

Good morning esteemed members of the Appraisal Subcommittee. Thank you for the invitation to speak today on this important issue.

My name is Angela Jemmott, Chief of the California Bureau of Real Estate Appraisers. It is my distinct honor to participate in the 2nd Public Hearing of the Appraisal Subcommittee on Appraisal Bias. I also serve as a member of the Association of Appraiser Regulatory Officials (AARO).

In the words of California Governor Gavin Newsom, "In California, we recognize that our incredible diversity is the foundation for our state's strength, growth and success – and that confronting inequality is not just a moral imperative, but an economic one. Our state has made great strides in redressing historic wrongs and stubborn disparities, but we know that much work remains to tackle the barriers that hold back too many Californians and undermine our collective prosperity. California won't shy away from this challenge – our state is doubling down on the ongoing work to make the California Dream a reality for every one of us."

The Fair Housing Act of 1968 prohibits home appraisers from discriminating based on race, religion, national origin, or gender. Yet, 50 years after the laws were put into place, we find ourselves still as a nation grappling with this subject.

In October 2022, the Federal Housing Finance Agency (FHFA) released the Uniform Appraisal Dataset (UAD) Aggregate Statistics. This data came directly from licensed appraisers and consists of every appraisal submitted to Fannie Mae or Freddie Mac from January 2013 to December 2021. The UAD was analyzed by noteworthy researchers such as the Weidenbaum Center on the Economy, Government, and Public Policy and The Brookings Institution right here in Washington DC. From over 32 million final appraisal reports these institutions both concluded that within majority black and brown communities home appraisal bias is still being experienced. The Weidenbaum findings meticulously report the reality of this data is embedded in the history of our nation's home financing and purchasing processes that persists to this day.

Just recently, the Association of Appraiser Regulatory Officials (AARO) polled the states in an effort to capture the current condition of State Regulators on the topic of investigating appraisal bias. AARO's survey indicated the need to better understand each state's authority and approach regarding the investigation of appraisal bias. I am grateful that the Appraisal Standards Board adopted the Fifth Exposure Draft on May 5th of this year. This changes the USPAP Ethics Rule by adding nondiscrimination provisions, along with other revisions that clarify an appraiser's obligations related to nondiscrimination in appraisal practice. This is a huge step in the right direction in assisting state regulatory agencies in the

understanding and interpretation of their own authority to investigate bias cases.

From the AARO survey, I would like to point out one data point. It is the overall number of bias cases received by State Regulator's offices across the nation. This data point can be distracting for some because overall we had so few examples of identified complaints as State Regulators. However, we must remember it is only what we have identified. The States Regulatory collection does not account for all claims made directly to insurance companies through errors and omissions, and claims made at the federal level through the U.S Department of Labor, Department of Justice, and at the state level through my counterparts at the California Civil Rights Department and Department of Justice.

To this end, I will share several of the efforts we have pursued in the State of California.

Under the leadership of Governor Newsom, California has strengthened its commitment to a California for All. This vision has been supported by actions that include the issuance of an executive order that directed state agencies to take critical actions on equity and discrimination, and the enactment of legislation focused on advancing equity, tackling disparities, and addressing systemic bias. California is taking bold actions to be a leader in confronting these important issues.

In California, we acknowledge the existence of potential appraisal bias, and we have proactively addressed it in several ways. In 2021, [AB948] was enacted, known as the Fair Appraisal Act. This state law includes several elements to address appraisal bias, including requiring the Bureau to update the existing complaint form to allow consumers to indicate if they believe the appraised value of their real estate is below market value. The law also prohibits a licensee from basing their appraisal of the market value of a property based on race, color, religion, gender, among other classifications protected by the Federal Fair Housing Act. Collecting this feedback is extremely important in the Bureau's efforts to proactively investigate instances of potential appraisal bias.

Also, as part of the Fair Appraisal Act, as of January 1, 2023, any and all license applicants must complete education in cultural competency and licensees must take both cultural competency and elimination of bias training as a part of their continuing education for license renewal. To equip educational providers who are tasked in training the 9,000 plus professional appraisers in California, the Bureau hosted in June of last year an educational symposium to provide insight,

education, and exposure to premier Subject Matter Experts in this field of discussion.

The Bureau is also looking inward at our own levels of competency of investigating bias allegations. As part of our training for our investigators, the Bureau has partnered with California's Civil Rights Department through a Memorandum of Understanding to assist with complaints of discrimination.

Equally important the Bureau is addressing access to the profession. We have also looked at existing policies and opportunities to increase access to the profession. Currently, we are pursuing a regulation that would approve 100% the Practical Applications of Real Estate Appraisal, (PAREA) and Practicums as viable work experience models of entry alongside the traditional Supervisory Model. We are creating a public facing marketing plan to reach our diverse communities.

These are just some of the many actions California is taking to address appraisal bias and other issues in the Golden State.

In closing, it is important to acknowledge how important it is for the public to know and see that we are doing everything we can to maintain the public trust and protect them and their property.

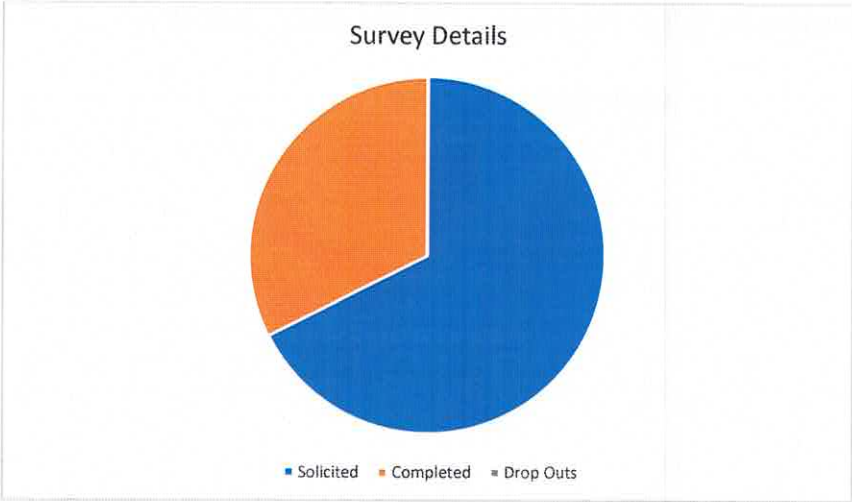
We are all standing at the gate of this historical journey together. I sincerely hope we can earnestly and collectively seek solutions that address this longstanding opportunity.

Thank you again. I welcome your questions.

AARO Testimony at ASC Hearing - Regulatory Survey

April 2023

Survey Overview



Viewed	Started	Completed	Completion Rate	Drop Outs (After Starting)	Average Time to Complete Survey
188	26	26	100%	0	10 minutes

Q1. How many appraiser complaints did your jurisdiction receive in the 2022 calendar year?

102329356	23
102321851	26
102310390	6
102283714	256
102278740	4
102253394	4
102141689	286
102140403	37
102132550	19
102118367	119
101984236	26
101958583	103
101887286	147
101884045	12-20
101878798	75
101840107	54
101837650	18

101833618	9
101827595	Approximately 74 appraiser complaints
101819802	75
101818980	15
101813629	38
101807674	29
101805780	46
101802623	2
Written	20

Q2. Of the total complaints received in the 2022 calendar year, how many included allegations of bias as defined by USPAP (i.e. a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment)?

102329356	Not sure. Only one concerned allegations of racial.
102321851	1
102310390	1
102283714	24
102278740	0
102253394	Zero
102141689	16
102140403	8
102132550	0
102118367	4
101984236	1
101958583	3
101887286	5
101884045	NONE
101878798	2

101840107	4
101837650	0
101833618	0
101827595	2
101819802	2
101818980	0
101813629	0
101807674	2
101805780	None. (0)
101802623	0
Written	None

Q3. Of those complaints including allegations of bias received in the 2022 calendar year, how many involved matters of discrimination on the basis of a protected class/characteristic under federal (e.g. Fair Housing Act, the Equal Credit Opportunity Act (ECOA), and Section 1981 of the Civil Rights Act of 1866), state, or local laws?

102329356	one
102321851	1
102310390	0
102283714	Unknown
102253394	N/A
102141689	16
102140403	8
102132550	N/A
102118367	4
101984236	0
101958583	3
101887286	5
101884045	NONE

101878798	2 The complaints did not mention the statutes/acts/laws noted above, but the complainants did indicate they thought their race impacted the result of the appraisal.
101840107	2
101837650	0
101833618	0
101827595	2
101819802	2
101818980	0
101813629	NA
101807674	0
101805780	N/A
101802623	0
Written	This information is not tracked, nor is it required to under state law or pursuant to the Appraisal Subcommittee's Policy Statements.

Q4. Does your jurisdiction have the authority to investigate matters of discrimination identified in question #3 (prior question)?

102329356	Not 100% sure but believe we could as it applies to USPAP
102321851	Yes
102310390	unknown
102283714	yes
102253394	No
102141689	Yes
102140403	Yes
102132550	No
102118367	Yes, the Board has the authority to enforce USPAP it has the authority to investigate allegations of bias, as set forth in USPAP. The Board does not have the authority to specifically investigate all of those federal statutes or violations of those statutes or protected classes under those statutes, set forth in #3.
101984236	No
101958583	Yes, as it relates enforcing the Ethics Rule of USPAP
101887286	Yes.
101884045	Minimal
101840107	The board has the authority to investigate all allegations of appraiser non-compliance within the State. The board does however, refer some criminal matters to the Dept. of Justice for investigation by a state or federal law enforcement agency.

101837650	No
101833618	We will make referral on those issues.
101827595	Discrimination matters in our state are investigated by the State Civil Rights Commission.
101819802	Both cases were opened and investigated. No violations of USPAP standards or state law were found. No factual proof provided to validate the accusation of bias/discrimination. We open all cases where there is a allegation of bias/discrimination.
101818980	yes
101813629	NA
101807674	Yes
101805780	Yes.
101802623	Yes.
Written	The Commission has authority to investigate complaints against appraisers as outlined in state statutes and regulations.

Q5. Has your jurisdiction referred any complaints received during the 2022 calendar year involving matters of discrimination identified in question #3 to the U.S. Department of Housing and Urban Development (HUD), a State/Local Human Rights Agency (e.g. Fair Housing Assistance Program (FHAP)), or other agency? If yes, how many and to which agencies?

102329356	No
102321851	No
102310390	no
102283714	no
102278740	NO
102253394	No
102141689	Yes. 8
102140403	No
102132550	N/A
102118367	While the Board has not specifically sent a complaint to HUD or another agency, it advises every complainant of their right to file a complaint with HUD or the state HUD agency.
101984236	One complaint was referred to the Labor Commission.
101958583	There were not referred because our investigations did not produce evidence of any bias or discrimination.

101887286	No.
101884045	NO
101878798	No
101840107	None currently referred to an outside agency. The board will be working to develop an interagency agreement for future referral purposes when appropriate.
101837650	No
101833618	N/A
101827595	Yes. We referred the complainants in the two cases filed with us from 2022 to the State Civil Rights Commission and to HUD.
101819802	No. No factual proof of the allegation was received.
101818980	no
101813629	NA
101807674	0
101805780	No.
101802623	No.
Written	No

1. How many appraiser complaints did your jurisdiction receive? **12**
2. Of the total received, how many complaints included allegations of bias as defined by USPAP (i.e. a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment)? **0**
3. Of those complaints including allegations of bias, how many involved matters of discrimination on the basis of a protected class/characteristic under federal (e.g. Fair Housing Act, the Equal Credit Opportunity Act (ECOA), and Section 1981 of the Civil Rights Act of 1866), state, or local laws? **0**
4. Does your jurisdiction have the authority to investigate matters of discrimination identified in question #3? **No, the complaints would be referred to the state's Human Rights Commission**

5. Has your jurisdiction referred any complaints involving matters of discrimination identified in question #3 to the U.S. Department of Housing and Urban Development (HUD), a State/Local Human Rights Agency (e.g. Fair Housing Assistance Program (FHAP)), or other agency? If yes, how many and which agencies? 0