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President's message: Standard of professional practice/ethics - by John Drew

April 09, 2021 - Appraisal & Consulting

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The Appraisal Institute (AI), as a leader in the field of real property valuation and an agent of change/improvement in the appraisal profession, is once again taking steps to set the highest standard of professional practice and ethics. The AI recently released a 45-Day Notice (Notice) of proposed amendments to its Code of Professional Ethics, and its accompanying Explanatory Comments, that will go before the National board of directors meeting in May. If approved, the bar will be raised once again, setting the AI and its nearly 17,000 designated members, candidates, and affiliates apart as the gold standard in the appraisal industry. As they say, "rising tides raise all boats," and I expect this change will set a new benchmark for appraisers nationwide.

The Notice provides an excellent summary of the changes, indicating, "The Appraisal Institute advocates equal opportunity and nondiscrimination in the appraisal profession. As a leader in the appraisal profession and in the interest of further protecting the public trust in the appraisal profession, the Appraisal Institute seeks to be more proactive in educating AI professionals and the public on the prohibition of bias in appraisal development and reporting, especially in relation to personal characteristics." The amendments provide more clarity, and specific guidance regarding items that should be excluded from value consideration. Specifically, the Notice indicates that the proposed Ethical Rule (ER), "...will explicitly prohibit the improper use or consideration of a personal characteristic such as race, color, religion, national origin, gender, sexual orientation, gender identity or expression, marital status, familial status, age, receipt of public assistance income, disability, or any protected characteristic under applicable law, or a conclusion that homogeneity of such characteristics is necessary to maximize value." Public trust stands as the centerpiece of the appraisal profession, and the Notice explains in detail how "Valuers and Reviewers have a professional responsibility, as well as a social one, to ensure that appraisals are prepared fairly and without bias relating to personal characteristics...." This expanded guidance emphasizes the need, and yes the obligation of AI professionals to base their analysis, opinions, and conclusions on relevant data and effective demand, without consideration of personal characteristics. The Ethical Rules changes are supported by a detailed Guide Note with an extensive array of questions and

accompanying examples demonstrating the practical application of the expanded Ethical Rules, including under what circumstances an AI professional might consider personal characteristics relevant, and either be required or not prohibited from consideration under law or regulation.

The 45-Notice also includes a detailed Policy Text outlining the AI's support and advocacy for existing and expanded education, public policy, and disciplinary efforts to reduce, if not eliminate, "Valuation bias". As defined in the Notice, "Valuation bias" occurs when a real estate appraiser explicitly, implicitly, or structurally select data and apply that data to an appraisal methodology or technique in a biased manner that harms a protected class, as defined by the Fair Housing Act of 1968, and its amendments...." Advocacy and education are the bedrocks of the AI's service to its membership. This portion of the Notice will further serve to formalize the AI's willingness to tackle the issue of bias head on, even after it may fade from today's headlines. I urge all AI professionals to read the 45-day Notice, and provide any comments before the April 28th deadline to comments@appraisalinstitute.org.

Changes are rapidly occurring on a national level to address bias, not just in valuation, but in all areas of real estate lending and underwriting. Maintaining the public trust includes not only laying out what users of valuation services should expect of members, candidates, and affiliates of the Appraisal Institute, but what we expect of ourselves. In addition to the aforementioned 45-Day Notice, the AI has firmly voiced their support for the Real Estate Valuation Fairness and Improvement Act of 2021 that includes substantial resources to expand diversity in the appraisal profession. As 2021 AI National president Rodman Schley, MAI, SRA indicated in his March 9th letter to the House Committee on Financial Services, "There is more work to do, and this legislation would give a boost to this priority."

Chapter News:

The MA-RI-ME chapter programs committee is looking for ideas to turn into continuing education programs. If you have an interesting topic and/or believe there is a current issue that the chapter should address we want to hear from you. Also, if you work in a specialty field, and are willing to present or be part of a panel of related speakers let us know. All ideas are welcome. Those interested should contact Tom Jensen, MAI at tjensen@bostonanc.com

Finally, the MA-RI-ME Chapter has a number of upcoming programs that readers should be aware of, including:

- General Appraiser Report Writing and Case Studies (May 5 - 8) – Courtyard by Marriott in Woburn;
- Basic Appraisal Procedures (May 14-22) – Hampton Inn in Norwood;
- Appraisal of Manufactured Homes Featuring Next-Generation Manufactured Homes (June 9) - Virtual;
- Real Estate Finance Statistics and Valuation Modeling (June 11 – 12) - Courtyard by Marriott in

Woburn; and

- Advanced Income Capitalization (Aug 16 – 20) - Courtyard by Marriott in Woburn.

Additional information and links can be found at the Massachusetts, Rhode Island, and Maine Chapter website www.ma-ri-me-appraisal institute.org.

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