

A Consumer Guide to Retaining and Instructing a Designated Appraiser



The purpose of this guide is to provide advice and guidance to a consumer seeking professional valuation services when retaining a Designated Appraiser. The Professional Ethics and the Professional Code of Conduct establish that an appraisal is an unbiased, independent opinion of value that is fair, objective and non-partisan.

The Appraisal Institute of Canada¹ (AIC) is a not-for-profit Dominion corporation that governs the appraisal profession for individuals who subscribe and qualify for membership. The AIC was founded in 1938 and is the largest professional appraisal association in Canada.

A Designated Appraiser abides by the Code of Professional Conduct and Professional Ethics in undertaking any appraisal assignment according to the *Canadian Uniform Standards of Professional Appraisal (CUSPAP)*

Members of the AIC participate in a mandatory professional appraisal Errors & Omission insurance Program. In addition, members are licensed by Provincial Appraisal Licensing Bodies where applicable.²

It is recommended that a Designated Appraiser of the AIC be retained to provide real property appraisal services. AIC members undergo a university based program of study, and complete an Applied Experience Program to earn the most recognized designations in Canada. Once granted by the AIC, Designated Appraisers are licensed to use the following designations:

AACI™ - *Accredited Appraiser Canadian Institute*: An AACI™ designated member may undertake any real property assignment where they have demonstrated competence with the real property type and the geographic and market influences that impact value.

CRA™ - *Canadian Residential Appraiser*: A CRA™ designated member may undertake a residential real property assignment where they have demonstrated competence with the residential property type and the geographic and market influences that impact value on residential dwellings containing not more than four self-contained family housing units or an individual undeveloped residential dwelling site.

These designations are symbols of recognition for completion of a rigorous pathway to designation that the bearer has demonstrated sound competence in the provision of professional appraisal services. The next most important question to ask of any Designated Appraiser is do they have the requisite experience to assist you with the valuation services you need. If requested a Designated Appraiser could also provide references.

¹ The AIC advances real property valuation professionalism and ethics; Canadian Appraisal Standards (CUSPAP); and professional education and accreditation through the professional development of real property valuation professionals in Canada and abroad.

² This includes: Alberta – Real Estate Counsel of Alberta; New Brunswick – New Brunswick Association of Real Estate Appraisers; and Nova Scotia – Nova Scotia Real Estate Appraisers Association.

When working with a Designated Appraiser the Engagement Terms of Reference should be in writing and agreed to by the parties to avoid any misunderstanding or additional work to amend the valuation report. The typical terms and conditions that should be taken into consideration when retaining and instructing a Designated Appraiser include the following:

- a. Purpose: the purpose is to establish a value, and therefore should include the relevant definition of value.³
- b. Intended Use: This is about what you intend to use the valuation report for. This will permit the Designated Appraiser to confirm the Scope of Work and to provide any specialized advice necessary to support your intended use.
- c. Intended Users: This sets out who the Designated Member can expect to receive a copy of the report. Typically you would be the client, however in some circumstances there may be multiple clients listed in a valuation report.
- d. Type of report: Typically you can expect a full narrative report which sets out in detail the research and conclusions; a short narrative report which sets out the key salient facts and conclusions; or a form report typical in residential valuations.
- e. Effective Date: This can be the date of inspection or any other reasonable date in the circumstances.
- f. Assumptions and Limiting Conditions: These should be discussed in advance and confirmed in writing by the appraiser as being appropriate for the valuation.
- g. Brokering: If the Designated Appraiser sub-contracts all or part of the work, any restrictions on the qualifications, insurance and other restrictions as required by the client.
- h. Fees: An agreement on the fees, including who pays and when should be negotiated.
- i. Due Date: When should the final valuation report be delivered? May wish to consider time for review before or after the report is finalized.
- j. Certification: In addition to the Designated Member's customary and usual certification, consideration should be given to include any special statements that may be required⁴.
- k. Other: Any other usual and customary terms and provisions governing commercial agreements for the provision of professional appraisal services between arm's length parties.

³ There are many different value opinions that can be sought. Fair Market Value is the most common; others include Forced Sale Value, or Liquidation Value. The AIC recommends a definition be taken from *The Dictionary of Real Estate Appraisal*, fifth edition published by the Appraisal Institute, Chicago USA, or as established by a Canadian court.

⁴ In some provinces the Rules of Civil Procedures have set rules for the certification required by the courts.