

# ETHICS RULE

<b>An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.</b>	177 178
<b>An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the client or intended users. In addition to these requirements, an individual should comply any time that individual represents that he or she is performing the service as an appraiser.</b>	179 180 181
<u>Comment:</u> This Rule specifies the personal obligations and responsibilities of the individual appraiser. An individual appraiser employed by a group or organization that conducts itself in a manner that does not conform to USPAP should take steps that are appropriate under the circumstances to ensure compliance with USPAP.	182 183 184
This ETHICS RULE is divided into three sections: <b>Conduct</b> , <b>Management</b> , and <b>Confidentiality</b> which apply to all appraisal practice.	185 186
<b>CONDUCT:</b>	187
<b>An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.</b>	188 189
<b>An appraiser:</b>	190
<ul style="list-style-type: none"><li>• <b>must not perform an assignment with bias;</b></li><li>• <b>must not advocate the cause or interest of any party or issue;</b></li><li>• <b>must not accept an assignment that includes the reporting of predetermined opinions and conclusions;</b></li><li>• <b>must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;<sup>11</sup></b></li><li>• <b>must not communicate assignment results with the intent to mislead or to defraud;</b></li><li>• <b>must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;</b></li><li>• <b>must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent;</b></li><li>• <b>must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;</b></li><li>• <b>must not engage in criminal conduct;</b></li><li>• <b>must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and</b></li><li>• <b>must not perform an assignment in a grossly negligent manner.</b></li></ul>	191 192 193 194 195 196 197 198 199 200 201 202 203 204 205
<u>Comment:</u> Development standards (1-1, 3-1, 5-1, 7-1 and 9-1) address the requirement that “an appraiser must not render appraisal services in a careless or negligent manner.” The above requirement deals with an appraiser being grossly negligent in performing an assignment which would be a violation of the <u>Conduct</u> section of the ETHICS RULE.	206 207 208 209
<b>If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:</b>	210 211
<ul style="list-style-type: none"><li>• <b>any current or prospective interest in the subject property or parties involved; and</b></li><li>• <b>any services regarding the subject property performed by the appraiser within the three-year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.</b></li></ul>	212 213 214

**FAQ** See also  
**FAQ 10-31**

<sup>11</sup> See Advisory Opinion 21, *USPAP Compliance*.

215 Comment: Disclosing the fact that the appraiser has previously appraised the property is permitted except  
 216 in the case when an appraiser has agreed with the client to keep the mere occurrence of a prior assignment  
 217 confidential. If an appraiser has agreed with a client not to disclose that he or she has appraised a property,  
 218 the appraiser must decline all subsequent assignments that fall within the three-year period.

219 In assignments in which there is no appraisal or appraisal review report, only the initial disclosure to the client  
 220 is required.

#### 221 **MANAGEMENT:**

222 **An appraiser must disclose that he or she paid a fee or commission, or gave a thing of value in connection with**  
 223 **the procurement of an assignment.**

224 Comment: The disclosure must appear in the certification and in any transmittal letter in which conclusions  
 225 are stated; however, disclosure of the amount paid is not required. In groups or organizations engaged in  
 226 appraisal practice, intra-company payments to employees for business development do not  
 227 require disclosure.

FAQ See also  
FAQ 32-49

228 **An appraiser must not accept an assignment, or have a compensation arrangement for an**  
 229 **assignment, that is contingent on any of the following:**

- 230 1. the reporting of a predetermined result (e.g., opinion of value);
- 231 2. a direction in assignment results that favors the cause of the client;
- 232 3. the amount of a value opinion;
- 233 4. the attainment of a stipulated result (e.g., that the loan closes, or taxes are reduced); or
- 234 5. the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the  
 235 assignment's purpose.

236 **An appraiser must not advertise for or solicit assignments in a manner that is false, misleading, or exaggerated.**

237 **An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or**  
 238 **her USPAP responsibilities in an appraisal or appraisal review assignment (see Standards Rules 2-3, 4-3, 6-3, 8-3,**  
 239 **and 10-3). An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.**

240 **An appraiser must not affix the signature of another appraiser without his or her consent.**

241 Comment: An appraiser must exercise due care to prevent unauthorized use of his or her signature. An  
 242 appraiser exercising such care is not responsible for unauthorized use of his or her signature.

#### 243 **CONFIDENTIALITY:**

244 **An appraiser must protect the confidential nature of the appraiser-client relationship.<sup>12</sup>**

245 **An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential**  
 246 **information and in the communication of assignment results.**

247 **An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable**  
 248 **in an assignment.<sup>13</sup>**

<sup>12</sup> See Advisory Opinion 27, *Appraising the Same Property for a New Client*.

<sup>13</sup> For example, pursuant to the passage of the Gramm-Leach-Bliley Act in November 1999, some public agencies have adopted privacy regulations that affect appraisers. The Federal Trade Commission (FTC) issued two rules. The first rule (16 CFR 313) focuses on the protection of "non-public personal information" provided by consumers to those involved in financial activities "found to be closely related to banking or usual in connection with the transaction of banking." These activities include "appraising real or personal property." See GLB-Privacy. The second rule (16 CFR 314) requires appraisers to safeguard customer non-public personal information. See GLB-Safeguards-Rule. Significant liability exists for appraisers should they fail to comply with these FTC rules.

<b>An appraiser must not disclose: (1) confidential information; or (2) assignment results to anyone other than:</b>	249
<ul style="list-style-type: none"> <li>• the client;</li> <li>• parties specifically authorized by the client;</li> <li>• state appraiser regulatory agencies;</li> <li>• third parties as may be authorized by due process of law; or</li> <li>• a duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.</li> </ul>	250 251 252 253 254 255
<b>An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form.</b>	256 257
<b>An appraiser must ensure that employees, co-workers, sub-contractors, or others who may have access to confidential information or assignment results, are aware of the prohibitions on disclosure of such information or results.</b>	258 259 260
<b>A member of a duly authorized professional peer review committee must not disclose confidential information presented to the committee.</b>	261 262
<p><u>Comment:</u> When all confidential elements of confidential information and assignment results are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.</p>	263 264 265

FAQ

See also  
FAQ 50-78