

# A Forward-Thinking Approach

Canadian appraisal standards adapt to an evolving industry

BY LARRY DYBVIG, AACI, MAI, FRICS



**A hallmark of any professional organization is the standards it establishes for its members. Typically, these standards reflect customary practices that are tailored to reflect applicable court decisions, statutes, common law and common sense.**

For many years, the Appraisal Institute of Canada's (AIC) requirements for professional practice and ethical behavior were encompassed in the Standards of Professional Practice, which outlined the fundamental principles and performance standards. However, these were created before the savings and loan disaster experienced in the United States in the 1980s. The lack of proper legislation and oversight led to the many high-risk loans, staggering losses and billions of dollars in government guarantees. Following these events, it was determined that the appraisal profession needed more stringent regulations.

The U.S. regulators established laws for federally regulated financial institutions that required standardization and public involvement. The Appraisal Foundation was established to aid in this effort. As a non-profit educational organization, its mission was to foster professionalism in valuation by establishing and promoting professional appraisal standards and appraiser qualifications. The Appraisal Foundation compiled a comprehensive set of ethics and professional practice guidelines called the Uniform Standards of Professional Appraisal Practice (USPAP). The AIC had representation in the Foundation's work.

Approved by the Appraisal Standards Board in 1989, USPAP includes fundamental principles and performance standards, as well as prescriptive rules setting out specific requirements in detail. It contains standards for all types of appraisal services, including real estate, personal property, business and mass appraisal. In 1993, the AIC adopted USPAP as its main professional standards document, and created a Canadian supplement, which contained the AIC ethical standards, as well as relevant professional practice requirements.

Over the years, USPAP continued to evolve in response to the needs of U.S. regulators and the lending and appraisal industries. However, for Canadian appraisers, keeping current became burdensome. By the late 1990s, the AIC decided to develop its own set of professional standards that would maintain the principles set out in USPAP, while better aligning with the needs of Canadian appraisers and industry stakeholders.

The Canadian Uniform Standards of Professional Appraisal Practice (CUCPAP) were introduced in 2001 and include a practice notes section with additional advice, examples and resolution approaches specifically designed to aid Canadian appraisers. The standards upheld the principle of setting performance standards and advising appraisers on what result was required, but left appraisers with the discretion to determine the best way to achieve the results.

During that same time, international regulators and industry stakeholders developed global International Financial Reporting Standards, which led to the International Valuation Standards (IVS). The AIC monitors IVS, has had members actively involved in the IVS Council, and ensures that CUSPAP reflects the principles of IVS. In 2014, the AIC submitted its compliance report to IVS Council, which confirmed that CUSPAP not only meets the required standards, it exceeds them.

As part of its strategic focus to identify opportunities for AIC

members to expand their scope of practice, the AIC moved the Reserve Fund Planning activity from the consulting standard in a manner that allowed CUSPAP to expand the scope of practice for their members. With the release of CUSPAP 2014 came the introduction of a standalone standard for Reserve Fund Planning. This forward-thinking approach and the structure of CUSPAP provides the flexibility needed to adapt to the changing needs of appraisers and industry stakeholders.

With its focus on performance standards rather than prescriptive standards, CUSPAP is widely admired by practitioners and standard-setting organizations throughout the world. 

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*Larry is President of Grover, Elliott & Co. Ltd, a real estate consulting firm in Vancouver, British Columbia. He has 36 years of real estate experience.*