

March 4, 2024

Jim Park  
Executive Director  
Appraisal Subcommittee  
1325 G Street Suite 500, NW  
Washington, DC 20005  
[appraisalbiashearing@asc.gov](mailto:appraisalbiashearing@asc.gov)

Dear Executive Director Park:

The National Community Reinvestment Coalition appreciates the opportunity to submit written comments to the Federal Financial Institutions Examination Council's Appraisal Subcommittee.

We thank The Appraisal Subcommittee of the Federal Financial Institutions Examination Council (FFIEC) for hosting its final hearing on appraisal bias on February 13th.

The National Community Reinvestment Coalition (NCRC) and its grassroots member organizations create opportunities for people to build wealth and participate more fully in the nation's economy. We work with community leaders, policymakers and financial institutions to champion fairness and end discrimination in lending, housing and business. NCRC was formed in 1990 by national, regional and local organizations to increase the flow of private capital into traditionally underserved communities. NCRC has grown into an association of more than 700 community-based organizations that promote access to fair and affordable housing, basic banking services, entrepreneurship, job creation and vibrant communities for America's working families.

We would like to commend The Appraisal Subcommittee for its leadership since the first hearing, which resulted in some promising changes in the appraisal industry. NCRC is pleased that The Appraisal Foundation now requires fair housing education as a requirement for appraisers to obtain and renew their licenses.<sup>1</sup> We are also heartened that The Appraisal Foundation has implemented a triennial demographic survey of appraisers.<sup>2</sup> The triennial demographic survey will assess the effectiveness of the appraisal industry's efforts to diversify.<sup>3</sup>

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<sup>1</sup> The Appraisal Foundation, "First Exposure Draft: Real Property Appraiser Qualifications Criteria," January 31, 2023, 7, <https://appraisalfoundation.sharefile.com/share/view/sad153ab0d1f94d208860a41be6268580/fo691e7b-5fc0-4a99-ac55-82dbcb621eba>. Click the folder entitled, "2026 Criteria." Then, click the file labeled, "First Exposure Draft of Proposed Changes to the Criteria with Comments with Comments-FINAL, Updated."

<sup>2</sup> The Appraisal Foundation, "Promoting Diversity in the Appraisal Profession," October 7, 2022, 2, <https://appraisalfoundation.sharefile.com/share/view/s9d00af0ec895496590b235a2cccd52,48> and David Bunton, President, The Appraisal Foundation, The Appraisal Subcommittee Hearing on Appraisal Bias, February 13, 2024, YouTube, 1:19:43-1:20:25, <https://www.youtube.com/watch?v=Kz-rtRWp5k0>.

<sup>3</sup> Ibid.

Furthermore, these measures are a great first step, but they can be modified to bolster their effectiveness.

- 1. Modify the Fair Housing Requirement to Ensure that Aspiring and Current Appraisers are Tested on Their Knowledge of Fair Housing**

In NCRC's February 8, 2023 letter to The Appraisal Subcommittee, NCRC recommended that The Appraisal Foundation make fair housing education mandatory for appraisers to obtain and renew their licenses.<sup>4</sup> We are pleased that The Appraisal Foundation will require fair housing education as part of the qualifying education for appraisers to obtain their licenses and as part of the continuing education that appraisers need to renew their licenses beginning in 2025.<sup>5</sup> This training will have the strong potential to reduce bias in the appraisal process by teaching appraisers what is and is not discriminatory behavior when they assess homes. However, we are concerned about the discrepancy between the fair housing requirement for aspiring appraisers to receive their licenses compared to the fair housing requirement for appraisers to renew their licenses. More specifically, we are concerned that aspiring appraisers are required to take a 1-hour fair housing exam after completing the 7-hour fair housing course while current appraisers are not required to take an exam after completing the 7-hour course.<sup>6</sup> Failing to test current appraisers on their understanding of fair housing could cause appraisal discrimination to perpetuate. Therefore, we urge The Appraisal Subcommittee to compel The Appraisal Foundation to require both aspiring *and* current appraisers to take exams after completing the 7-hour course.

- 2. Ensure the Quality of Fair Housing Education by Partnering with Fair Housing Organizations to Receive Standardized Fair Housing Training for Appraisers**

Another way to ensure the quality of The Appraisal Foundation's fair housing education is to partner with fair housing organizations like The National Fair Housing Training Academy (NFHTA) and The National Fair Housing Alliance (NFHA) to offer this education. Currently, NFHTA offers fair housing training courses to fair housing practitioners that receive Fair Housing Initiatives Program (FHIP) and/or Fair Housing

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<sup>4</sup> Nichole Nelson, Letter to The Appraisal Subcommittee of The Federal Financial Institutions Examination Council, February 8, 2023, National Community Reinvestment Coalition, <https://ncrc.org/ncrc-submits-comments-to-the-appraisal-subcommittee-about-tackling-discriminatory-home-appraisals-in-response-to-its-january-24th-hearing/>.

<sup>5</sup> The Appraisal Foundation, "First Exposure Draft: Real Property Appraiser Qualifications Criteria," January 31, 2023, 7. Click the folder entitled, "2026 Criteria." Then, click the file labeled, "First Exposure Draft of Proposed Changes to the Criteria with Comments with Comments-FINAL, Updated."

<sup>6</sup> Ibid.

Assistance Program (FHAP) funding.<sup>7</sup> On March 5th, the National Fair Housing Alliance will hold a public briefing on managing the risk of appraisal bias.<sup>8</sup>

The ASC should urge The Appraisal Foundation to set aside funding for NFHTA and NFHA to design and develop the fair housing courses that appraisers will take to obtain and renew their licenses. NFHTA and NFHA could also partner with appraisers to ensure that the fair housing training is specific to appraisers. These fair housing organizations can also help in another critical way. During the February 13th Appraisal Subcommittee hearing, The Appraisal Foundation's president David Bunton requested case studies of appraisal discrimination.<sup>9</sup> Perhaps NFHTA and NFHA can potentially provide appraisers with case studies of appraisal discrimination to serve as examples of discriminatory behaviors that appraisers should avoid. Doing so will help ensure that these fair housing courses properly adhere to federal, state and local fair housing laws and help root out racism from home appraisals.

### **3. Modify the Demographic Survey to Include Questions About the Experiences of Current Appraisers and Why Former Appraisers Left the Profession**

We commend The Appraisal Foundation for implementing a triennial diversity survey of the appraisal profession.<sup>10</sup> For the 2021 survey, The Appraisal Foundation partnered with The Appraisal Institute and asked 64,000 contacts to participate in the survey.<sup>11</sup> Of the 64,000, only 4,714 or 7.4% of respondents completed the survey.<sup>12</sup> This internal study underscored a glaring lack of diversity within the appraisal profession<sup>13</sup> :

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<sup>7</sup> U.S. Department of Housing and Urban Development, "Fair Housing Initiatives Program (FHIP), [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/partners/FHIP](https://www.hud.gov/program_offices/fair_housing_equal_opp/partners/FHIP); U.S. Department of Housing and Urban Development, "Fair Housing Assistance Program (FHAP), [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/partners/FHAP](https://www.hud.gov/program_offices/fair_housing_equal_opp/partners/FHAP); and National Fair Housing Training Academy, "NFHTA Event Calendar: About Academy Training," <https://www.hudexchange.info/programs/nfhta/calendar/>.

<sup>8</sup> National Fair Housing Alliance, "Appraisal Bias Risk Management Briefing," <https://nationalfairhousing.org/event/appraisal-bias-risk-management-briefing/>.

<sup>9</sup> David Bunton, President, The Appraisal Foundation, The Appraisal Subcommittee Hearing on Appraisal Bias, YouTube, 12:09-12:39, February 13, 2024.

<sup>10</sup> Ibid., 1:19:43-1:20:25.

<sup>11</sup> The Appraisal Foundation and The Appraisal Institute, "Diversity Survey Results Handout," 2021, <https://appraisalfoundation.sharefile.com/share/view/sa906da14edda46ae80ba675cc4d80a1c> and The Appraisal Foundation, "The Appraisal Foundation Final Results Diversity Survey," 2021, 2, <https://mn.gov/commerce-stat/pdfs/appraisal-foundation-results.pdf>.

<sup>12</sup> The Appraisal Foundation, "The Appraisal Foundation Final Results Diversity Survey," 2021, 2.

<sup>13</sup> Ibid.; The Appraisal Foundation and The Appraisal Institute, "Diversity Survey Results Handout," 2021; and David Bunton, President, The Appraisal Foundation, The Appraisal Subcommittee Hearing on Appraisal Bias, YouTube, 1:19:39-1:20:19, February 13, 2024.

- Approximately 32% of respondents were women<sup>14</sup>
- 4.4 % of respondents were Black<sup>15</sup>
- Approximately 3.7% of respondents were “Hispanic, Latino, or of Spanish origin.”<sup>16</sup>
- Approximately 2/3 of respondents were 55 years old or older<sup>17</sup>

While we commend The Appraisal Foundation and The Appraisal Institute for implementing this internal survey, both organizations can improve the survey by adding key questions. Namely, both organizations can add questions to the survey to learn more about the experiences of current appraisers. Adding survey questions that gather information about potential instances of racism, sexism, and other forms of discrimination as well as questions about the factors that may have caused people of color, women, and other marginalized people to leave the profession can hopefully inspire meaningful reforms to mitigate discrimination and prevent more appraisers from leaving the profession.

We also have several other recommendations to reform the appraisal industry to mitigate bias:

### **1. Replace the Supervisor-Trainee Relationship and Require Appraisals as Part of Appraisers’ Education and Allow Them to Become Certified After Their Exam**

The supervisor-trainee relationship is currently a critical component for prospective appraisers to receive their licenses, but it also functions as a barrier to the appraisal profession for many appraisers, including people of color.<sup>18</sup> According to a report from The National Fair Housing Alliance, the racial homogeneity of the appraisal industry likely prevents many people of color from becoming appraisers.<sup>19</sup> Black people as well as non-Black people of color may not be socially connected to anyone in this racially homogenous profession.<sup>20</sup> A 2020 study from The Brookings Institution analyzed the racial and ethnic

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<sup>14</sup> The Appraisal Foundation, “The Appraisal Foundation Final Results Diversity Survey,” 2021, 7 and The Appraisal Foundation and The Appraisal Institute, “Diversity Survey Results Handout,” 2021.

<sup>15</sup> The Appraisal Foundation, “The Appraisal Foundation Final Results Diversity Survey,” 2021, 6 and The Appraisal Foundation and The Appraisal Institute, “Diversity Survey Results Handout,” 2021.

<sup>16</sup> Ibid.

<sup>17</sup> The Appraisal Foundation, “The Appraisal Foundation Final Results Diversity Survey,” 2021, 8 and The Appraisal Foundation and The Appraisal Institute, “Diversity Survey Results Handout,” 2021.

<sup>18</sup> Jillian White, SRA, Chief Executive Officer, Appraisal Insights, The Appraisal Subcommittee Hearing on Appraisal Bias, YouTube, 40:01-41:15, February 13, 2024.

<sup>19</sup> National Fair Housing Alliance, “Identifying Bias and Barriers, Promoting Equity: An Analysis of the USPAP Standards and Appraiser Qualifications Criteria,” January 2022, 67, [https://nationalfairhousing.org/wp-content/uploads/2022/02/2022-01-28-NFHA-et-al\\_Analysis-of-Appraisal-Standards-and-Appraiser-Criteria\\_FINAL.pdf](https://nationalfairhousing.org/wp-content/uploads/2022/02/2022-01-28-NFHA-et-al_Analysis-of-Appraisal-Standards-and-Appraiser-Criteria_FINAL.pdf).

<sup>20</sup> Ibid. and Jillian White, SRA, Chief Executive Officer, Appraisal Insights, The Appraisal Subcommittee Hearing on Appraisal Bias, YouTube, 24:41- 26:02, February 13, 2024.

composition of average neighborhoods in metropolitan areas.<sup>21</sup> Based on multiyear 2014-2018 American Community Survey data, the study found that the average Black resident lived in a community that was 45% Black and 31% White while the average White resident lived in a community that was 71% White and only 8% Black.<sup>22</sup> This data quantifies how redlining, exclusionary zoning, and other discriminatory policies and practices have segregated most American neighborhoods.<sup>23</sup> This history of discrimination is the reason why it is difficult for many White Americans to form the interracial friendships and business relationships that Black people need to enter the appraisal profession.<sup>24</sup>

Even if a Black prospective appraiser finds a supervisor, the months of training limit a prospective appraiser's ability to earn a living.<sup>25</sup> During the hearing, Jillian White, SRA, CEO of Appraisal Insights, recounted her good fortune of receiving financial support from her parents until she was able to find an appraiser to train her.<sup>26</sup> Therefore, becoming an appraiser is particularly difficult for people of color.<sup>27</sup>

Due to the difficulty that many prospective appraisers, especially appraisers of color, endure when finding a supervisor, we recommend that the required supervisor-trainee relationship is eliminated. Instead, we would like to highlight a recommendation from our partner NFHA to replace this relationship with opportunities for aspiring appraisers to conduct appraisals either during their coursework or as part of their exam.<sup>28</sup> After they pass the exam, they should be considered certified appraisers.<sup>29</sup>

## **2. Provide Additional Funding for Fair Housing Testing**

During the February 13th Appraisal Subcommittee hearing, Melissa Tran, Director of the Texas Appraiser Licensing and Certification Board, mentioned her organization's partnership with the Texas Civil Rights Division to investigate appraisal bias cases.<sup>30</sup> She

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<sup>21</sup> Tracy Hadden Loh, Christopher Coes, and Becca Buthe, "The Great Real Estate Reset: Separate and Unequal: Persistent Residential Segregation is Sustaining Racial and Economic Injustice in the U.S.," *The Brookings Institution*, December 16, 2020, <https://www.brookings.edu/articles/trend-1-separate-and-unequal-neighborhoods-are-sustaining-racial-and-economic-injustice-in-the-us/>.

<sup>22</sup> *Ibid.*, "Figure 2. Race-Ethnic Makeups of Average Neighborhoods of Different Groups in Metro Areas."

<sup>23</sup> Loh, Coes, and Buthe, "The Great Real Estate Reset."

<sup>24</sup> *Ibid.*

<sup>25</sup> National Fair Housing Alliance, "Identifying Bias and Barriers," 67.

<sup>26</sup> Jillian White, SRA, Chief Executive Officer, Appraisal Insights, The Appraisal Subcommittee (ASC) Final Hearing on Appraisal Bias, YouTube, 40:25 - 41:21, February 13, 2024.

<sup>27</sup> National Fair Housing Alliance, "Identifying Bias and Barriers," 67.

<sup>28</sup> *Ibid.*, 68.

<sup>29</sup> *Ibid.*

<sup>30</sup> Melissa Tran, Director, Texas Appraisal Licensing and Certification Board, The Appraisal Subcommittee (ASC) Final Hearing on Appraisal Bias, February 13, 2024, YouTube, 21:44-21:56.

also expressed interest in helping other states adopt this model.<sup>31</sup> While we appreciate the ASC’s enthusiasm for states to emulate this partnership, we want to highlight the need for significantly more funding for fair housing centers to combat appraisal bias, as we previously indicated in our February 8, 2023 letter to The Appraisal Subcommittee.<sup>32</sup> These private, nonprofit fair housing organizations are not affiliated with state governments. Yet, they play a significant role in ensuring that municipalities comply with fair housing laws. While we thank Congress and HUD for providing a little more than \$30 million to fair housing organizations to fight housing discrimination in 2023, there is a significant need for additional funding.<sup>33</sup> Therefore, more funding is needed to fight appraisal bias and other forms of discrimination in the housing market.

### **3. Change the Reconsideration of Value Process for Home Appraisals**

As mentioned in our February 8, 2023 letter to The Appraisal Subcommittee, the current appraisal reconsideration of value process should be reformed because many appraisers are unwilling to justify their appraisals.<sup>34</sup> The Veterans’ Administration’s (VA) Tidewater Procedure seems like an encouraging model for the ASC to apply to home appraisals. When an appraiser expects an appraisal to fall below the sales price, the appraiser is required to inform the borrower’s point of contact to provide additional information to support the sales price, such as better comparable sales “that closed prior to the VA appraisal report date” and a written explanation describing why the comparables they provided are correct and the ones that the appraiser provided are incorrect.<sup>35</sup> Then, the appraiser is required to consider that information.<sup>36</sup> If this additional information does not change the appraised value, the appraiser has to justify their decision in an addendum to the home appraisal report.<sup>37</sup> If the borrower believes that the valuation is not accurate, then the borrower can submit a reconsideration of value request to the VA staff.<sup>38</sup>

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<sup>31</sup> Ibid., 53:48-54:48.

<sup>32</sup> Nelson, Letter to The Appraisal Subcommittee of The Federal Financial Institutions Examination Council.

<sup>33</sup> U.S. Department of Housing and Urban Development, “HUD Announces Over \$30 Million to Combat Housing Discrimination Nationwide,” October 2, 2023, [https://www.hud.gov/press/press\\_releases\\_media\\_advisories/hud\\_no\\_23\\_225](https://www.hud.gov/press/press_releases_media_advisories/hud_no_23_225).

<sup>34</sup> Nelson, Letter to The Appraisal Subcommittee of The Federal Financial Institutions Examination Council.

<sup>35</sup> National Fair Housing Alliance, “Identifying Bias and Barriers,” 78 and Veterans Administration, “Reconsideration of Value Requirements,” 1, <https://benefits.va.gov/RODENVER/docs/ReconsiderationofValueRequestSOP.pdf>.

<sup>36</sup> National Fair Housing Alliance, “Identifying Bias and Barriers,” 78.

<sup>37</sup> Ibid. and Veterans Administration, “Reconsideration of Value Requirements,” 1.

<sup>38</sup> National Fair Housing Alliance, “Identifying Bias and Barriers,” January 2022, 78.

The ASC should work with The Appraisal Foundation to create a model for home appraisals where the borrower or person seeking to refinance their home can request a reconsideration of value, receive a substantive justification from the appraiser, and receive a reconsideration of value if necessary.

Thank you for your consideration of our recommendations on this important issue. Please contact Nichole Nelson, Senior Policy Advisor, at **nnelson@ncrc.org** with any questions.

Sincerely,  
Jesse van Tol  
National Community Reinvestment Coalition