may utilize advertising to inform the
530 public and prospective clients of the services they offer, the cost of such services, and their
531 qualifications. However, advertising must not be misleading or calculated to create unrealistic
532 expectations in the minds of the parties to whom the advertising is directed. In promoting their
533 services, Members, Candidates, Practicing Affiliates and Affiliates must take particular care not to
534 state or imply that they will develop, prepare, use or report an appraisal or review, analysis,
535 opinion or 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, Candidate, Practicing Affiliate or Affiliate cannot avoid ethical responsibility by
539 using a corporation, partnership or other entity (or multiple entities) to advertise services in a
540 misleading manner.

541
542 **ER 5-2 Comment**

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

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

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

556
557 **ER 5-3 Comment**

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

561

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

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

572

573 **ER 5-4 Comment**

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

580

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

585

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

591

592 **ER 5-5 Comment**

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