Appraisal Institute of Canada

Institut canadien des évaluateurs

CASE SUMMARY

FALL-2009-05

Facts:

A decision was rendered at a Formal Adjudicating Hearing. The member, Mr. Frank Evely, was not in attendance. The charges being similar on two files to be heard concerning this member, the decision was made that the matters would be dealt with in a single hearing with two decisions.

Issue:

The member prepared an appraisal on the subject property less than 1 week after it had sold. It was appraised for $110,000 and had sold for $71,000, yet the appraisal made no mention of the sale. Further, the member acted as one of the agents involved in the sale and was also the listing agent in a former expired listing but did not disclose this in the appraisal.

Holding:

The Adjudicating Committee deemed the following disciplines to be appropriate:

- Suspension of Designation for a period of one year with publication of the suspension
- A fine of $5,000

Costs in the amount of $2,000 were also levied

Reasoning:

The member failed to include a scope of investigation. The subject property was sold less than one prior to the effective date of the appraisal report for substantially less than the value given in the report. No rationale is given for the substantial increase in value. The appraisal is silent on the details of the previous sale. There is no discussion of this sale in the report or the member's involvement in the sale. By these omissions, the member has prejudiced his professional status and the appraisal profession. This omission is, at the very least, misleading. It is also misleading for the member not to discuss his involvement in the transaction as the selling agent. Given the circumstances, it is unlikely that "reasonable appraisers" would support such a substantial increase in value, at least not without explanation. There is no discussion of a previous listing in the report. The member has stated within the report that the subject property is occupied by a tenant, but no discussion of the terms of the lease or its effect, if any, on value was included within the report

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Relevant CUSPAP (2006):

Appraisal Standard Rule 4: In the report the appraiser must identify the scope of work necessary to complete the assignment;

Appraisal Standard Rule 15: In the report the appraiser must describe and analyze all data relevant to the assignment;

Appraisal Standard Rule 19: In the report the appraiser must when developing an opinion of the value of a leased fee or a leasehold estate, analyze the effect on value, if any, of the terms and conditions of the lease(s);

Appraisal Standard Rule 23: In the report the appraiser must analyze any Agreement for Sale, option or listing of the property

Appraisal Standard Rule 24: In the report the appraiser must analyze any prior sales of the property;

Ethics Standard Rule 1: 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;

Ethics Standard Rule 2: It is unethical for a member to act in a manner that is misleading or fraudulent;

Ethics Standard Rule 3: It is unethical for a member to complete an assignment that reasonable appraisers could not support;

Ethics Standard Rule 5: it is unethical for a member to fail to comply with Bylaws, Regulations and Standards, and the Professional Liability Insurance Program, of the Institute;

Related AIC Guidelines:

AIC Code of Conduct