Appraisal Institute of Canada

Institut canadien des évaluateurs

CASE SUMMARY

Spring-2010-02

Facts:

This file was referred to Professional Practice by FPLIP. The claim was settled but the MMR adjustor felt that there were significant problems with the report that required investigation by Professional Practice.

Issue:

The member produced a report for a lender to be used for lending decision purposes. The report failed to comply with CUSPAP.

Holding:

It was determined that the infractions warranted Practice rather than Conduct Sanctions. The member was offered a Practice Sanction Consent Agreement which was accepted. The Sanctions included: Reprimand, Peer Review and a fine of $1,000.00.

Reasoning:

A Scope of Investigation was included in the report but the member failed to perform the duties outlined in the Scope.

The member failed to select appropriate comparables that were available through the local MLS system. Moreover, the only comparables utilized in the report were provided by the realtor involved in the sale. The member did not expand the search for other market evidence.

A reasonable appraiser is expected to be diligent in their market investigation. The member failed to diligently research the market evidence.

By failing to undertake the requisite market research, the member has demonstrated a lack of competence.

The lack of market research resulted in an over stated value estimate which would not have occurred had the proper research been undertaken.

Relevant CUSPAP (2004):

Standard Rule 4, lines 1009 and 1017: In the report the appraiser must identify the scope of work necessary to complete the assignment

Standard Rule 15, lines 1035 and 1041: In the report the appraiser must describe and identify all data relevant to the assignment.

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Ethic Rule 1, lines 110 and 112: It is unethical for a member to engage in conduct that will prejudice his/her professional status, the reputation of the institute, the appraisal profession, or any other member;

Ethic Rule 3, lines 110 and 117: It is unethical for a member to complete an assignment that reasonable appraisers could not support;

Related Claims Prevention Bulletin:

PP02a –Reducing the Risk of Litigation – A Primer
PP17 – Use of Comparables