

September 29, 2022

David Bunton  
President  
Appraisal Foundation  
1155 15<sup>th</sup> Street NW, Suite 1111  
Washington, DC 20005

Dear Dave:

We appreciate the briefing provided to the Appraisal Subcommittee (ASC) on September 7, 2022. While the Appraisal Foundation (TAF) seems to have undertaken several positive initiatives to address the need for improved diversity, equity and inclusion in the appraisal profession, the extended timeframe to address these issues is troubling.

As you are aware, in May 2021, the ASC commissioned a comprehensive and independent review of the *Uniform Standards of Professional Appraisal Practice* (USPAP) and the *Real Property Appraiser Qualification Criteria* (Criteria). The review was intended to focus on whether USPAP, the Criteria, and related courses ensure and promote fairness, equity, objectivity, and diversity, in both appraisals and in the training and credentialing of appraisers. The Council on Licensure, Enforcement and Regulation (CLEAR) managed the review and contracted with a consortium led by the National Fair Housing Alliance (NFHA) to conduct the review. The findings and recommendations from this review were published in January 2022: [\*Identifying Bias and Barriers, Promoting Equity: An Analysis of the USPAP Standards and Appraiser Qualifications Criteria\*](#) (NFHA Report).

Given the key roles TAF and the ASC have in the appraiser regulatory system, it is important that the ASC and TAF work together to promote fairness, equity, objectivity, and diversity within the appraisal industry. In the interests of fostering collaboration, ASC staff identified the following recommendations as matters that we believe should be prioritized for analysis and response. TAF reported progress on several of these matters at the briefing, which we appreciate, but considering the gravity of the issues raised in the NFHA Report, we look forward to learning more about TAF's efforts to address appraisal bias, including short-, medium-, and long-term goals and plans. To that end, we request updates on TAF's conclusions relating to each NFHA recommendation, the intended plan for implementation (if applicable), the timeline for completion, and the status of implementation progress. If there are recommendations TAF decides not to address, we would appreciate knowing the rationale, including any alternative approaches TAF is pursuing and why.

## **I. Questions about the Governance of the Appraisal Industry**

### **Appointments and Elections Process**

*NFHA Report Recommendation:* The Appraisal Foundation should consider the following steps to enhance inclusiveness, to provide a more intentional and meaningful way to incorporate the voices of civil rights and consumer advocates, and to improve the ability to issue USPAP Standards and Appraiser Criteria that benefit the whole of the housing market, including homeowners and neighborhoods of color:

- Repeal the requirement of financial donations to appoint board members.  
[ASC staff acknowledges that during the briefing TAF indicated sponsor fees are being reviewed. We look forward to an update on the results of your review.]
- Form an advisory council consisting only of nonprofit civil rights and consumer advocates.  
[ASC staff supports the Foundation’s efforts on this recommendation by establishing the Council to Advance Residential Equity (CARE). Please provide details on selection process, development of organizational documents (e.g., charter, bylaws) and status of implementation.]

### **Rules of Procedure and Exposure Draft Process**

*NFHA Report Recommendation:* The Appraisal Foundation should consider the following steps to enhance transparency and inclusiveness, and to improve the ability to issue USPAP Standards and Appraiser Criteria that benefit the whole of the housing market, including homeowners and neighborhoods of color:

- Require the ASB to make the complete text of USPAP Standards, including Advisory Opinions (AO), available to both appraisers and the public for no charge.
- Require the ASB and AQB to consider the impact of proposed standards and criteria on consumers and neighborhoods, including consumers and neighborhoods of color. As a best practice, many federal agencies that regulate the housing finance market set up specific and regular meetings to hear feedback from civil rights and consumer advocates.

## **II. Gaps in Fair Housing Requirements and Training**

### **Lack of a clear prohibition on discriminatory conduct**

*NFHA Report Recommendation:* To make it easier for appraisers and the public to understand an appraiser’s fair housing obligations, the USPAP Standards and Advisory

Opinion 16 (AO-16) should be revised to clearly state that discrimination in appraisals is prohibited.

[ASC staff supports TAF's efforts on this recommendation with the release of the proposed revisions to the USPAP Ethics Rule, the content of which the ASB has stated will be reflected in a revised AO-16.]

### **Lack of Clear Fair Housing Training Requirements**

NFHA Report Recommendation: Quality fair housing training for appraisers is critically important and should be a requirement for every appraiser to obtain and maintain their credentials. The Appraiser Criteria should be revised to clearly require comprehensive fair housing training on federal, state, and local fair housing laws at every stage of the credentialing process and at renewal.

### **Lack of Effective Clear Fair Housing Training Requirements**

NFHA Report Recommendation: There should be comprehensive fair housing training included in the initial 15-hour USPAP course (not just in the 7-hour USPAP continuing education course).

[ASC staff acknowledges TAF's hosting of the *Forum to Explore Education Requirements: Fair Housing Laws and Valuation Bias Education*. Virtually all panelists agreed that fair housing training is needed for both qualifying and continuing education. We encourage TAF to incorporate these requirements as quickly as possible.]

NFHA Report Recommendation: The fair housing training module in the current 2022-2023 7-hour USPAP continuing education course for credentialed appraisers should be revised immediately and developed with the participation of fair housing experts to ensure the training is comprehensive and contains important elements needed to educate professionals about how to comply with the letter and spirit of applicable federal, state, and local fair housing laws.

[ASC staff acknowledges that work on this recommendation is in progress. However, we are concerned that previous commitments to have the supplemental fair housing training material provided to appraisers who have taken the course by September 30, 2022, has now been extended to late fall. Given the importance of this NFHA recommendation, we request additional information about why the deadline has been extended and a timeline describing when the course update will be completed.]

## **III. Barriers to Entry into the Appraisal Profession**

NFHA Report Recommendation: It is recommended that each of the barriers to entry to the appraisal profession be reviewed for disparate impact by analyzing the burden on potential appraisers of color, the business justification for the requirement, and whether there is a less discriminatory alternative that can achieve the business interest.

### **Barrier: College Degree Requirements**

NFHA Report Recommendation: The criteria should be reviewed to consider whether the college degree is necessary for the profession, including whether this requirement has appreciably improved the quality of appraisals.

[ASC staff acknowledges that neither certified residential nor licensed level appraiser credential require a college degree. During the September 7<sup>th</sup> briefing, TAF briefly addressed the fact that the AQB Criteria does not require a college degree for the licensed level appraiser credential.]

### **Barrier: Appraiser Education Hours**

NFHA Report Recommendation: The appraiser education hours criteria should be reviewed to consider whether the extensive hours are necessary and whether the content of the courses should be revised to better prepare the student to conduct the work of an appraiser.

### **Barrier: Experience Hours**

NFHA Report Recommendation: Given the clear racial disparate impact of the experience hours and Supervisory Appraiser criteria, this requirement should be thoroughly reviewed to consider less discriminatory alternatives, including:

- Replacing the current experience requirement with an examination that, once passed, makes the individual a certified appraiser.  
[ASC staff acknowledges that TAF is working on the Practical Applications of Real Estate Appraisal (PAREA) as an alternative to the current experience requirements. However, many uncertainties remain, including, the cost to take PAREA, State adoption, scalability and overall acceptance and effectiveness of PAREA. We are aware TAF is exploring a comprehensive examination alternative. We look forward to more specific information on PAREA and the comprehensive examination alternative, including timelines for both.]

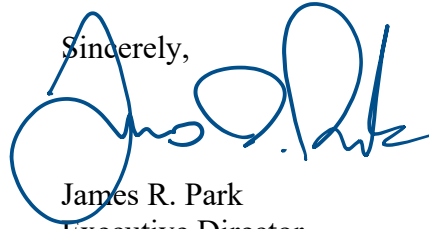
### **Barrier: Standardized Tests**

NFHA Report Recommendation: TAF should collect data on race, ethnicity, and gender to measure the impact of the examinations. Also, the examinations should be reviewed for validity and consistency with federal anti-discrimination laws and policies.

ASC staff is interested in TAF's proposals to promote fairness, equity, objectivity, and diversity within the appraisal industry and TAF's ideas on other ways for the ASC and TAF to collaborate for the benefit of the appraiser regulatory system, particularly given our shared responsibility and this unique opportunity to promote fairness, equity, objectivity, and diversity within the appraisal industry. Those matters that qualify as grant-eligible projects for the ASB and AQB could be funded by an ASC grant to the Boards.

ASC staff acknowledges TAF's work on these important and timely issues and appreciates the productive dialogue. We look forward to your response to the issues raised in this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read "James R. Park". The signature is fluid and cursive, with a large initial "J" and "P".

James R. Park  
Executive Director