

Code of Professional Ethics of the Appraisal Institute

Effective November 15, 2011

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Preamble to the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute

Real estate is one of the basic sources of wealth in the global economy. Therefore, homeowners, business entities, governments, individuals, and others who own, manage, sell, purchase, invest in, or lend money on the security of real estate must have ready access to the services of Appraisal Institute Members who provide unbiased opinions of value, as well as sound information, analyses, and advice on a wide range of real estate–related issues. Members of the Appraisal Institute also are increasingly called upon to use their expertise to value other property types such as personal property, machinery and equipment, and businesses. Therefore, the services of Appraisal Institute Members 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 the commitment of Appraisal Institute Members to professionalism, the Appraisal Institute has adopted its Code of Professional Ethics and [Standards of Professional Appraisal 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 is composed of the Canons, Ethical Rules, and Explanatory Comments. The Standards of Professional Appraisal Practice are composed of the [Uniform Standards of Professional Appraisal Practice](#) (USPAP), promulgated by the Appraisal Standards Board (ASB) of The Appraisal Foundation, and the [Certification Standard](#) of the Appraisal Institute; or the [International Valuation Standards](#) (IVS), promulgated by the International Valuation Standards Committee (IVSC), applicable national Standards, and the Certification Standard of the Appraisal Institute. The Appraisal Institute has also issued [Guide Notes](#) that provide guidance on how the Standards of Professional Appraisal Practice may apply to specific issues.

Each Appraisal Institute Member must comply with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which establish requirements not only for appraisal, appraisal review, and appraisal consulting services, but also for real property consulting services. These obligations exceed those imposed on state certified and licensed real estate appraisers and distinguish Appraisal Institute Members in the marketplace. Moreover, if a Member fails to comply with the Code of Professional Ethics or Standards of Professional Appraisal Practice, the Member 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 other Members understand and comply with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Therefore, each Member of the Appraisal Institute has a responsibility to provide the Director of Ethics and Standards Counseling of the Appraisal Institute with any significant factual information that reasonably suggests that another Member may have violated the Code of Professional Ethics or Standards of Professional Appraisal Practice. Each Member also has a responsibility to volunteer to serve on peer review committees reviewing possible violations under Regulation No. 6 of the Appraisal Institute.

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DEFINITIONS

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

9 **Admissions Matter**

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

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

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

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

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

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

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

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

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

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

27 **Assignment**

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

29 **Assumption** (Source: USPAP)

30 That which is taken to be true.

DEFINITIONS (continued)

31 **Biased**

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

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

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

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

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

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

50 **Committee**

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

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

54 Information that is either:

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

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

DEFINITIONS (continued)

65 **Consulting**

66 See appraisal consulting and real property consulting.

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

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

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

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

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

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

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

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

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

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

86 **Know or Knowingly**

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

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

98 **Member**

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

DEFINITIONS (continued)

100 **Peer Review Committee**

101 The Professional Practice Compliance and Enforcement Committee, the Ethics Appeals Panel, the
102 Professional Practice Appeals Panel, a Professional Practice Appeal Board, any Investigators, or any
103 Hearing Committee duly constituted under [Regulation No. 6](#) of the Appraisal Institute.

104 **Peer Review Proceeding**

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

113 **Real Property Consulting**

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

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

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

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

123 **Service**

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

127 **Value** (Source: USPAP)

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

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

DEFINITIONS (continued)

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

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

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

EXCEPTIONS TO ETHICAL RULES

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

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

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

152 **Ethical Rules**

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

154 It is unethical to knowingly:

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

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

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

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

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

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

CANON 1 (continued)

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

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

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

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

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

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

187 Ethical Rules

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

189 It is unethical:

190 (a) for a Member to knowingly violate the Member’s confidentiality obligations set forth in the [Bylaws,](#)
191 [Regulations, policies and procedures of the Appraisal Institute.](#)

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

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

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

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

200 It is unethical to knowingly:

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

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

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

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

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

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

CANON 2 (continued)

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

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

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

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

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

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

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

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

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

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

234 whichever period shall be the last to expire.

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

236 It is unethical to enter into a contract that:

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

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

CANON 2 (continued)

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

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

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

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

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

254 Ethical Rules

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

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

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

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

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

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

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

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

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

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

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

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

CANON 3 (continued)

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

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

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

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

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

291 (c) the Member complies with the applicable disclosure requirements set forth in [USPAP](#) for
292 hypothetical conditions.

293 **E.R. 3-7**

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

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

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

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

299 (d) the Member complies with the applicable disclosure requirements set forth in [USPAP](#) for
300 extraordinary assumptions.

301 **E.R. 3-8**

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

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

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

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

312 **E.R. 3-9**

313 It is unethical, during the period that commences at the time that a Member is contacted concerning a
314 service (appraisal, appraisal review, appraisal consulting, or real property consulting) and expires a

CANON 3 (continued)

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

328 **A Member Must Not Violate the**
329 **Confidential Nature of the Member-Client Relationship**

330 Ethical Rules

331 **E.R. 4-1**

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

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

339 **E.R. 4-2**

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

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

348 **E.R. 4-3**

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

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

CANON 4 (continued)

358 (d) committee members and their duly authorized agents within the scope of the [Bylaws and](#)
359 [Regulations](#) of the Appraisal Institute.

360 **A Member Must Not Advertise or Solicit in a Manner that is**
361 **Misleading or Otherwise Contrary to the Public Interest**

362 Ethical Rules

363 **E.R. 5-1**

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

366 **E.R. 5-2**

367 It is unethical to use or refer to the Appraisal Institute or its membership designations in a manner that
368 is misleading, or to use or display the registered designations, logos, or emblems of the Appraisal
369 Institute in a manner contrary to [Regulation No. 5](#).

370 **E.R. 5-3**

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

374 **E.R. 5-4**

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

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

385 **E.R. 5-5**

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

388 **CANON 1 COMMENT**

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

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

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

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

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

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

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

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

EXPLANATORY COMMENTS TO CANON 1 (continued)

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

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

436 A second example is that if a Member knowingly develops a misleading opinion concerning the
437 appropriate depreciation for an industrial building and provides the opinion to another appraiser to use in
438 developing a conclusion as to the value of the industrial building, such Member violates Ethical Rule 1-
439 1(b) even though the Member did not develop the final conclusion.

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

444 **E.R. 1-1(c) Comment**

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

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

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

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

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

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

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

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

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

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

504 property consulting practices such as those outlined in the [Standards of Professional Appraisal Practice](#)
505 of the Appraisal Institute, [Guide Notes to the Standards of Professional Appraisal Practice](#), and Appraisal
506 Institute courses, seminars, and textbooks such as [The Appraisal of Real Estate](#).

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

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

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

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

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

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

536 Under the [Regulation No. 6](#) of the Appraisal Institute, a violation of Ethical Rule 1-2 will result in
537 automatic expulsion from membership in the Appraisal Institute subject to the right of appeal.

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

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

544 **CANON 2 COMMENT**

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

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

556 Confidentiality encourages Associate Members to advance their qualifications through the admissions
557 process, encourages peer review to occur, fosters candid and valuable interchange on the issues of
558 qualifications and the quality of services, ensures that the consequences of an admissions matter or
559 peer review proceeding are proper and proportionate, and ensures that the Appraisal Institute can govern
560 itself effectively. Therefore, each Member who has contact with or is involved in an admissions matter or
561 peer review proceeding must scrupulously observe the rules governing the confidentiality of those
562 functions. If a Member fails to observe such confidentiality rules, the judicial protection given to the
563 Appraisal Institute with respect to admissions matters and peer review proceedings may erode, thereby
564 impairing the ability of the Appraisal Institute to carry out these critical functions. Such a result would
565 harm the public, the Appraisal Institute, its Members, and the profession. Further, each Member must
566 scrupulously observe any other [Bylaws, Regulations, policies and procedures](#) regarding confidentiality of
567 governance and other matters.

568 **E.R. 2-2 Comment**

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

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

577 For the Appraisal Institute to effectively fulfill the vital functions of admissions, peer review, education,
578 other programs, and governance, Members must fully adhere to the [Bylaws, Regulations, policies and](#)
579 [procedures](#) of the Appraisal Institute.

580 Members must honestly and fully cooperate with the Appraisal Institute, its committees, and their
581 authorized agents, such cooperation includes but is not limited to Members fulfilling the obligations they
582 have under the [Bylaws and Regulations](#) of the Appraisal Institute, submitting full and accurate
583 documentation and information promptly upon request and when otherwise required, participating in
584 requested interviews, responding fully and honestly to any questions, and fully complying with the terms
585 of a summons issued by a Hearing Committee. Members may not mislead any Appraisal Institute
586 committee, or member or authorized agent thereof.

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

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

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

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

617 Members also must strictly adhere to the [Bylaws, Regulations, policies and procedures](#) of the Appraisal
618 Institute when participating in governance of the organization. Failure to do so can make governance
619 ineffective and harm the interests of the Appraisal Institute. Therefore, for example, a Member involved
620 in governance must adhere strictly to any confidentiality obligations set forth in the Bylaws, Regulations,
621 policies and procedures of the Appraisal Institute. As another example, a Member must adhere strictly to
622 the [Appraisal Institute antitrust policy](#).

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

624 The Appraisal Institute has promulgated the Code of Professional Ethics and [Standards of Professional](#)
625 [Appraisal Practice](#) in part to establish requirements that will help ensure that Members will develop and
626 report credible analyses, opinions, and conclusions. Such requirements also give the public and clients
627 confidence that Members’ analyses, opinions, and conclusions are based on sound data and reasoning,
628 and that such analyses, opinions, and conclusions are not predetermined or mere speculation.

629 Ethical Rule 2-4 requires that Members prepare a workfile for each service and that Members prepare
630 such workfile prior to the issuance of an oral or written report. This Ethical Rule helps ensure that
631 Members have sound bases for their analyses, opinions, and conclusions prior to issuance of a report.
632 The Rule also ensures that Members can provide support for their analyses, opinions, and conclusions
633 to clients, courts, the Appraisal Institute, regulatory agencies, and others. By providing such support
634 when needed or requested, the public and clients will have greater confidence in Members' analyses,
635 opinions, and conclusions, and the rules to which Members are subject can be enforced. A Member's
636 workfile provides evidence of whether the Member complied with the Code of Professional Ethics and
637 [Standards of Professional Appraisal Practice](#).

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

639 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,
640 appropriate committees, as well as members and authorized agents thereof, must have access to
641 relevant workfiles of the Members. Therefore, the Appraisal Institute not only has adopted Ethical Rule 2-
642 4 requiring Members to prepare a workfile for each service, but it also has adopted Ethical Rule 2-5
643 requiring Members to preserve their workfiles for specified periods of time.

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

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

651 As a condition of membership in the Appraisal Institute, Members agree to comply with the [Bylaws](#),
652 [Regulations](#), Code of Professional Ethics, and [Standards of Professional Appraisal Practice](#) of the
653 Appraisal Institute. Members cannot avoid this obligation by entering into a contract that is inconsistent
654 with their agreement with the Appraisal Institute. Therefore, Ethical Rule 2-6(a) prohibits Members from
655 entering into any contract that places one or more obligations on the Member that are inconsistent with
656 the Bylaws, Regulations, Code of Professional Ethics, or Standards of Professional Appraisal Practice of
657 the Appraisal Institute. Ethical Rule 2-6(b) places an affirmative obligation on Members to include in their
658 written contracts for services a statement that they will develop and report their services in conformity
659 with and subject to the requirements of the Code of Professional Ethics and Standards of Professional
660 Appraisal Practice of the Appraisal Institute. For oral agreements for services, Members must ensure
661 that their clients understand and agree that the Members will develop and report their services in
662 conformity with and subject to the requirements of the Code of Professional Ethics and Standards of
663 Professional Appraisal Practice of the Appraisal Institute.

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

665 As a condition of membership in the Appraisal Institute, Members agree to comply with the Code of
666 Professional Ethics and [Standards of Professional Appraisal Practice](#) of the Appraisal Institute. Further,
667 the Code of Professional Ethics and Standards of Professional Appraisal Practice serve the public
668 interest by establishing requirements for the ethical and competent provision of services. Because of
669 this agreement and the importance of each Member's resulting obligations, Ethical Rule 2-7 requires a
670 Member to seek other employment if the Member's employer prevents the Member from complying with

EXPLANATORY COMMENTS TO CANON 2 (continued)

671 the requirements of the Code of Professional Ethics or Standards of Professional Appraisal Practice. A
672 Member cannot avoid responsibility for his or her failure to comply with such requirements because the
673 Member's employer prevents the Member from complying. Therefore, for example, a Member must
674 demonstrably seek other employment if the Member's employer mandates that the Member not identify
675 extraordinary assumptions necessary in an assignment.

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

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

684 A second example is if a Member's employer implements a workfile retention policy that results in the
685 disposal of workfiles that must be retained under Ethical Rule 2-5 and the Record Keeping section of the
686 Ethics Rule of [USPAP](#), the Member must demonstrably seek other employment.

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

691 **CANON 3 COMMENT**

692 Given the role that Members serve in our society and the global economy, the public interest demands
693 that each Member develop and report unbiased analyses, opinions, and conclusions. Therefore, Canon 3
694 and its associated Ethical Rules prohibit a Member from rendering an analysis, opinion, or conclusion
695 that is not reasonably supported and that favors or promotes the cause or interest of the client, the
696 Member, or another. The Ethical Rules associated with this Canon prohibit Members from developing
697 and reporting biased analyses, opinions, and conclusions and address how a Member must handle
698 issues that may offer an incentive to provide biased analyses, opinions, or conclusions or can create a
699 perception that analyses, opinions, or conclusions are biased. The Ethical Rules set forth requirements
700 concerning how a Member must address situations where a client requests a predetermined analysis,
701 opinion, or conclusion as a condition of engaging the Member; where the Member has a personal
702 interest in the subject or outcome of the service or with respect to the parties involved; and where the
703 Member acquires an interest in property or assumes a position that could possibly affect the Member's
704 judgment. The Ethical Rules also provide requirements relating to contingent fees, hypothetical
705 conditions, and extraordinary assumptions. Actual and perceived bias can undermine the confidence that
706 the public and clients must have in the integrity of Members.

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

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

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

715 Evidence that a Member developed, prepared, used, or reported a biased analysis, opinion, or
716 conclusion may include, but is not limited to, deviation from reasonable appraisal, appraisal review,
717 appraisal consulting, or real property consulting practices resulting in an analysis, opinion, or conclusion
718 that is not reasonably supported and that favors or promotes the client's, the Member's, or another's
719 interest or cause. Many of these reasonable practices are outlined in the [Standards of Professional](#)
720 [Appraisal Practice](#) of the Appraisal Institute, [Guide Notes to the Standards of Professional Appraisal](#)
721 [Practice](#), and Appraisal Institute courses, seminars, and textbooks such as [The Appraisal of Real Estate](#).
722 The intended use of the analysis, opinion, or conclusion is relevant in determining the direction of a
723 client's interest.

724 For example, assume that a seller and a prospective buyer have a dispute as to the market value of
725 Blackacre on X-date. The seller would benefit from a high opinion of value. The seller retains a Member
726 to develop an opinion of the market value of Blackacre on X-date and requests that the value opinion be
727 "as high as possible." The intended use is to assist in establishing a sale price. The Member
728 subsequently delivers a report with a cover letter stating that "subject to the terms and conditions in the
729 report, the market value of Blackacre on X-date was \$1,000,000," with a footnote on page 97 of the
730 report stating that the Member's opinion of value is based upon the hypothetical condition that the
731 zoning allows development when, in fact, it does not. The hypothetical condition was not required for
732 legal purposes, for purposes of reasonable analysis, or for purposes of comparison. The hypothetical

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

739 A Member can violate Ethical Rule 3-1 by signing a report that the Member has not read or has partially
740 read, and that contains a biased analysis, opinion, or conclusion. Not only is the Member responsible for
741 the report by signing it, but the Member has knowingly contributed to or participated in the use and
742 reporting of an analysis, opinion, or conclusion that is biased. The Member acted knowingly because the
743 Member acted in disregard of the requirements of the Code of Professional Ethics and [Standards of](#)
744 [Professional Appraisal Practice](#) of the Appraisal Institute, as well as recognized methods and techniques.
745 The Member reasonably should have known about the biased analysis, opinion, or conclusion given the
746 all the facts and circumstances and the Member's training, background, and experience.

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

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

754 **E.R. 3-3 Comment**

755 A Member must use the Member's expertise and independent judgment to develop and report a
756 reasonably supported analysis, opinion, or conclusion in accordance with the Code of Professional Ethics
757 and [Standards of Professional Appraisal Practice](#) of the Appraisal Institute. Therefore, a Member clearly
758 cannot accept or provide a service that is contingent upon reporting a predetermined analysis, opinion,
759 or conclusion. Doing so would undermine the trust and confidence that the public must have in Members
760 to provide unbiased and credible analyses, opinions, and conclusions.

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

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

774 Report, for which the intended users will be both the government agency and the attorney for the
775 property owner, for purposes of the condemnation litigation. Note that these are two separate
776 assignments, with different, though related, intended uses and different intended users. If the Member
777 accepts these assignments, the Member will not violate Ethical Rule 3-3. The Member was required to
778 develop and report both the first and second service in an unbiased manner. The second service was in
779 essence contingent on the results of the first service, but was not contingent on a “predetermined”
780 analysis, opinion, or conclusion.

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

782 Appraisers are participants in the global economy. In the global economy the norms for ethical practice
783 concerning specific conduct may differ depending on applicable national customs and standards. The
784 matter of contingent fee arrangements is an example of an area where the norms for ethical practice
785 differ. For example, [USPAP](#) prohibits contingent fee arrangements for valuation services. On the other
786 hand, the [International Valuation Standards](#) allow contingent fee arrangements for valuation services as
787 long as the appraiser’s fee does not depend on the predetermined outcome of any valuation or other
788 independent, objective advice contained in the valuation report, and the appraiser discloses whether the
789 fee is contingent upon any aspect of the report.

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

791 The requirements set forth in Ethical Rule 3-6 concerning hypothetical conditions reflect those set forth
792 in [USPAP](#). The Appraisal Institute has placed these requirements in the Code of Professional Ethics
793 because a Member’s failure to comply with such requirements constitutes a lack of integrity and so that
794 a violation can result in disciplinary action.

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

796 The requirements set forth in Ethical Rule 3-7 concerning extraordinary assumptions reflect those set
797 forth in [USPAP](#). The Appraisal Institute has placed these requirements in the Code of Professional Ethics
798 because a Member’s failure to comply with such requirements constitutes a lack of integrity and so that
799 a violation can result in disciplinary action.

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

801 If a Member has a personal interest in the subject or outcome of a service or with respect to the parties
802 involved in the service, such interest may provide an incentive for the Member to render an analysis,
803 opinion, or conclusion that is biased, misleading, or otherwise unreliable. At a minimum, such a personal
804 interest may create an appearance that any resulting analysis, opinion, or conclusion may be biased,
805 misleading, or otherwise unreliable. An analysis, opinion, or conclusion that is biased, misleading, or
806 otherwise unreliable, or that may be perceived to be so, undermines the confidence and trust that the
807 public and clients must have in Members.

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

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

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

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

824 If a Member knowingly acquires an interest in property or assumes a position that could possibly affect
825 the Member’s judgment or violate the Member’s responsibilities to the client between the time the
826 Member is contacted concerning a service and expires when the Member completes the service, such
827 interest or change in position may provide an incentive for the Member to render an analysis, opinion, or
828 conclusion that is biased, misleading, or otherwise unreliable and harms the client. At a minimum, such
829 interest or change in position may create an appearance that any resulting analysis, opinion, or
830 conclusion may be biased, misleading, or otherwise unreliable and that the Member’s interest or
831 position is in conflict with the Member’s responsibilities to the client.

832 If a Member knowingly acquires an interest in property or assumes a position that could possibly affect
833 the Member’s judgment or violate the Member’s responsibilities to the client between the time the
834 Member completes a service and expires a reasonable length of time after the completion of such
835 service, such interest or change in position, if anticipated, may provide an incentive for the Member to
836 render an analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable and harms
837 the client. If acquiring such an interest or the change in position was not anticipated, the Member at a
838 minimum may create an appearance that the Member’s analysis, opinion, or conclusion may be biased,
839 misleading, or otherwise unreliable and that the Member’s interest or position is in conflict with the
840 Member’s responsibilities to the client.

841 An analysis, opinion, or conclusion that is biased, misleading, or otherwise unreliable, or that may be
842 perceived to be so, can undermine the confidence and trust that the public and clients must have in
843 Members, the profession, and the Appraisal Institute. Further, a Member who violates or appears to
844 violate the Member’s responsibilities to the client also undermines the confidence and trust that the
845 public and clients must have in Members, the profession, and the Appraisal Institute.

846 In deciding whether to acquire an interest in property or assume a position that could possibly affect the
847 Member’s judgment or violate the Member’s responsibilities to the client, the Member must make a
848 reasonable determination as to whether the Member’s judgment will be affected or will violate the
849 Member’s responsibilities to the client. A Member’s determination is reasonable if reasonable persons
850 in the same circumstances would reach the same determination. If the Member concludes that the
851 Member’s judgment will be affected or will violate the Member’s responsibilities to the client, or if
852 reasonable persons in the same circumstances would so conclude, the Member must not acquire the
853 interest in property or assume the position.

EXPLANATORY COMMENTS TO CANON 3 (continued)

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

863 **CANON 4 COMMENTS**

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

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

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

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

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

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

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

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

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

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

899 For the Appraisal Institute to effectively fulfill the vital functions of admissions and peer review,
900 appropriate Appraisal Institute committees must and will have access to confidential information
901 provided to Members by their clients. Clients understand and are on notice that appropriate Appraisal
902 Institute committees will have access to their confidential information, as well as confidential analyses,
903 opinions, and conclusions, because Members must inform their clients that their reports are subject to
904 review by the duly authorized representatives of the Appraisal Institute. Further, clients retain Appraisal
905 Institute Members because of the admissions and peer review functions of the Appraisal Institute and
906 such clients benefit from the resulting increased quality of the services that Members provide. At the
907 same time, Members who serve on committees relating to admissions and peer review functions must
908 not act in a manner that would harm a client or take advantage of serving in these important roles to
909 obtain professional advantage by discussing or disclosing confidential information, analyses, opinions,
910 conclusions, and factual data derived from such activities. Therefore, Ethical Rule 4-3 provides that it is
911 unethical for a Member to discuss or disclose confidential information, analyses, opinions, conclusions,
912 and factual data with limited exceptions. Since committee members must keep strictly confidential the
913 information, analyses, opinions, conclusions, and factual data derived through committee activities, the
914 client is protected.

915 **CANON 5 COMMENT**

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

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

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

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

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

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

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

943 Based on these considerations, the Appraisal Institute has established rules for the use of its name,
944 corporate logo, designations, and designation emblems. The authorized or permitted uses of these
945 marks are set forth in the [Bylaws](#), Code of Professional Ethics, [Regulation No. 5](#), [Trademark Usage](#)
946 [Manual](#), and [various other Regulations](#) of the Appraisal Institute, and are subject to federal law.

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

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

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

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

963 The Appraisal Institute name, corporate logo, membership designations, and designation emblems must
964 be used in a manner that preserves and respects the federal trademark rights of the Appraisal Institute
965 and interests therein. Appropriate use ultimately strengthens these marks, which benefits Appraisal
966 Institute Members. Therefore, for example, Designated Members who use the corporate logo and
967 designation emblems must use exact reproductions of the official versions in the appropriate colors and
968 in an appropriate size.

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

971 **E.R. 5-3 Comment**

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

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

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

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

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

989 In construing this rule, disclosure is required only if the payment made is a condition of the referral. For
990 example, if the party to whom a referral is made subsequently invites the referring party to dinner as a
991 token of appreciation, this act would not be payment of a "thing of value" and disclosure would not be
992 required.

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

999 **E.R. 5-5 Comment**

1000 Potential clients, parties hiring employees and contractors, as well as others, need clear and accurate
1001 information on which to evaluate Members' qualifications and work product. Therefore, a Member may
1002 not prepare or use in any manner a resume or statement of qualifications that is misleading.