

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

My name is Angela Jemmott, Bureau Chief of California Bureau of Real Estate Appraisers and member of the Association of Appraiser Regulatory Officials (ARRO). It is my distinct honor to participate in the 2<sup>nd</sup> Public Hearing of the Appraisal Subcommittee on Appraisal Bias.

On October 24, 2022, the Federal Housing Finance Agency (FHFA) released the Uniform Appraisal Dataset (UAD) Aggregate Statistics. This data came directly from licensed appraisers. This data 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. And from over 32 million final appraisal reports these institutions both concluded that within majority black and brown communities we are still experiencing home appraisal bias. The Weidendaum findings meticulously report the reality of this data finding is embedded in the history of our nations home financing and purchasing processes that evidentially has not been eradicated.

In California, we also acknowledge the existence of potential appraisal bias, and we have proactively addressed it in a number of ways. First in 2021, we approved in legislation the requirement of the bureau update our existing complaint form a check box for if the opinion of the value of the real estate is below market value. The law prohibits a licensee from basing their appraisal of the market value of a property on the basis of race, color, religion, gender, gender expression, age, national origin, disability, marital status, source of income, sexual orientation, familial status, employment status, or military status of either the present or prospective owners or occupants of the subject property, or of the present owners or occupants of the properties in the vicinity of the subject property, or on any other basis prohibited by the Federal Fair Housing Act.

And beginning January 1, 2023, any and all applicants for a license must complete instructions in cultural competency and renewing their license must take both

cultural competency and the elimination of bias training as apart of their continuing education. To equip our educational providers who are now newly tasked in training our 9 thousand plus professional appraisers in California, we hosted an educational symposium by providing them exposure to premier Subject Matter Experts in this field of discussion.

We didn't stop there; we began to look inward at our own levels of competency of investigating bias allegation. As we continue to seek training for our investigators, the Bureau has partnered with our State Civil Rights Department through an MOU to assist us with our current complaints of discrimination. While we recognize these are embryonic steps on solid processes toward investigating alleged appraisal bias, it is our uppermost priority to fully protect the public. Because any and all complaints that comes to our office deserves the highest opportunity of quality review that California can offer.

And lastly, we looked at policies that could be seen as barriers or opportunities to increase access to the profession. So currently, working its way through our regulatory system is the language to approve 100 % the Practical Applications of Real Estate Appraisal, (PAREA) and Practicums as viable work experience models of entry alongside of the traditional Supervisory Model.

Just recently, ARRO polled the states in efforts to capture a current condition of State Regulators on this topic. While the statistical collection was 2022 only and include only 27 respondents it was very revealing of the status of Regulators on the topic of appraisal bias.

ARRO's survey disclosed the absence of uniformity and understanding amongst the various states in its authority and/or approach to the investigation of appraisal bias. But it is important first to understand how so variant we are. The survey displayed State Respondents ranging in overall 286 complaints a year to another as low as 2.

When asked the question "Do we have the authority to investigate matters of discrimination on the basis of a protected class/characteristic under the federal, state, or local laws?", 13 of the 27 said yes, 9 said no and other responded of not sure. It is important to note that our investigators are fully trained to determine if an appraisal report has violations of USAP. I am sure one of our panel members will be discussing the status of the 5<sup>th</sup> exposure draft goal. And it is my

understanding it will tremendously assist once adopted, but until it is adopted our opinions will continue to vary.

One other survey inquiry I would like to highlight was the question of how many complaints we received in 2022 that included allegations of bias as defined by USPAP?

12 respondents shared zero, then it sprinkled with a range of 1 to 24. This data point has been distracting for some, because overall we had so few examples of identified complaints. But we must remember it is only what we have identified. The States Regulatory collection is void of the bifurcation of all claims made directly to insurance companies through errors and omissions, the federal offices of U.S Department of Labor, Department of Justice, State Departments of Civil Rights and the various local Fair Housing Offices.

And also, very importantly it does not address the reality of our learning curve of training of our investigators on appraisal bias.

While we may be distracted by the data, one commonality amongst all of us is our existence to uphold the public trust. To safeguard it. To this end we will continue to seek solutions and not squabble over the volume or the existence of appraisal bias.

The public must see that we are doing everything we can to maintain their trust.... that we are doing everything we can to protect their valuable possessions.

We are all standing at the gate of this historical journey in our profession, and we are here today to encourage all to seek solutions that will ultimately reinforce the public trust in our beloved profession.

Thank you again for this opportunity, I welcome your questions.