



# ARE YOU A 'REASONABLE APPRAISER?'

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A search for the phrase 'how to be a reasonable appraiser' on Google will get over 3,000,000 results in about half a minute. However, the first result is a link to the 2012 version of the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*. After reading this article, I believe you will agree that the *CUSPAP* provides Appraisal Institute of Canada (AIC) members with the first step on the path to becoming a reasonable appraiser. The concept of the reasonable appraiser was introduced to our membership in the first version of the *CUSPAP*, which came into effect on January 1, 2001. It contained a definition of reasonable appraiser as follows:

*REASONABLE APPRAISER: one who maintains a level of performance that would be acceptable to the professional practice peer group.*

In an attempt to provide clarity on this issue, the definition of 'reasonable appraiser'

was amended and is included in the 2012 version of the *CUSPAP* as follows:

**Definition 2.50 - REASONABLE APPRAISER:** means an appraiser that provides appraisal, appraisal review and consulting services within an acceptable standard of skill and expertise, and based on rational assumptions.

The phrase reasonable appraiser is at the core of our *Standards*. It is the test of record in professional practice matters and has been referred to, either directly or indirectly, in a number of court decisions. 'Reasonable appraiser' (or 'reasonable appraisers') is cited numerous times in the current version of the *CUSPAP* as follows:

**Definition 2.3 - ACCEPTED APPRAISAL STANDARDS:** this is a level of professional practice qualifications that affect current appraisal teachings, experience and work performance that **reasonable appraisers** would consider to be

*justified.*

**Section 3.6.2 - Jurisdiction** relates to the legal authority to legislate, apply or interpret law at either the federal, provincial or local levels of government. It is misleading not to identify the part or parts disregarded and the legal authority justifying this action. In every case, it is ultimately the responsibility of the appraiser and not the client or other intended users, to determine whether the use of jurisdictional exception is appropriate. It is unethical for a member to complete an assignment that a **reasonable appraiser** could not support. **Ethics Standard Rule 4.2.5** - to knowingly complete an assignment that a **reasonable appraiser** could not support; **Appraisal Standards – Comments - 7.16.2** - In the process of collecting and verifying relevant information, the appraiser must perform this function in a manner consistent with **reasonable**



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## REASONABLE APPRAISER: ONE WHO MAINTAINS A LEVEL OF PERFORMANCE THAT WOULD BE ACCEPTABLE TO THE PROFESSIONAL PRACTICE PEER GROUP.

*appraiser standards. All three approaches require the collection of comparable data. The decision to inspect comparables and the extent of verification of data will be determined by the scope of the assignment, but, in all cases, the appraiser must conform to **reasonable appraiser standards.***

**Appraisal Standards – Comments - 7.18.1** - Excluding any of the three traditional approaches to value that would be considered pertinent under the **reasonable appraiser standard**, constitutes an Extraordinary Limiting Condition that requires disclosure with reasoning. The exclusion of a relevant approach must not result in a report that is misleading.

**Appraisal Standards – Comments - 7.19.1** - Reasoning requires the logical review, analyses and interpretation of the data in a manner that would support the conclusion, not mislead the reader and be to a level consistent with the **reasonable appraiser standard.**

**Review Standard – Comments - 9.1.2** - The function of reviewing an appraisal requires the preparation of a separate review report by an appraiser performing the review, setting forth the results of the review process. Appraisers must take steps meeting the **reasonable appraiser test** to protect the integrity of transmitted

reports, including a digital signature security feature for reports transmitted electronically.

**Consulting Standard – Comments - 11.2.2** - Appraisers must take steps meeting the **reasonable appraiser test** to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.

**Practice Notes – 12.17.1 - Scope of Work** - Refers to the due diligence undertaken by the appraiser including the terms of reference from the client... The Scope Section of the report should reflect the circumstances of each particular assignment. An appraiser must have sound reasons to support the scope of work decisions, and must be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user or the **reasonable appraiser.**

**Practice Notes – 12.40.1 - Responsibility** - Significant participation and significant professional assistance are terms that are best delineated through the **reasonable appraiser test.**

**Practice Notes – 12.39 - Agreement for Sale/Option/Listing/Prior Sales** - In the analysis of the sales history of the subject

property, a member must exercise due diligence, but, this need not necessarily include a search of the public record. The necessity for a search of the public record will depend on the nature and scope of the assignment, according to the **reasonable appraiser standard.**

As previously mentioned, the reasonable appraiser standard is the test of record in professional practice matters. Quoting from Section 5.22.1 of the Consolidated Regulations of the Appraisal Institute of Canada (July 2012):

*The standard of review to be applied when considering alleged breaches of the CUSPAP Ethics, Appraisal, Review or Consulting Rules and Comments, to be applied is that of the reasonable appraiser. This means a reasonable appraiser is an appraiser that provides appraisal, appraisal review and consulting services within an acceptable standard of skill and expertise, and based on rational assumptions.*

While Section 5.22.1 refers to the scope of a professional practice investigation, the same test will also apply in the adjudication of any alleged breaches of the CUSPAP Ethics, Appraisal, Review or Consulting Rules and Comments. In other words, the level of performance expected of a member of the Appraisal Institute of Canada is that of a 'reasonable appraiser'



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IT IS UP TO US AS PROFESSIONALS TO MAINTAIN A LEVEL OF SKILL AND EXPERTISE THAT WOULD BE ACCEPTABLE TO BOTH OUR PEERS AND THE PUBLIC AT LARGE.

and for obvious reasons pleading ignorance of the *CUSPAP* is not a recommended defence.

Also as previously mentioned, the reasonable appraiser standard has been referred to, either directly or indirectly, in a number of court decisions. A quote from the decision in *Kokanee Mortgage MIC Ltd. v. Concord Appraisals Ltd.* 2000 BCSC [Kokanee] 1197 at para. 55, follows:

*...real estate appraisal is a matter of judgement and not a precise science. However...a person relying on...an appraisal is...entitled to expect that judgement to be exercised **within acceptable standards of skill and expertise, and to be based on rational assumptions.***

The emphasized words from the *Kokanee* decision formed the foundation for the new wording in the AIC's definition of a 'reasonable appraiser' set out earlier in this article.

Therefore, as both the AIC's Professional Practice Committees and the courts expect our members to provide their appraisal services within an acceptable standard of skill and expertise, it would be logical to conclude that at a minimum a reasonable appraiser should take the time to become very familiar with the *CUSPAP*. Again, the *CUSPAP* can provide some of the best advice on how a reasonable appraiser should practice.

Some suggested best practices to ensure you act as a reasonable appraiser are as follows:

- Read the *CUSPAP* and use it as a reference document whenever you have a question regarding best practices. If you download the *CUSPAP* in PDF format, you can leave a copy on your desktop and search for a word or phrase in the document at a moment's notice – it will be time well spent. In particular, the Comments and the Practice Notes, which were written by our peers, provide some of the best advice on how a reasonable appraiser should practice. The Comments and the Practice Notes will be amended and added to over time in response to emerging issues, so review them on a periodic basis.
- In addition to the *CUSPAP*, review other publications that are available on the AIC website such as the *Professional Excellence Bulletins* (formerly known as the *Claims Prevention Bulletins*). They provide excellent advice and guidance on how the reasonable appraiser should treat a number of real life appraisal problems. For example, there are bulletins on how to deal with partially completed buildings, conflict of interest issues and Power of Sale appraisals. For a complete list of bulletins, visit the AIC website.

- Keep up to date with developments in our profession by reading the *Canadian Property Valuation* magazine, the official publication of the AIC. This magazine contains a number of columns and articles that will provide sound advice and guidance to the reasonable appraiser. For example, in the last issue of the magazine (Volume 6, Book 4, 2012), there were articles dealing with appraisal review, jurisdictional exception and peer review. These are all issues of which the reasonable appraiser should be aware.
  - Take the time to read the *Communiqués* and other notices you receive from the AIC. While this may appear difficult to do in the demanding world we live in, the time invested will be well spent if something you read alerts you to a potential pitfall or if it provides you with a solution to a vexing problem. This is the prudent path that a reasonable appraiser should follow.
- In summary, it is up to us as professionals to maintain a level of skill and expertise that would be acceptable to both our peers and the public at large. I hope this article has provided evidence that a better understanding of the *CUSPAP* should be the first step in the scheduled maintenance of your reputation as a reasonable appraiser. ♦