



**Case Summary: 2023-07**

**Sanction Consent Agreement Implementation Date: May 31, 2023**

**General Summary:**

**File Opened:** February 21, 2023

This member-to-member complaint is based on the complainant's review of the appraisal report for a client who was considering lending based on the appraisal.

The Member did not demonstrate that they have adequate knowledge of how to address a residential property that is overbuilt for the area. The report lacked adequate explanation/detail regarding current market conditions, zoning, Highest and Best Use, the Cost Approach, the sales adjustment, and analysis in the Direct Comparison Approach.

The AIC Complaint Resolution Process cannot arbitrate value, as such, the complaint allegation related to the value conclusion was dismissed.

**Report Details:**

Property Type: Residential

Purpose: Estimating Market value subject to Extraordinary Assumption:

Final estimate of value assumes 100% complete as per plans and specifications supplied by the owner/builder.

Use: First Mortgage Financing

Certification: signed by: CRA-designated Member

**Complainant Allegations:**

The Value conclusion was exaggerated.

The report is misleading.

**Issues Arising from the Complaint Review:**

The following issue arising was uncovered as a result of the AIC review of this complaint:

1. Limit the Use and User of the report with clear wording
2. Exposure time is not adequately supported.

3. Lack of analysis of current market conditions.
4. Misleading description of the neighbourhood and conformity of the subject to the neighbourhood.
5. Misleading and inadequate description of the Carriage House and its “cost” vs. “value estimate”
6. Land use controls failed to explain how the new “overbuilt house” and the “carriage house” conforms.
7. Highest and Best Use analysis is inadequate.
8. Cost and Direct Comparison Approaches are inadequate and include many misleading statements and estimates.
9. Reconciliation does not include a rationale for the conclusion.

### **Sanction Consent Agreement Terms**

#### **Agreed Breaches of CUSPAP 2022:**

#### **Ethics Standard – Comments 5.2 Misleading Report**

**5.2.1** It is unethical for a Member to develop, use or permit others to use, for any purpose, any Report which the Member knows, or ought to know, is defective, erroneous, and/or misleading.

**5.2.2** A misleading Report can be caused by omission or commission and may result from a single large error or a series of small errors that, when taken in aggregate, lead to a Report that is deemed to be misleading.

**Reporting Standard Rule 6.2.1** In a Report the Member must identify the client by name and intended user by name.

**Reporting Standard Rule 6.2.2** In a Report the Member must identify the intended use of the Member’s opinions and conclusions.

#### **Real Property Appraisal Standard**

When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard [see sections 6, 7], and must:

**Rule 8.2.1** provide an analysis of reasonable exposure time linked to a market value opinion.

**Rule 8.2.3** identify the property and describe its location and characteristics.

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**Rule 8.2.4** identify and analyze land use controls.

**Rule 8.2.6** define, analyze and resolve the highest and best use as of the Effective Date of the Report.

**Rule 8.2.9** detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach.

**Rule 8.2.15** review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate.

**Agreed Discipline:**

1. **Section 5.35.1:** Reprimand: entered into the Institute's National Professional Practice Record for a period of five (5) years.
2. **Section 5.35.2:** Education: 123, Adjustment Support in the Direct Comparison Approach to be completed successfully at the Member's expense and must include the successful completion of the final exam not later than 6 months after the date of implementation of the Sanction Consent Agreement.
3. **Section 5.35.3:** Peer Review: A similar appraisal report not more than two (2) years old to be submitted within 30 days of the date of implementation of the Sanction Consent Agreement.
4. **Section 5.35.4:** Fine: a fine in the amount of \$500, to be paid within thirty days of the date of implementation of the Sanction Consent Agreement.

**Costs (Section 5.38):**

No costs were levied.