

# Appraiser Code of Ethics

## Real Estate Appraiser Code of Ethics

### Standards of Professional Practice and Conduct

#### PREAMBLE

The purposes of the Society of Real Estate Appraisers are to elevate the standards in real estate appraising and analysis, to aid in the solution of the many problems of the profession in appraising and analyzing real estate, and to designate certain members as having attained certain skills and knowledge. The members are pledged to maintain a high level of trust and integrity in their practice. It is the responsibility of the members to keep up to date with techniques, tools and market practices; to know and exploit data sources, and to be aware of environmental influences in which client decisions must be made.

#### CODE OF ETHICS

This Code of Ethics is a set of dynamic principles guiding the member's conduct and professional practice. It is the member's duty to practice his profession according to this Code of Ethics.

Each member agrees that he shall:

- I. Conduct his activities in a manner that will reflect credit upon himself, real estate appraisers and analysts, and the Society of Real Estate Appraisers.
- II. Cooperate with the Society of Real Estate Appraisers and its officers in all matters, including, but not limited to the investigation, discipline, or dismissal of members, who by their conduct prejudice their professional status or the reputation of the Society of Real Estate Appraisers.
- III. Obtain appraisal and analysis assignments, and accept compensation only in a professional manner in accordance with the provisions of the Standards of Professional Practice and Conduct of the Society of Real Estate Appraisers.
- IV. Accept only those appraisal and analysis assignments for which he has adequate time, facilities, and technical ability to complete in a competent professional manner, and in which he has no unrevealed present or contemplated future interest.
- V. Render properly developed, unbiased and objective value opinions, and render properly developed, unbiased and objective analyses.
- VI. Prepare an adequate written appraisal for each real estate appraisal assignment accepted, and prepare an adequate written analysis for each real estate analysis assignment accepted.
- VII. Reveal his value and analysis conclusions and opinions to no one other than his client, except with the permission of the client or by due process of law, and except when required to do so to comply with the rules of the Society of Real Estate Appraisers.
- VIII. Conform in all respects to this Code of Ethics, the Standards of Professional Practice and Conduct, and the By-Laws of the Society of Real Estate Appraisers as the same may be amended from time to time.

## STANDARDS OF PROFESSIONAL PRACTICE

The following constitute what the Society considers to be the minimum required of the appraiser and analyst in their valuation practices, analysis practices, and reporting practices. The appraiser and analyst should however utilize all of the recognized appraisal and analysis methods and techniques that will materially contribute to a proper valuation or analysis.

Members properly utilizing these procedures will be deemed to be acting competently in carrying out real estate appraisal and analysis assignments. However, because of the varied nature of assignments, the Society recognizes that occasionally there is justification for departing from carrying out some aspect of these procedures. In this event, the member must have a valid basis for such a departure, and the reasons for the departure must be explained and supported in the written appraisal or written analysis.

### 1. Real Estate Valuation Practice

A. Prudent and professional real estate appraisal practice suggests these recommended steps in reaching a supportable conclusion of value:

#### 1. The description of the property being appraised:

a. The appraiser should include a description of the subject property, and identify it by including a legal description, street address or other means of specifically and adequately locating the property.

b. The appraiser should consider matters relating to title that may affect the final value conclusions, such as:

- 1) The nature of the ownership, i.e., fee simple, or an explanation of other division of ownership interest.

- 2) Easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature.

c. Each appraisal should be predicated upon a valuation of the property for its highest and best use. The highest and best use of the property as presently improved may or may not result in a value conclusion exceeding the value of the land alone. The appraiser should support his estimates of highest and best use.

d. The appraiser should include an accurate and adequate description of the political, social and economic factors affecting the property including the effect on both the land and the physical improvement on and to the land.

e. The appraiser should consider all physical, functional and economic factors as they may affect the value conclusion.

#### 2. Purpose of the appraisal and definition of the value estimated:

a. The appraiser should state the type of value being sought, and clearly define the value estimated.

#### 3. Effective date of appraisal:

a. The date of the value estimate ordinarily should be the date of the last property inspection except when the appraisal requires a prior date.

4. Data collection, analysis, and interpretation:

a. The appraiser should recognize that each of the approaches to value are functions of market phenomena.

b. The appraiser should consider appropriate units of comparison and also whenever possible, practical and appropriate adjustments should be made for all factors of dissimilarity.

c. The direct sales comparison approach (when applicable):

- 1) The appraiser should collect, inspect, verify, analyze and reconcile such comparable sales as are available to indicate a value conclusion. No pertinent information shall be withheld. The pertinent comparable sales should be identified in the appraisal report itself.

d. The income approach (when applicable):

- 1) When applicable to income producing properties, the appraiser should collect, inspect, verify, analyze and reconcile such comparable rentals as are available to indicate an appropriate estimate of the market rental of the property being appraised. No pertinent information shall be withheld.

2) When applicable to income producing properties, the appraiser should collect, verify, analyze and reconcile such data on comparable operating expenses as are available to support an appropriate estimate of all operating expenses of the property being appraised. No pertinent information shall be withheld.

When applicable to income producing properties, the appraiser should collect, verify, analyze and reconcile such comparable data relating to an appropriate capitalization rate or rates to be applied to the estimated net income to indicate a proper value conclusion. No pertinent information shall be withheld.

When applicable to income producing properties, the method, process and technique of capitalization used should be appropriate to the type and characteristics of the property being appraised.

3) In the case of single-family dwellings, the appraiser should collect, inspect, verify, analyze and reconcile such data on comparable sales and rentals as are available to indicate a value conclusion by use of the gross rent multiplier technique. No pertinent information shall be withheld.

The cost approach (when applicable):

4) The appraiser should collect, verify, analyze and reconcile such comparable cost data as are available for use in estimating the cost new of the subject property.

The appraiser should collect, verify, analyze and reconcile such comparable data as are available to support and explain the difference between cost new and the present worth of the improvements (accrued depreciation), reflecting items of deterioration and obsolescence. No pertinent information shall be

withheld. The appraiser should qualify the data sources and cost methodology used in his estimate. estimate.

5) Final reconciliation and value estimate:

- a. In the final value estimate, the appraiser should consider the purpose which the appraisal serves, the type of property being appraised, the relative weights which typical users or investors would accord to the quality and quantity of data available and analyzed within the approaches used, and the applicability or suitability of the approaches used.

6) Special and limiting conditions:

- a. The appraiser should set forth all the special and limiting conditions or assumptions under which his value estimate is made, and support their validity and feasibility. Unquestioning acceptance of an opinion motivated by advocacy does not relieve the appraiser of his responsibility to provide valid support for such conditions and assumptions. However, if the terms of an assignment imposed by the client dictate appraising the property subject to certain specific conditions or assumptions, the appraiser must clearly set forth this fact in the purpose of the appraisal and in the special and limiting conditions of the appraisal, along with a statement indicating either that he has made no investigation of the validity and feasibility of the conditions or assumptions at the instructions of his client and he accepts no responsibility therefore, or that he has investigated the validity and feasibility of the conditions or assumptions and finds them to be realistic for the following reasons (named specifically), or that he has investigated the validity and feasibility of the conditions or assumptions and finds them unrealistic for the following reasons (named specifically).

7. Appraiser's certification:

a. The appraiser should certify, except as other

- wise noted in his appraisal report:
- That he has personally inspected the subject property.

2) That he has no present or contemplated future interest in the real estate that is the subject of this appraisal report.

3) That he has no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.

4) That the amount of his fee is not contingent upon reporting a predetermined value or upon the amount of the value estimate.

5) That to the best of his knowledge and belief the statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

6) That this appraisal report sets forth all of the special and limiting conditions (imposed by the terms of the assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.

7) That this appraisal report has been made in conformity with and is subject to the requirements of the Code of Ethics and Standards of Professional Practice and Conduct of the Society of Real Estate Appraisers.

8) That no one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report.

A. While the appraiser is ultimately responsible for any report which he has signed, he should acknowledge those phases of the appraisal process performed by others, and when appropriate they should become signatories to the report.

B. It is unethical for an appraiser to estimate fractional parts of a property so that the reported value exceeds the value that would be derived if the property were considered separately as a whole.

C. It is unethical for an appraiser to base his value conclusion upon the assumed completion of public or private improvements unless he clearly defines the conditions, extent and effects of such assumption. Any such assumption must be predicated upon sound valuation principles.

### 11. Real Estate Analysis Practice

A. Prudent and professional real estate analysis and counseling practice suggests these recommended steps:

1) Identification of objective and definition of the problem:

a. The analyst should ascertain and clearly identify the client's objective, which may not necessarily be explicit in the client's statement of the assignment.

b. The analyst should clearly and precisely define the nature of the problem the client faces.

c. The analyst should identify alternative routes to achievement of the objective, and state their implications.

d. The analyst should identify both known and anticipated constraints or obstacles present in each alternative route, and measure their impact.

e. The analyst should identify those productive resources actually or expected to be available to achieve the client's objective, and measure their impact.

2. The identification of the property or properties involved, if any:

a. If the analysis involves a specific property or properties, the analyst should include a legal description, street address or other means of specifically and adequately locating the property or properties being analyzed.

3. Effective date of analysis:

a. The analysis should include its effective date.

4. Data collection and analysis:

a. The analyst should collect, verify and reconcile such pertinent data as may be required to complete the assignment.

1) If the market value of a specific property is pertinent to the analysis assignment, a written appraisal should be included in the data collected.

b. The analyst should apply the appropriate tools and techniques of analysis to the data collected.

In a market analysis: (A market analysis is defined as a study of general real estate market conditions that bear upon the competitive supply, demand and prices for particular types of facilities or properties.)

1 ) The analyst should carefully define and delineate the pertinent market area for the analysis, and justify that delineation.

2) The analyst should identify, investigate and analyze the forces that make up the pertinent real estate market, as well as measure and forecast demand.

3) The analyst should identify, measure, and forecast economic changes in the pertinent market area.

4) The analyst should identify what the present market is, and forecast how future supply may effect the subject property based on competition in its market.

d. In a cash flow and/or investment analysis: (A cash flow analysis is defined as a study of any flow of cash, in or out, of an investment. An investment analysis is defined as a process by which the relative attractiveness of an investment is determined by analyzing a number of ratios which reflect the relationship between acquisition price and anticipated future benefits from the investment.)

1 ) The analyst should investigate and evaluate the quantity and the quality of the income stream.

2) The analyst should evaluate and analyze the history of expenses and reserves, and analyze their stability.

3) The analyst should investigate and analyze financing availability and terms, and analyze the effect on the subject property or properties.

4) The analyst should select the appropriate method of processing the income stream.

5) In an investment analysis, the analyst should consider the cash flow returns plus reversions to the specific investment position over a projected time period.

In a feasibility analysis: (A feasibility analysis is defined as an analysis of whether the cost- benefit ratio of an economic endeavor meets the client's objective.)

1) The analyst should first prepare a complete market analysis.

2) The analyst should apply the results of the market analysis to the alternative courses of action as

they relate to the client's objective.

3) The analyst should identify the probable outcome of each course of action.

4) The analyst should identify the probable costs of achieving each outcome, and identify probability and costs of altering any constraints or obstacles.

5) Final conclusions or recommendation, if any:

- a. When a conclusion or recommendation is required by the nature of the assignment, the analyst should identify the optimum course of action in terms of the client's objective.

6) Special and limiting conditions:

- a. The analyst should set forth all of the special and limiting conditions under which his analysis is made, and support their validity and feasibility. Unquestioning acceptance of an opinion motivated by advocacy does not relieve the analyst of his responsibility to provide valid support for such conditions and assumptions. However, if the terms of an assignment imposed by the client dictate analyzing the property subject to specific conditions or assumptions, the analyst must clearly set forth this fact in the identification of the objective of the analysis and in the special and limiting conditions of the analysis, along with a statement indicating either that he has made no investigation of the validity and feasibility of the conditions or assumptions at the instructions of his client and he accepts no responsibility therefore, or that he has investigated the validity and feasibility of the conditions or assumptions and finds them to be realistic for the following reasons (named specifically), or that he has investigated the validity and feasibility of the conditions or assumptions and finds them unrealistic for the following reasons (named specifically).

7) Analyst's certification:

- a. The analyst should certify, except as otherwise noted in his analysis report:

- 1) That he has personally inspected the subject property (if applicable).

- 2) That he has no present or contemplated future interest in the real estate that is the subject of this analysis report.

- 3) That he has no personal interest or bias with respect to the subject matter of this analysis report or the parties involved.

- That the amount of his fee is not contingent upon reporting a predetermined opinion, conclusion, or recommendation, or upon any result, value, or subsequent transaction.

- That to the best of his knowledge and belief the statements of fact contained in this analysis report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.

8) That this analysis report sets forth all of the special and limiting conditions as posed by the terms of the assignment or by the undersigned) affecting the analyses, opinions and conclusions contained in this report.

9) That this analysis report has been made in conformity with and is subject to the requirements of the Code of Ethics and Standards of Professional Practice and Conduct of the Society of Real Estate Appraisers.

a. That no one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this analysis report.

b. While the analyst is ultimately responsible for any report which he has signed, he should acknowledge those phases of the analysis process performed by others, and when appropriate they should become signatories to the report.

### 111. Reporting Practice

A. An adequate written appraisal containing a supported value shall be prepared for each appraisal

- assignment accepted, and shall include the following as minimum requirements.

1. An adequate and definite description of the property being appraised.
2. The purpose of the appraisal and a definition of the value estimated.
3. The effective date of the appraisal.
4. The data and reasoning supporting the value conclusion which may include the direct sales comparison approach, the income approach and the cost approach. The exclusions of any of the usual three approaches must be explained and supported.
5. The final estimate of value.
6. Special and limiting conditions.
7. The appraiser's certification and signature.
8. It is unethical for a member to omit any of the above minimum requirements from his appraisal report transmitted to the client without good cause. If, with good cause, any of the above minimum requirements are not included in the appraisal report transmitted to the client, the appraiser shall clearly set forth within the appraisal report transmitted to the client a statement to the effect that the portions excluded (named specifically) are included in the appraiser's written appraisal which has been prepared and retained in the appraiser's file for this assignment, and that said written appraisal is incorporated herein by reference and is an integral part hereof.

B. An adequate written analysis shall be prepared for each analysis assignment accepted, and shall include the following as minimum requirements:

1. Identification of objective, and definition of the problem.
2. The identification of the property or properties involved, if any.
3. The effective date of the analysis.

4. The data and the analysis of the data.
5. Final conclusions or recommendation, if any. III.
6. Special and limiting conditions.
7. The analyst's certification and signature.

8. It is unethical for a member to omit any of the above minimum requirements from his analysis report transmitted to the client without good cause. If, with good cause, any of the above minimum requirements are not included in the analysis report transmitted to the client, the analyst shall clearly set forth within the analysis report transmitted to the client a statement to the effect that the portions excluded (named specifically) are included in the analyst's written analysis which has been prepared and retained in the analyst's file for this assignment, and that said written analysis is incorporated herein by reference and is an integral part hereof.

C. A true copy of each appraisal and analysis shall be prepared and retained by the member, and shall be sent on request to a duly constituted Professional Practice Committee of the local chapter or of the international Society of Real Estate Appraisers.

D. It is unethical to issue a separate appraisal report on only a part of a whole property without stating that it is a fractional appraisal and as such subject to use in a manner consistent with such limitation.

E. It is unethical to issue a separate appraisal report or analysis report when another appraiser or analyst assigned to appraise or analyze the same property has had a part in the formation of the value opinion or the analysis conclusion and/or recommendation.

F. It is unethical for an appraiser or analyst to reveal in any way the substance of any appraisal or analysis without permission of the client except under due process of law, or when required to do so in compliance with the rules and regulations of the Society of Real Estate Appraisers.

## STANDARDS OF PROFESSIONAL CONDUCT

I. It is unethical for an appraiser or analyst to become an advocate of any other than his own unbiased and objective opinions.

II. It is unethical for an appraiser or analyst to conduct himself in any manner which will prejudice his professional status or the reputation of any appraisal organization or any other appraiser or analyst.

III It is unethical to accept an appraisal or analysis assignment of a type with which he has had no previous experience unless, in making the appraisal or analysis, he associates with an appraiser or analyst who has had experience with that type of assignment, or makes full disclosure of the degree of his experience, background, and training to the client.

IV. It is unethical for an appraiser or analyst to:

A. Contract for or accept compensation for appraisal or analysis services in the form of a commission, rebate, division of brokerage commissions, or any similar forms.

B. Receive or pay finder's or referral fees.

C. Accept an assignment to appraise or analyze a property for which his employment or fee is contingent upon reporting a predetermined value or upon the amount of the value estimate; or upon reporting a predetermined opinion, conclusion, or recommendation; or upon any result, value, or subsequent transaction.

D. Make his compensation on any basis other than a fair professional fee for the responsibility entailed and the work and expense involved.

V. It is unethical for an appraiser or analyst to attempt to supplant another appraiser or analyst after definite steps have been taken toward the employment of such other appraiser or analyst.

VI. It is unethical for an appraiser or analyst to advertise or solicit appraisal or analysis assignments in any manner not consonant with accepted professional practice. (See Interpretation: Standards of Professional Advertising Practices.)

VII It is unethical for an appraiser or analyst to claim professional qualifications which may be subject to erroneous interpretation or to state professional qualifications which he does not possess.

VIII. It is unethical to fail to report to the Society the actions of any member who, in the opinion of the reporting member, has violated this Standards of Professional Practice and Conduct.