



Appraisal Institute of Canada
Institut canadien des évaluateurs

Case Summary: 2023-12

Sanction Consent Agreement Implementation Date: July 19, 2023

General Summary:

File Opened: March 30, 2023

This complaint was submitted by an AIC Member.

The AIC report form utilized for this assignment is outdated, it is the 0118 version of the AIC form published in January 2018. The version of the AIC form current at the time the report was produced was the 0518 version.

The AIC Complaint Review confirmed that the Letter of Transmittal states the intended use is first mortgage financing while the first page of the report identifies the intended use as being for second mortgage financing. The Members acknowledged the error and confirmed that the report was for first mortgage financing only.

The Members indicated that use of an outdated AIC form was an oversight and that AIC form usage would be more closely monitored in future.

The AIC Complaint Review uncovered a concern related to the identification of the land use controls which were noted simply as "residential".

Report Details:

Property Type: Residential

Purpose: to estimate market value

Use: First mortgage financing

Certification: signed by: Candidate Member, Co-signed by: CRA-designated Member

Complainant Allegations:

The Complaint includes the following allegations:

1. the report is non-compliant and an outdated AIC form.
2. The report does not conform to CUSPAP as of the effective date of the appraisal. (Completed after Jan 1, 2022 - must comply with CUSPAP 2022).
3. The report states the purpose is *for 1st mortgage only* and states the intended use is *for 2nd mortgage financing only*.

Issues Arising from the Complaint Review:

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

1. Land Use Controls

Sanction Consent Agreement Terms**Agreed Breaches of CUSPAP 2022:**

Ethical Standard Rule 4.2.1 It is unethical for a Member to knowingly fail to comply with the Bylaws, Regulations, Standards, policies, and Professional Liability Insurance Program of the Institute;

Ethical Standard Rule 4.2.2 It is unethical for a Member to knowingly engage in conduct that would prejudice their professional status, the reputation of the Institute, CUSPAP, or any other Member;

Reporting Standard Rule 6.2.2 In a Report the Member must identify the Intended Use of the Member's opinions and conclusions;

Reporting Standard Comment 7.3 Intended Use

7.3.1 Before accepting an Assignment, a Member must communicate with the Client to identify and consider the Client's Intended Use in order to:

7.3.1.i properly define the problem under study; and

7.3.1.ii understand their development and reporting responsibilities for the Assignment.

7.3.2 The Intended Use of the opinions and conclusions, as established with the Client, must be stated in a Report.

7.3.2.i The use of vague or undefined Intended Use types is not permitted.

Real Property Appraisal Standard Rule 8.2.4 When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard and must identify and analyze land use controls;

Real Property Appraisal Standard Comment 9.3 Land Use Controls

9.3.1 Land Use Controls, including zoning, must be identified and their effect on use and value analyzed, together with any reasonably probable modifications of the Land Use Controls in light of economic demand, the physical adaptability of the property, and market area trends.

9.3.2 A Member must reasonably support the probability and imminence of a change in Land Use Controls where the Highest and Best Use indicates a change in Land Use Controls (e.g., rezoning or redevelopment).

Agreed Discipline:

For the Candidate Member:

1. **Section 5.35.2:** Education: CPD 130, Residential Appraisal Basics 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.

For the CRA-designated Member:

2. **Section 5.35.2:** Education: CPD 115, Appraisal Review 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.

Costs (Section 5.38):

Costs in the amount of \$250 per Member were levied.