



## PROHIBITIONS – REAL ESTATE APPRAISERS

**Summary: Real estate appraiser prohibitions largely relate to when and under what conditions they can accept and complete an appraisal assignment. [See: *Real Estate Act* Rules s.1(1)(h), s.78]**

*Note: For the purposes of this Information Bulletin, and where the context permits, the term “real estate appraiser” includes all industry members licensed as candidates by the Real Estate Council of Alberta.*

Unlike real estate associates (associate brokers) and mortgage associates, real estate appraisers often set up their own company. They do not have a broker or a brokerage to which they report. They are responsible for choosing their business model, their fees and the type and quantity of assignments they wish to complete.

Though this provides real estate appraisers with a lot of flexibility, it also means they take on increased responsibilities for their actions as they do not have a broker or brokerage supervising them. Real estate appraisers must know and understand what they are prohibited from doing pursuant to the *Real Estate Act* Rules.

### Prohibited appraisal assignments

Pursuant to the *Real Estate Act* Rules, real estate appraisers are prohibited from accepting an appraisal assignment that is contingent on the result. That means an appraiser may not accept an appraisal assignment from a client in which the client has indicated to the appraiser the final appraisal report must show a defined value of a certain amount. The defined value in an appraisal report must be the result of a properly executed appraisal; not an amount determined by the person hiring the appraiser to complete the appraisal. Appraisers are also prohibited from accepting assignments if the client’s instructions pertaining to the assignment contravene the Act of the *Real Estate Act* Rules, or if the appraiser has reasonable grounds to believe the assignment will be used for purposes different than the stated intended use of the appraisal.

Real estate appraisers cannot accept appraisal assignments that are beyond the designation(s) granted to them by their professional appraisal association(s), unless done in conjunction with a qualified and competent appraiser authorized to sign the appraisal report. For example, one of the designations of the Appraisal Institute of Canada (AIC) is of Canadian Residential Appraiser (CRA). This designates members qualified in the appraisal and valuation of individual undeveloped residential dwelling sites and dwellings containing not more than four self-contained family housing units. If that is a real estate appraiser’s only designation – and the only educational background he or she has – he or she cannot accept an appraisal assignment for a vacant piece of land that is zoned for light industrial.

Real estate appraisers are also prohibited from accepting appraisal assignments in which they have or may reasonably be considered by the public as having a conflict of interest. Conflict of interest is defined in the *Real Estate Act* Rules as a real or apparent

incompatibility between an industry member's interests and the interests of the client or potential client.

## Appraisal insurance

Appraisers must not perform an appraisal for a client unless, before beginning work on the appraisal, they have professional liability coverage with a minimum limit of \$1,000,000.

## Use of appraisal reports

Appraisers must not knowingly develop, use or permit others to use an appraisal report when its use may result in a person likely being deceived.

## Employment prohibitions

Finally, appraisers must not employ, permit or engage another real estate appraiser to provide real estate appraisal services in his name or on his behalf, directly or indirectly, as the case may be, and may not employ a person to provide real estate appraisal services unless that person meets the requirements of the Act, Regulations, Rules and Bylaws.

These two prohibitions may become issues when an appraiser is interested in hiring other appraisers to work under him. Each licensed appraiser hired should be completing appraisal reports in their own name. Other than reviewing and signing a candidate's appraisal report, a licensed appraiser is prohibited from putting their name on any appraisal report for an appraisal he or she did not personally complete.

## Examples

1. Jane Doe is a licensed real estate appraiser. Her mother recently passed away and left her house to Jane and her siblings. Jane and her siblings would like to have their mother's house appraised prior to deciding whether to list the property for sale. One of Jane's siblings suggests that Jane perform the appraisal. Jane never lived in this particular house and her last name is different than her mother's, so the siblings do not feel anyone will know Jane is related to the now-deceased owner of the home. Jane is prohibited from accepting this appraisal assignment as there is a clear conflict of interest in her doing so. Jane could benefit from a higher appraised value for the property. She must refuse to carry out this appraisal.
2. Joe is a Designated Appraiser Residential (DAR) through CNAREA. Joe's education, training and work experience has been in residential real estate appraisal. However, Joe has been asked to carry out an appraisal assignment for a commercial property. If Joe has not received training in commercial appraisal and has never completed a commercial appraisal assignment, Joe is prohibited from accepting this assignment unless there is a qualified and competent real estate appraiser with the appropriate training and experience who is authorized and willing to review and sign Joe's completed appraisal report.