

Revised January 2010
Revised April 2010
Revised September 2011
Revised April 2012

Principles of Appraisal Practice and Code of Ethics



The International Society of Professional Valuers®

Table of Contents

Foreword	5
1: Introduction.....	6
1.1 Membership Composition of the American Society of Appraisers	6
1.2 Definition of "Appraisal Practice" and "Property".....	6
1.3 Purpose of Promulgating the Principles of Appraisal Practice and Code of Ethics.....	7
2: Objectives of Appraisal Work.....	7
2.1 Various Kinds of Objectives of Appraisal Work.....	7
2.2 Objective Character of the Results of an Appraisal Undertaking	8
3: Appraiser's Primary Duty and Responsibility.....	8
3.1 Appraiser's Obligation to Determine and Describe the Apposite Kind of Value or Estimated Cost.....	8
3.2 Appraiser's Obligation to Determine Numerical Results with Whatever Degree of Accuracy the Particular Objectives of the Appraisal Necessitate.....	8
3.3 Appraiser's Obligation to Avoid Giving a False Numerical Result.....	8
3.4 Appraiser's Obligation to Attain Competency and to Practice Ethically	9
3.5 Professional Character of Appraisal Practice.....	9
3.6 Appraisers' Responsibility to Third Parties.....	9
4: Appraiser's Obligation to His Client	9
4.1 Confidential Character of an Appraisal Engagement	9
4.2 Appraiser's Obligation to Give Competent Service	10
4.3 Appraiser's Obligation Relative to Giving Testimony	10
4.4 Appraiser's Obligation to Document Appraisal Testimony	10
4.5 Appraiser's Obligation Relative to Serving More Than One Client in the Same Matter	10
4.6 Agreements and Contracts for Appraisal Services	10
5: Appraiser's Obligation to Other Appraisers and to the Society	11
5.1 Protection of Professional Reputation of Other Appraisers.....	11
5.2 Appraiser's Obligation Relative to Society's Disciplinary Actions.....	11
6: Appraisal Methods and Practices	11
6.1 Various Kinds of Value.....	11
6.2 Selection of Appraisal Method	11
6.3 Fractional Appraisals.....	11
6.4 Contingent and Limiting Conditions Affecting an Appraisal	12
6.5(a) Appraisals Based on Hypothetical Conditions	12
6.5(b) Appraisals Based on Extraordinary Assumptions.....	12
6.6 Appraisals In Which Access to Pertinent Data is Denied.....	13
6.7 Ranges of Value or Estimated Cost and Reliability Estimates.....	13
6.8 Values or Estimated Costs Under Different Hypotheses	13
6.9 Inspection, Investigation, Analysis, and Description of Subject Property.....	13
6.10 Collaboration Between Appraisers and Utilization of the Services of Members of Other Professions	14
7: Unethical and Unprofessional Appraisal Practices	14
7.1 Contingent Fees.....	14

7.2 Percentage Fees.....	15
7.3 Disinterested Appraisals	15
7.4 Responsibility Connected with Signatures to Appraisal Reports	15
7.5 Advocacy.....	16
7.6 Unconsidered Opinions and Preliminary Reports	16
7.7 Advertising and Solicitation	17
7.8 Misuse of Membership Designations	17
7.9 Causes for Disciplinary Action by the Society.....	17
8: Appraisal Reports.....	18
8.1 Description of the Property Which Is the Subject of an Appraisal Report	18
8.2 Statement of the Objectives of the Appraisal Work.....	18
8.3 Statement of the Contingent and Limiting Conditions to Which the Appraisal Findings Are Subject	19
8.4 Description and Explanation in the Appraisal Report of the Appraisal Method Used	19
8.5 Statement of the Appraiser's Disinterestedness	19
8.6 Appraisers Responsibility to Communicate Each Analysis, Opinion and Conclusion in a Manner that is not Misleading.....	19
8.7 Mandatory Recertification Statement	20
8.8 Signatures to Appraisal Reports and the Inclusion of Dissenting Opinions	20

Foreword

In a Society which not only permits but encourages the private ownership of productive property and one which also engages in large and multitudinous public works, there appears, on every hand, a necessity for the appraisal of property. In fact, property appraisals are used throughout the economic, governmental, legal, and social activities of such a society.

As the vocation of property appraisal has developed during past decades from a business occupation into a profession, certain concepts have emerged and become clear. The word "property" is now given to physical things and also to the legal rights of ownership of tangible or intangible entities. Appraising is now considered to encompass three classes of operations, namely,

The estimation of the cost of producing or replacing physical property,

The forecasting of the monetary earning power of certain classes of property, and

The valuation or determination of the worth of property.

Because of the specialized knowledge and abilities required of the appraiser which are not possessed by the layman, there has now come to be established a fiduciary relationship between him and those who rely upon his findings.

The American Society of Appraisers occupies a unique position among professional appraisal societies in that it recognizes and is concerned with all classes of property: real, personal, tangible, and intangible, including real estate, machinery and equipment, buildings and other structures, furnishings, works of art, natural resources, public utilities, gems and jewelry, investment securities, and so forth. It is also unique in that it recognizes the threefold character of the appraisal function.

In recognizing the need for the highest professional competence among appraisers, the American Society of Appraisers actively supports recognized institutions of higher learning in their scholastic programs which are designed to provide the necessary academic background to both appraiser aspirants and to the qualified professionals who desire to update and broaden their professional skills.

The Society has established an Educational Foundation to assist those institutions of higher learning which actively provide scholastic training and research in the various appraisal disciplines.

The necessity for a set of authoritative principles and a code of professional ethics, broad enough to cover all classes of property as well as the complexities of the various appraisal procedures, is a pressing one. Previous statements of principles have dealt almost exclusively with real estate. Existing codes of ethics are, in large measure, couched in such general moralistic terms that they are impractical for specific application.

Violation of any provision or rule of the Code should not give rise to a civil cause of action and should not create any presumption or evidence that a legal duty has been breached nor should it

create any special relationship between the appraiser or any other person. This Code is designed to provide guidance to appraisers and to provide a structure for regulating conduct of members of the ASA through disciplinary actions. Violations of the Code are not designed or intended to be the basis of any civil liability. (January 1990)

To meet the need for a comprehensive set of guideposts and for a specific code of ethics, the Society has prepared and presents herewith The Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

American Society of Appraisers

- Authorized June 30, 1968
- Revised January 1994
- Revised January 2010
- Revised April 2010
- Revised September 2011

1: Introduction

1.1 Membership Composition of the American Society of Appraisers

The American Society of Appraisers is a professional organization of individuals. Each of its members who has demonstrated, to the satisfaction of the Society, that he is qualified to appraise one or more of the existing kinds of property, has been granted the right to use the identification, Member of the American Society of Appraisers. Members and Senior Members may use the appropriate designations authorized by the Board of Governors.

1.2 Definition of "Appraisal Practice" and "Property"

1.21 The term appraisal practice, as defined by the Society, applies to any of the four following operations, singly or in combination, these operations being executed within a framework of general principles of technical procedure and personal conduct:

Determination of the value of property (the transitive verb determine having the meaning: "to come to a decision concerning, as the result of investigation, reasoning, etc.");

Forecasting of the earning power of property;

Estimation of the cost of

Production of a new property (production having the meaning: "brought into being by assembly of elements, fabrication, construction, manufacture, or natural growth of living things");

Replacement of an existing property by purchase or production of an equivalent property;

Reproduction of an existing property by purchase or production of an identical property.

Determining non-monetary benefits or characteristics that contribute to value. The rendering of judgments as to age, remaining life, condition, quality, or authenticity of physical property, amenities; an estimate of the amount of a natural resource, population increase, nature of

market, rate of absorption, etc.

1.22 In a valuation and in a forecast of earning power, the word property is used to describe the rights to the future benefits of something owned or possessed to the exclusion of other persons. The "something owned" may be tangible, intangible or both.

In a cost estimation, the word property is used to describe the "something owned" without regard to its ownership.

1.3 Purpose of Promulgating the Principles of Appraisal Practice and Code of Ethics

The Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers are promulgated to :

1.31 Inform those who use the services of appraisers what, in the opinion of Society, constitutes competent and ethical appraisal practice;

1.32 Serve as a guide to its own members in achieving competency in appraisal practice and in adhering to ethical standards;

1.33 Aid in the accomplishment of the purposes of the Society, which include:

Fosterage of appraisal education,

Improvement and development of appraisal techniques,

Encouragement of sound professional practices,

Establishment of criteria of sound performance for use of employers of staff appraisers,

Enforcement of ethical conduct and practice by its members;

1.34 Provide means, auxiliary to those used in examining applicants for admission to the grades of Members and Senior Member of the Society, for judging their skill, competence, and understanding of ethical principles;

1.35 Epitomize those appraisal practices that experience has found to be effective in protecting the public against exploitation.

2: Objectives of Appraisal Work

2.1 Various Kinds of Objectives of Appraisal Work

An appraisal is undertaken for one or more of several objectives, namely: to determine the value of a property; to estimate the cost of producing, acquiring, altering, or completing a property; to estimate the monetary amount of damages to a property; and to forecast the monetary earning power of a property. In specific instances, the work may have additional

objectives, such as: the formulation of conclusions and recommendations or the presentations of alternatives (and their consequences) for the client's actions.

2.2 Objective Character of the Results of an Appraisal Undertaking

The primary objective of a monetary appraisal, is determination of a numerical result, either as a range or most probable point magnitude—the dollar amount of a value, the dollar amount of an estimated cost, the dollar amount of an estimated earning power. This numerical result is objective and unrelated to the desires, wishes, or needs of the client who engages the appraiser to perform the work. The amount of this figure is as independent of what someone desires it to be as a physicist's measurement of the melting point of lead or an accountant's statement of the amount of net profits of a corporation. All the principles of appraisal ethics stem from this central fact.

3: Appraiser's Primary Duty and Responsibility

The appraiser's duty and responsibility, in each subject case, is twofold.

3.1 Appraiser's Obligation to Determine and Describe the Apposite Kind of Value or Estimated Cost

First, because there are several kinds of value and several kinds of cost estimates, each of which has a legitimate place as the end point of some class of appraisal engagement, it is the appraiser's obligation to ascertain which one of these is pertinent to the particular undertaking. In meeting this obligation, the appraiser may consider his client's instructions and/or may obtain legal or other professional advice, but the selection of the apposite kind of value or estimated cost is the appraiser's sole responsibility. Also, it is his obligation, in this connection, fully to explain and describe what is meant by the particular value or cost estimate which he has determined, in order to obviate misunderstanding and to prevent unwitting or deliberate misapplication. For example, an appraisal engagement which calls for the determination of the replacement cost of a merchant's inventory of goods, for insurance purposes, would not be properly discharged by an appraisal of its retail market value; and an engagement which calls for the determination of the current market value of a multi-tenant office building leasehold estate, would not be properly discharged by a determination of the depreciated new cost of replacement of the improvements.

3.2 Appraiser's Obligation to Determine Numerical Results with Whatever Degree of Accuracy the Particular Objectives of the Appraisal Necessitate

Second, it is the appraiser's obligation to determine the appropriate and applicable numerical results with as high a degree of accuracy as the particular objectives of the appraisal necessitate.

3.3 Appraiser's Obligation to Avoid Giving a False Numerical Result

Obviously, the appraiser has every obligation to avoid giving a false figure. The numerical result of an appraisal could be false for one of two reasons: it could be false because it is a grossly inaccurate estimate of the apposite kind of value or cost estimate, or it could be false,

even though numerically accurate, because it is an estimate of an inapposite kind of value of cost estimate.

3.4 Appraiser's Obligation to Attain Competency and to Practice Ethically

In order to meet his obligations, the appraiser must be competent in his field. This competency he attains by education, training, study, practice, and experience. He must also recognize, understand, and abide by those ethical principles that are interwoven with and are an essential part of truly professional practice.

3.5 Professional Character of Appraisal Practice

The members of the Society are engaged in a professional activity. A profession is based on an organized body of specific knowledge—knowledge not possessed by laymen. It is of such a character that it requires a high degree of intelligence and considerable expenditure of time and effort to acquire it and to become adept in its application. An appraiser's client, relies on the appraiser's professional knowledge and abilities to whatever extent may be necessary to accomplish the objectives of the work. Members of the Society recognize this relationship.

3.6 Appraisers' Responsibility to Third Parties

Under certain specific circumstances an appraisal report may be given by a client to a third party for their use. If the purpose of the appraisal includes a specific use by a third party, the third party has a right to rely on the validity and objectivity of the appraiser's findings as regards the specific stated purpose and intended use for which the appraisal was originally made. Members of the Society recognize their responsibility to those parties, other than the client, who may be specifically entitled to make use of their reports.

4: Appraiser's Obligation to His Client

The appraiser's primary obligation to his client is to reach complete, accurate, and pertinent conclusions and numerical results regardless of the client's wishes or instructions in this regard. The relationship between client and appraiser is not one of principal and agent. However, the appraiser's obligation to his client goes somewhat beyond this primary obligation. These secondary obligations are set forth in the following sections.

4.1 Confidential Character of an Appraisal Engagement

The fact that an appraiser has been employed to make an appraisal is a confidential matter. In some instances, the very fact of employment may be information that a client, whether private or a public agency, prefers for valid reasons to keep confidential. Knowledge by outsiders of the fact of employment of an appraiser may jeopardize a client's proposed enterprise or transaction. Therefore, it is imperative that the client be made aware that USPAP requires full disclosure by the appraiser, both to the new client prior to the acceptance of an assignment and within the certification of the appraisal report of his/her involvement in any capacity with the subject property within the past three years.

In the absence of an express agreement to the contrary, the identifiable contents of an appraisal

report are the property of the appraiser's client or employer and, ethically, cannot be submitted to any professional Society as evidence of professional qualifications, and cannot be published in any identifiable form without the client's or employer's consent.

4.2 Appraiser's Obligation to Give Competent Service

It is not proper for an appraiser to accept an engagement to make an appraisal of property of a type he is not qualified to appraise or in a field outside his Society membership classification, unless (a) he fully acquaints the client with the limitations of his qualifications or (b) he associates himself with another appraiser or appraisers who possess the required qualifications.

As a corollary to the above principle, the Society declares that it is unethical for an appraiser to claim or imply that he has professional qualifications which he does not possess or to state his qualifications in a form which may be subject to erroneous interpretation (See Sec. 7.8)

4.3 Appraiser's Obligation Relative to Giving Testimony

When an appraiser is engaged by one of the parties in a controversy, it is unethical for the appraiser to suppress any facts, data, or opinions which are adverse to the case his client is trying to establish; or to overemphasize any facts, data, or opinions which are favorable to his client's case; or in any other particulars to become an advocate. It is the appraiser's obligation to present the data, analysis, and value without bias, regardless of the effect of such unbiased presentation on his client's case. (Also, see Sec. 7.5)

4.4 Appraiser's Obligation to Document Appraisal Testimony

When a member accepts employment to make an appraisal, or to testify as to value of property before a court of law or other judicial or quasi-judicial forums, the appraiser shall, before testifying, complete an adequate written appraisal report, or have complete documentation and substantiation available in his files.

4.5 Appraiser's Obligation Relative to Serving More Than One Client in the Same Matter

When two or more potential clients seek an appraiser's services with respect to the same property or with respect to the same legal action, the appraiser may not properly serve more than one, except with the consent of all parties.

4.6 Agreements and Contracts for Appraisal Services

It is good practice to have a written contract, or at least a clear oral agreement, between appraiser and client, covering objectives and scope of work, time of delivery of report, and amount of fees. In certain circumstances, it may be desirable to include in the appraisal-service contract a statement covering the objective character of appraisal findings and a statement that the appraiser cannot act as an advocate or negotiator.

5: Appraiser's Obligation to Other Appraisers and to the Society

5.1 Protection of Professional Reputation of Other Appraisers

The appraiser has an obligation to protect the professional reputation of all appraisers (whether members of the Society or not) who subscribe to and practice in accord with the Principles of Appraisal Practice of the Society. The Society declares that it is unethical for an appraiser to injure, or attempt to injure, by false or malicious statements or by innuendo the professional reputation or prospects of any appraiser.

5.2 Appraiser's Obligation Relative to Society's Disciplinary Actions

A member of the society, having knowledge of an act by another member which, in his opinion, is in violation of the ethical principles incorporated in the Principles of Appraisal Practice and Code of Ethics of the Society, has the obligation to report the matter in accordance with the procedure specified in the Constitution and Bylaws.

It is the appraiser's obligation to cooperate with the Society and its officers in all matters, including investigation, censure, discipline, or dismissal of members who are charged with violation of the Principles of Appraisal Practice and Code of Ethics of the Society.

6: Appraisal Methods and Practices

6.1 Various Kinds of Value

The American Society of Appraisers recognizes that different kinds of property may have different kinds of value depending on the particular attendant circumstances and, further, that there are both basic and subordinate kinds of value. Good professional practice requires that the appraiser describe in sufficient detail, in each case, the nature and meaning of the specific value that he or she is determining.

6.2 Selection of Appraisal Method

The procedure and method for determining the particular value in question is a matter for the appraiser to decide—the appraiser cannot be held responsible for the result unless he or she has a free hand in selecting the process by which that result is to be obtained. However, good appraisal practice requires that the method selected be adequate for the purpose, embrace consideration of all the factors that have a bearing on the value, and be presented in a clear and logical manner.

6.3 Fractional Appraisals

Certain classes of properties (real estate, business enterprise, collections of chattels, for example) can be considered as made up of components (for example, in the case of real estate: land and buildings; in the case of a business enterprise: land, buildings, machinery and equipment, contracts, and goodwill). If an element is considered as an integrated part of the whole property, its value, in general, is different from the value the same element has if considered as a fraction separated from the whole property.

An appraisal of an element of a whole property, considered by itself and ignoring its relation to the rest of the whole property, is called a "fractional appraisal." There are legitimate uses for fractional appraisals (appraisal of buildings for fire insurance purposes; appraisal to determine the value of land as if cleared of existing improvements; appraisal in connection with public utility rate-making, etc.) but good practice requires that a fractional appraisal be labeled as such and that the limitations on its use by the client and/or third parties be clearly stated.

6.4 Contingent and Limiting Conditions Affecting an Appraisal

In many instances the validity of the appraiser's conclusions as to the value of a subject property is contingent upon the validity of statements, information, and/or data upon which he has relied, supplied to him by members of other professions or secured by him from official sources. Such material may be obtained, for example, from architects, engineers, lawyers, accountants, government officials, government agencies, etc. It is proper for the appraiser to rely upon and use such material provided (1) he states in his report that he has done so, (2) he stands ready to make his sources and/or the material itself available for any required verification, and (3) he does not pass to others the responsibility for matters that are, or should be, within the scope of his own professional knowledge.

Good appraisal practice requires that the appraiser state any other contingent or limiting conditions which affect the appraisal, such as, for example, that the value is contingent upon the completion of projected public or private improvements, etc.

6.5(a) Appraisals Based on Hypothetical Conditions

An appraisal based on a hypothetical condition shall be prepared when such a condition is required for legal purposes, for purposes of comparison, for purposes of reasonable analysis and when the use of the hypothetical condition in the assignment results in a credible analysis, opinion and/or conclusion. A hypothetical condition is one that is based on facts that are contrary to what is known by the appraiser to exist as of the effective date of the appraisal.

While the term "hypothetical condition" does not need to be included in the appraisal report, the appraiser must clearly and prominently disclose within the report that the condition is contrary to fact, that the condition is being used for the purpose of analysis only, and that the condition has an effect on the appraiser's analysis, opinions and/or conclusion.

6.5(b) Appraisals Based on Extraordinary Assumptions

An appraisal based on an extraordinary assumption shall be prepared when such a condition is required for purposes of analysis. An extraordinary assumption is one based on facts, which if found to be false as of the effective date, could alter the appraiser's analysis, opinions, and/or conclusions. An extraordinary assumption is one that presumes as fact otherwise uncertain information about the physical, legal or economic characteristics of the subject property, or about the external conditions (such as market conditions or trends). While the term "extraordinary assumption" does not need to be included in the appraisal report, the appraiser must clearly and prominently disclose within the report that the appraisal was prepared using an assumption, and should that assumption not be valid, this could alter the appraiser's analysis, opinions and/or conclusion.

6.6 Appraisals In Which Access to Pertinent Data is Denied

An appraisal based on an extraordinary assumption shall be prepared when such a condition is required for purposes of analysis. An extraordinary assumption is one based on facts, which if found to be false as of the effective date, could alter the appraiser's analysis, opinions, and/or conclusions. An extraordinary assumption is one that presumes as fact otherwise uncertain information about the physical, legal or economic characteristics of the subject property, or about the external conditions (such as market conditions or trends).

While the term "extraordinary assumption" does not need to be included in the appraisal report, the appraiser must clearly and prominently disclose within the report that the appraisal was prepared using an assumption, and should that assumption not be valid, this could alter the appraiser's analysis, opinions and/or conclusion.

Situations sometimes occur in which data that the appraiser considers pertinent to the making of a valid appraisal are in existence but access to them is denied to the appraiser, either by the client or some other party (for example: the past production records of an oil field; the records of prior revenue and expense of a motel property; etc.). In such a case, the appraiser, at his option, may properly decline to carry out the assignment. In the event he considers such data essential to the making of a valid appraisal, he may not properly proceed with the assignment.

6.7 Ranges of Value or Estimated Cost and Reliability Estimates

Some appraisal engagements call for the determination of a probable range of value or estimated cost, either with or without a collateral statement of the most probable figure within that range. It is entirely within the scope of good appraisal practice to give a range of value or estimated cost.

Inasmuch as the appraiser's determination of the amount of a value or an estimated cost cannot, by its very nature, be exact, it is good appraisal practice to append to such numerical results a statement as to the degree of reliability to be accorded thereto. Such reliability estimates are usually expressed as plus and minus percentages.

6.8 Values or Estimated Costs Under Different Hypotheses

The objective of an appraisal undertaking may be the determination of different values or different cost estimates based on different hypotheses. It is entirely within the scope of good appraisal practice to give such differing numerical results, provided the appraiser adheres to the principles set forth in Sec. 3.1 and Sec. 6.5

6.9 Inspection, Investigation, Analysis, and Description of Subject Property

The valuation of a property is a procedure based on an analysis of all the characteristics of the property which contribute to or detract from its value; good appraisal practice requires that the appraiser's inspection, investigation, and study be thorough enough to uncover all of the pertinent characteristics.

Good appraisal practice requires that the description of the property, tangible or intangible, which is the subject of a valuation, cover adequately (a) identification of the property (b)

statement of the legal rights and restrictions comprised in the ownership, and (c) the characteristics of the property which contribute to or detract from its value.

In the case of chattels and prospective real estate improvements, identification is particularly important in order to prevent unscrupulous persons from representing the appraisal as applying to substituted inferior property.

In general, the legal rights of the ownership of chattels are obvious and need not be stated; but, in the case of real property, statements of zoning restrictions, building codes, easements, leases, etc., are essential elements of the description. It is understood, however, that the legal rights of the ownership of an interest in real property are matters of legal, not appraisal, opinion, and that the appraiser discharges his obligations in this regard by stating the sources of these data. (See Sec. 6.4) In the case of intangible properties (patents, contracts, franchises, etc.) the documentary provisions not only define what the property is, they also set forth the legal rights and descriptions.

The physical condition of chattels or real property is an element contributing to or detracting from their value; good appraisal practice requires adequate inspection and investigation to determine it.

6.10 Collaboration Between Appraisers and Utilization of the Services of Members of Other Professions

Collaboration between appraisers is desirable, in some situations, to expedite the completion of work and, in other situations, to obtain the benefits of combined judgment or combined data. Such collaboration is entirely proper providing all the collaborators sign a joint report or, if there be dissenting opinions, providing these dissenting opinions are made a part of the report.

In some cases, the nature of the appraisal undertaking calls for special professional knowledge and abilities in addition to those possessed by the appraiser. In such an instance, it is both necessary and proper for the appraiser to employ other appraisers and/or members of other professions to obtain data and derive conclusions relative to specific parts of the work. The principal appraiser builds his final conclusions, in part, on these contributions, taking responsibility for the final result but subject to the validity of the underlying or constituent contributions. (See Sec. 6.4)

7: Unethical and Unprofessional Appraisal Practices

The principles of appraisal practice given in Sec. 6 relate to the primary objective of an appraisal undertaking, namely the determination of the apposite numerical result with that degree of accuracy required by the attendant circumstances, whereas the principles given in this section (Sec. 7) relate to the establishment and maintenance of the confidence of clients and other interested parties in the validity of the results of appraisal undertakings. To this end, certain practices are declared by the Society to be unethical and unprofessional.

7.1 Contingent Fees

If an appraiser were to accept an engagement for which the amount of his compensation is

contingent upon the amount of an award in a property settlement or a court action where his services are employed; or is contingent upon the amount of a tax reduction obtained by a client where his services are used; or is contingent upon the consummation of the sale or financing of a property in connection with which his services are utilized or is contingent upon his reaching any finding or conclusion specified by his client; then, anyone considering using the results of the appraiser's undertaking might well suspect that these results were biased and self-serving and therefore, invalid. Such suspicion would militate against the establishment and maintenance of trust and confidence in the results of appraisal work, generally; therefore the Society declares that the contracting for or acceptance of any such contingent fee is unethical and unprofessional.

7.2 Percentage Fees

The Society takes the position that it is unprofessional and unethical for the appraiser to contract to do work for a fixed percentage of the amount of value, or of the estimated cost (as the case may be) which he determines at the conclusion of his work.

7.3 Disinterested Appraisals

Anyone using an appraiser who has an interest or a contemplated future interest in the property appraised, might well suspect that the report was biased and self-serving and, therefore, that the findings were invalid. Such suspicion tends to break down trust and confidence in the results of appraisal work, generally.

Interests which an appraiser may have in a property which is to be appraised, include ownership of the subject property; acting, or having some expectation of acting, as agent in the purchase, sale, or financing of the subject property; and managing, or have some expectation of managing, the subject property. Such interests are particularly apt to exist if the appraiser, while engaged in professional appraisal practice, is also engaged in a related retail business (real estate, jewelry, furs, antiques, fine arts, etc.).

The Society declares that, subject to the provision for disclosure given in the following paragraph, it is unethical and unprofessional for an appraiser to accept an assignment to appraise a property in which he has an interest or a contemplated future interest.

However, if a prospective client, after full disclosure by the appraiser of his present or contemplated future interest in the subject property, still desires to have the appraiser do the work, the latter may properly accept the engagement provided he discloses the nature and extent of his interest in his appraisal report.

7.4 Responsibility Connected with Signatures to Appraisal Reports

The user of an appraisal report, before placing reliance on its conclusions, is entitled to assume that the party signing the report is responsible for the findings, either because he did the work himself or because the work was done under his supervision.

In cases where two or more appraisers are employed to prepare a joint report, the user thereof is entitled to assume that, if all of them sign it, they are jointly and severally responsible for the validity of all of the findings therein; and, if all do not sign, he has a right to know what the dissenting opinions are.

In cases where two or more appraisers have been engaged by a single client to make independent appraisals of the same property, the client has the right to expect that he will receive opinions which have been reached independently and that he may use them as checks against each other and/or have evidence of the range within which the numerical results lie.

To implement these principles, the Society declares that it is unethical (a) to misrepresent who made an appraisal by appending the signature of any person who neither did the work himself nor had the work done under his supervision, (b) in the case of a joint report to omit any signatures or any dissenting opinions, (c) in case two or more appraisers have collaborated in an appraisal undertaking, for them, or any of them, to issue separate appraisal reports, and (d) in case two or more appraisers have been engaged by a single client to make independent appraisals of the same property, for them to collaborate or consult with one another or make use of each other's findings or figures.

An appraisal firm or corporation may properly use a corporate signature with the signature of a responsible officer thereof. But the person who actually did the appraisal for the corporation must sign the corporate appraisal report or the report must acknowledge the person who actually made the appraisal.

7.5 Advocacy

If an appraiser, in the writing of a report or in giving an exposition of it before third parties or in giving testimony in a court action suppresses or minimizes any facts, data, or opinions which, if fully stated, might militate against the accomplishment of his client's objective or, if he adds any irrelevant data or unwarranted favorable opinions or places an improper emphasis on any relevant facts for the purpose of aiding his client in accomplishing his objective, he is, in the opinion of the Society, an advocate. Advocacy, as here described, affects adversely the establishment and maintenance of trust and confidence in the results of professional appraisal practice and the Society declares that it is unethical and unprofessional. (Also, see Sec. 4.3).

7.6 Unconsidered Opinions and Preliminary Reports

If an appraiser gives an opinion as to the value, earning power, or estimated cost of a property without having ascertained and weighed all of the pertinent facts, such opinion, except by an extraordinary coincidence, will be inaccurate. The giving of such offhand opinions tends to belittle the importance of inspection, investigation, and analysis in appraisal procedure and lessens the confidence with which the results of good appraisal practice are received, and therefore the Society declares the giving of hasty and unconsidered opinions to be unprofessional.

If an appraiser makes a preliminary report without including a statement to the effect that it is preliminary and that the figures given are subject to refinement or change when the final report is completed, there is the possibility that some user of the report, being under the impression that it is a final and completed report, will accord the figures a degree of accuracy and reliability they do not possess. The results of such misplaced confidence could be damaging to the reputation of professional appraisers, generally, as well as of the appraiser concerned. To obviate this possibility, the Society declares it to be unprofessional appraisal practice to omit a proper limiting and qualifying statement in a preliminary report.

7.7 Advertising and Solicitation

It is not unethical to advertise the availability of appraisal services. It is unethical to use any inaccurate, misleading, false or deceptive claim, promise or representation in connection with any advertisement. These unethical practices are considered by the Society to be detrimental to the establishment and maintenance of public confidence in the results of appraisal work. The Society declares that such practices on the part of an appraiser constitute unethical and unprofessional conduct. It would be unethical to do the following:

Misrepresent in any way one's connection or affiliation with the ASA or any other organization;

Misrepresent one's background, education, training or expertise;

Misrepresent services available or an appraiser's prior or current service to any client, or identify any client without the express written permission of such client to be identified in advertising;

Represent, guarantee or imply that a particular valuation or estimate of value or result of an engagement will be tailored or adjusted to any particular use or conclusion other than that an appraisal will be based upon an honest and accurate adherence to the Principles of Appraisal Practice.

7.8 Misuse of Membership Designations

The Constitution and Bylaws of the Society establish three professional grades of membership, namely, Member, Senior Member, and Fellow. (An Affiliate or Candidate does not hold a professional grade of membership in the Society.) The designation "A.M.," meaning Accredited Member, may be used in the grade of a Member. The designation "A.S.A.," meaning Accredited Senior Appraiser, may be used only in the grade of Senior Member, except those Senior Members certified in the classification of Real Property Residential (1-4 Units) who use the designation "A.S.A Residential." The designation "F.A.S.A." may be used only by Fellows. The Society declares that it is unethical for a member to claim or imply that he holds a higher degree of membership than he has attained. (Also, see Bylaws Art. B-27.)

7.9 Causes for Disciplinary Action by the Society

Disciplinary action against the members of the Society is taken in the event of violations of specific provisions of the Society's Constitution and Bylaws or of its Principles of Appraisal Practice and the Code of Ethics incorporated therein. Such actions are under of jurisdiction of the International President, the International Ethics Committee, and the Board of Governors. Violations may fall under six categories:

Deviations from good appraisal practice

Failure to fulfill obligations and responsibilities

Unprofessional conduct

Unethical conduct

Conviction in any judicial tribunal of a) any felony or b) any misdemeanor for which the maximum penalty is three (3) years in jail or more regardless of the actual sentence imposed or c) any misdemeanor involving honesty or veracity, i.e., involving theft or false statement regardless of the actual sentence imposed.

Any unlawful, illegal or immoral conduct (even if not convicted in a judicial tribunal) which would bring disrepute to the appraisal profession or to the American Society of Appraisers.

After due investigation, the Society may take action in the form of suggestion, censure, suspension, or expulsion, in which last event the member will be required to surrender his Certificate, membership pin, and other evidences of his membership after its termination.

8: Appraisal Reports

In preceding sections it was stated that good appraisal practice, as defined by the Society, requires the inclusion of certain specific explanations, descriptions, and statements in an appraisal report. These are summarized herewith. (These requirements do not apply to reports prepared by a staff appraiser for the exclusive and non-public use of his employer; but do apply to reports prepared by a public appraiser, i.e., one who offers his services for a fee to the general public.)

8.1 Description of the Property Which Is the Subject of an Appraisal Report

It is required that the property with which an appraisal report is concerned, whether tangible, intangible, real, or personal, be fully described therein, the elements of such description being: (a) identification, (b) legal rights and restrictions encompassed in the ownership, where these are not obvious, (c) value characteristics, and (d) physical condition, where applicable. (See Sec. 6.8)

8.2 Statement of the Objectives of the Appraisal Work

It is required that an appraisal report include a statement of the objectives for which the work was performed: to determine a value, to estimate a cost, to forecast an earning power, to ascertain certain facts, to reach conclusions and make recommendations for action in specified matters, etc. (See Sec. 2.1)

It is required that the meaning attached by the appraiser to any specific kind of value or estimated cost which is the objective of the appraisal undertaking be described and explained in the appraisal report. (See Sec. 6.1)

It is required that an appraisal report include a statement as to the date which the value estimate, cost estimate or forecast of income applies.

When appropriate, an analysis of the highest and the best use of the property should be included in the investigation and study.

8.3 Statement of the Contingent and Limiting Conditions to Which the Appraisal Findings Are Subject

It is required that statements, information, and/or data, which were obtained by the appraiser from members of other professions, or official or other presumably reliable sources, and the validity of which affects the appraisal findings, be summarized or stated in full in the appraisal report and the sources given, so that verification desired by any user of the report may be accomplished. (See Sec. 6.4)

If an appraisal is a hypothetical one, it is required that it be labeled as hypothetical, that the reason a hypothetical appraisal was made be stated, and that the assumed hypothetical conditions be set forth. (See Sec. 6.5)

If an appraisal is a fractional appraisal, it is required that it be labeled as fractional and that the limitations on the use of the reported figure be stated. (See Sec. 6.3)

If a preliminary appraisal report is issued, namely, one in which the figures are subject to refinement or change, it is required that the report be labeled as preliminary and that the limitation on its use be stated. (See Sec 7.6)

8.4 Description and Explanation in the Appraisal Report of the Appraisal Method Used

It is required that the method selected by the appraiser as applicable to the subject appraisal undertaking be described and explained in the appraisal report. (See Sec. 6.2)

8.5 Statement of the Appraiser's Disinterestedness

It is required that the appraiser include a statement in his appraisal report that he has no present or contemplated future interest in the subject property or any other interest which might tend to prevent his making a fair and unbiased appraisal or, if he does have such an interest, to set forth fully the nature and extent of that interest. (See Sec. 7.3)

8.6 Appraisers Responsibility to Communicate Each Analysis, Opinion and Conclusion in a Manner that is not Misleading.

The appraiser should state in each report "I hereby certify that, to the best of my knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

Alternatively, members should state in each report done in Canada "I hereby certify that, to the best of my knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers."

Alternately, if the member is an international member practicing solely outside North America, the appraiser should state in each report either the above or alternately, "I hereby certify that, to

the best of my knowledge and belief, the statements of fact contained in this report are true and correct, and this report has been prepared in conformity with the International Valuation Standards promulgated by the International Valuation Standards Committee and the Principles of Appraisal Practice and Code of Ethics of the American Society of Appraisers.

8.7 Mandatory Recertification Statement

All Senior Member appraisers should state in each report "The American Society of Appraisers has a mandatory recertification program for all of its Senior members. 'I am' or "I am not' in compliance with that program."

8.8 Signatures to Appraisal Reports and the Inclusion of Dissenting Opinions

It is required that the party who makes the appraisal or who has the appraisal made under his supervision sign the appraisal report. (See Sec. 7.4)

It is required that all collaborating appraisers, issuing a joint the report, who agree with the findings, sign the report; and that any collaborating appraiser who disagrees with any or all of the findings of the others, prepare, sign, and include in the appraisal report his dissenting opinion. (See Sec. 7.4)