

MILLER SAMUEL INC.

Real Estate Appraisers & Consultants

Jonathan J. Miller, CRE, Member of RAC

President/CEO

212-768-8100 x101

jmiller@millersamuel.com

May 1, 2023

VIA lori@asc.gov

James R. Park
Executive Director
Appraisal Subcommittee
FFIEC
1325 G Street, NW, Suite 500
Washington, DC 20005

Dear Mr. Park:

Thank you for your invitation to The Appraisal Subcommittee (ASC)'s second Public Hearing on Appraisal Bias. I sincerely appreciate the opportunity to address and interact with the ASC.

Having been a real estate appraiser for 37 years, I will share my concerns about appraisal standards, appraiser qualifications, barriers to entry, and appraisal bias. I am a New York and Connecticut general certified appraiser who co-founded Miller Samuel in 1986, a real estate appraisal and consulting firm and covers the New York City metropolitan area.

It takes a minimum of two years to become a residential certified appraiser. The Appraisal Foundation (TAF) maintains minimum standards for the industry and has long maintained a two-year mentoring system where appraisal trainees need to find someone to take them under their wing – a mentor - and support them for two years for low wages because trainees add little value to the mentor. This is a key reason why the appraisal industry is devoid of diversity. This is also why the industry has been aging out for years, unable to bring in new appraisers in significant numbers. After the 2009 Home Valuation Code Of Conduct (HVCC) became embedded into housing policy to stem the influence of mortgage brokers over appraisers, appraisal management companies (AMCs) became emboldened and then dominated the administration of the residential appraisal business as banks were looking to shed costs in the aftermath of the housing bubble and outsource their former in-house appraisal departments.

Since the financial crisis, most banks have required appraisers to be certified and rarely accept work by appraisal trainees, even though the GSEs (Fannie Mae and Freddie Mac) accept work by appraiser trainees. AMCs account for about 80% of residential appraisal orders from banks nationwide and often keep at least half of the appraisal fee the consumer pays at the time of the mortgage application. The consumer is generally unaware that the appraiser often gets a limited portion of the appraisal fee. As a result, the financial condition of appraisal firms has deteriorated significantly since the great financial crisis (GFC). Imagine

a movie star giving their agent 50% or more of their acting fee. Why does this matter? Because the two-year mentoring requirement became even more problematic after the GFC as appraisers were less able to carry an appraiser trainee for two years to get their certification. TAF has been unable to pivot as the world has changed.

The TAF mentoring system has perpetuated low diversity within the appraisal industry. In 2021 our industry was 98% white, dead last in the 400 occupations ranked by the Bureau of Labor Statistics. And TAF has led the way with only one person of color on any TAF technical boards in over three decades. The one person of color added to the Appraisal Qualifications Board (AQB) in 2020 only came from outside pressure to make such a move. No people of color have been invited on their boards since then.

Imagine an industry where a small business sees an opportunity to expand or intends to develop new lines of revenue but has to invest two to three years to hire and train new staff before they can even begin the expansion. That is my firm's reality, which is untenable and severely impedes the commerce of all appraisers. We have to carry a non-productive trainee for two years because banks will not accept their work product, and it is often the case that the trainee, once certified, will leave to start their own practice. That significantly disincentivizes experienced appraisers to mentor trainees.

Last year, after two years of being mentored and completing her coursework, an appraiser trainee at our firm submitted an experience log to the state. The appraiser checked in every month with the state and was repeatedly told her file was still under review. After about ten months of waiting, we contacted the ASC to find out what was taking the state so long. Our appraiser got her certification shortly after ASC contacted the state. The total process took nearly three years for this appraiser to get her certification and represented the amount of time she could not make a reasonable living alone and required our company to financially supplement her income.

Certified residential appraisers must have 1,500 hours of experience in not less than two years. This multi-year window of experience requirements is an arbitrary time period. It is not based on any known research studies that show that this extended period of time is optimal.

To maintain my appraisal certification, I must take 28 hours of continuing education every two years, including a USPAP update class. Like the experience hours required, this two-year renewal is an arbitrary number not backed by research.

There have been a series of national appraisal stories about people of color getting a bank appraisal for a purchase or refinance mortgage, which comes in low. Then the homeowner asks a white neighbor to stand in their place and removes photos and other personal items from the home, and the second appraisal comes at the higher number needed to qualify for the mortgage. I'm sure this experience is awful for the homeowner. At the very least, the disparity in results shows a flaw in the appraisal process even before the issue of appraisal bias is addressed. Bias and unconscious bias exist in our industry. With greater diversity within the profession, the frequency of these events would hopefully be reduced. To enable

greater diversity, barriers to entry such as the two-year mentoring system, need to be revisited.

The two-year mentoring system limits access to the appraisal industry, severely limits diversity, and therefore is a disservice to the appraisal industry and deteriorates the public trust in the profession.

Thank you.

Sincerely,
MILLER SAMUEL INC.



Jonathan J. Miller, CRE, Member of RAC
President/CEO
New York State General Certified
No. 46-12550

Enclosure: Bio Brief