

Submitted January 17, 2024

**Testimony of
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**Public Hearing on Appraisal
Bias**

Appraisal Subcommittee

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INTRODUCTION

Madam Chair and members of the Appraisal Subcommittee, I greatly appreciate the opportunity to be here today representing The Appraisal Foundation on this important topic. As I begin my written testimony, I would like to quickly thank the hearing's hosts, the OCC, for their continued partnership with The Appraisal Foundation in the past year. One of our trustees has been active in Project REACH, and we have worked together to incorporate the Industry Advisory Council's Automated Valuation Model (AVM) Task Force Report into the interagency effort to create quality control standards for AVMs.

In the past year, and even before these hearings began, our boards have been hard at work absorbing both the reports of the Appraisal Subcommittee and the Biden Administration's Property Appraisal and Valuation Equity Taskforce and putting our learnings into action. Today, nearly two years after the release of both of these documents, I am so proud of everything we have accomplished and look forward to all of the work ahead.

Here's an abridged list of everything we accomplished in the last year alone:

- The Appraisal Standards Board adopted the 2024 edition of the Uniform Standards of Professional Appraisal Practice which includes a new Nondiscrimination section of the Ethics Rule making it crystal clear that appraisers cannot act with bias and must adhere to all relevant fair housing laws.
- The Appraiser Qualifications Board adopted a new edition of the Real Property Appraiser Qualification Criteria making fair housing a required part of an appraiser's qualifying and continuing education.
- The Board of Trustees made significant changes to its governance structure that include expanded public interest seats and the separation of financial support from trustee appointment authority.
- The first Practical Application of Real Estate Appraisal (PAREA) modules hit the marketplace, opening up a third pathway for aspiring appraisers to fulfill their experience requirements.
- The Board of Trustees conducted a series of listening sessions to gather feedback from stakeholders across the profession and implemented their findings across the organization.
- The Council to Advance Residential Equity, an advisory council of fair housing, civil rights, and consumer advocates, held its first meetings and announced its scheduled meetings for next year.

And, looking ahead to 2024, here are some of the exciting projects we are looking forward to:

- Collaborating with partners to bring our Pathways to Success scholarship program to fruition, giving a helping hand to aspiring appraisers from underrepresented groups like veterans, people of color, and those working in rural, underserved markets, with the costs of becoming a professional appraiser.

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- Our second demographic survey of the profession, allowing us to conduct a longitudinal study on diversity across the appraisal profession.
- The introduction of additional PAREA programs to the marketplace.
- The implementation of updates to the Foundation's governance structure.
- The Appraiser Qualifications Board will conduct a comprehensive review of the qualification criteria.
- The Appraisal Standards Board will gather feedback from stakeholders to determine if any additional fair housing or other topical guidance is needed.
- Reviewing the ASC's updated grants manual and identifying opportunities for collaboration to better the appraisal profession.
- Working together with our partners to educate Congress about the importance of resolving the unnecessary barrier to the profession created by the requirement that FHA appraisals be completed by certified appraisers.

From these lists, you can see that our goal throughout all of this has always been to be responsive to the public and our myriad stakeholders. I hope we can count on the Appraisal Subcommittee and all federal regulators to continue this work with us in the coming months and years.

SPECIFIC TOPICS OF DISCUSSION REQUESTED
BY THE SUBCOMMITTEE

The Appraisal Regulatory System

The entire appraisal profession and the appraisal regulatory system have been under immense scrutiny in recent years. At first, the level of scrutiny seemed daunting to many, but it presented an important opportunity for reflection and introspection. I am proud that The Appraisal Foundation used these circumstances to take proactive steps to strengthen the standards and qualifications and promote collaboration with our partners in state and federal agencies resulting in a stronger appraisal regulatory system.

With the new edition of USPAP and the Ethics Rule now in force and new criteria published to require fair housing and valuation bias education for all appraisers, the Foundation's boards have ensured that the standards and qualifications can be an effective tool for regulators to root out instances of bias and discrimination. We have worked closely with state regulators, holding regular calls and instituting trainings, to ensure they have the requisite knowledge to enforce not just the existing regulations, but these new regulations as well.

Our leadership held regular meetings with ASC leadership throughout the last year, giving both of our organizations a better opportunity to strengthen our working relationship, which is something I look forward to continuing in the new year. Building stronger partnerships with state and federal agencies alike have made the Foundation's boards better able to effect meaningful change in the profession as we unify to combat bias and discrimination.

I am glad that the Appraisal Subcommittee has also resumed regular, in person audits of each of the state regulatory agencies following the coronavirus pandemic. These visits are an important tool to ensure that state regulatory agencies are enforcing the minimum qualification criteria set forth by the Appraiser Qualifications Board, and I am pleased that the ASC is also working with states to identify areas where an individual state may go above and beyond the criteria and determine whether those additional criteria are necessary. Promoting reciprocity and uniformity among the states is a critical part of the ASC's work.

I would also like to urge the ASC to begin incorporating compliance with the Uniform Standards of Professional Appraisal Practice (USPAP) into their reviews of the states. The ASC is uniquely situated to ensure that states are properly enforcing these standards, particularly issues around bias and discrimination, but to date has not taken advantage of their ability to conduct these reviews. I hope they will reconsider this in the near future as it would be a valuable service in upholding public trust in the appraisal regulatory system.

Over the years the Foundation has a long history of working within the existing regulatory framework to be a resource for the federal government, bringing fair, impartial, and expert services to help administrations from both sides of the aisle reach their goals. This includes the Obama-Biden Administration who touted our work as part of the Better Buildings Challenge with the Department of Energy on green energy issues in the appraisal profession. I remain confident that by continuing to work together, this unique system, combining the federal and state government and private sector expertise, is quite effective at solving tough issues.

New Governance Structure of the Board of Trustees

In 2021, The Appraisal Foundation was the focus of two major reports from the Appraisal Subcommittee and the Biden Administrations Property Appraisal and Valuation Equity Task Force. Both of these reports raised important questions about our governance structure that led to meaningful introspection on the part of our Board of Trustees and culminated in the adoption of a new governance structure for the Foundation on December 12, 2023.

These new bylaws were the result of two years of research and consideration by the Board Structure Work Group. The charge of this group was to:

1. Assess the current size and composition of The Appraisal Foundation's Board of Trustees
2. Examine increasing representation from consumer, civil rights, and housing advocates on The Appraisal Foundation's Board of Trustees, and
3. Review Sponsoring Organization assessments and benefits.

Among the many changes made to the Foundation's governance are the end of the ability for any outside organization to make a direct appointment to the Board of Trustees and the creation of a new opportunity for partnership and collaboration with organizations who will work with the Foundation to uphold public trust in the appraisal profession. This new structure will promote equity among all stakeholder groups by giving all the opportunity to participate in this new governance structure. A full list of changes and the Board Structure Work Group Report can be found in the appendix.

The goal of the changes made to the Foundation's governance structure are to ensure that the Board of Trustees is more representative of all the stakeholders our organization serves. As the Foundation implements these changes over the course of the year, we will be able to measure their effectiveness through the strength of the new partnerships we create and the evolving diversity of our Board of Trustees.

We will be carefully watching the implementation process of these changes, and the Board of Trustees will regularly review the new governance structure to ensure that it is indeed meeting the charge set forth for the Board Structure Work Group.

Appraiser Qualifications Board Review of Real Property Appraiser Qualification Criteria

The AQB has initiated a comprehensive review of the Real Property Appraiser Qualification Criteria, which includes all three key criteria areas of education, experience and examination. Recognizing that these criteria had evolved over decades with input from numerous individuals, a careful reevaluation was deemed necessary before proposing new requirements. To undertake this complex project, the AQB developed a living work plan, which establishes clear milestones to keep the project moving while allowing flexibility in its completion.

Only after an extensive research process (which is described below), any proposed board action will adhere to the public exposure process that all boards' actions follow. In this process, the AQB will present their findings in a public setting and offer the opportunity for the public and all stakeholders to offer comment. Then the AQB will introduce an exposure draft, with detailed rationale, of proposed actions that will once again be open to public comment and stakeholder feedback. The AQB may decide, based on this feedback, to issue additional exposure drafts which would also go through the same public comment process before any final vote is taken on proposed changes to the criteria. Like all other AQB actions, such a vote would take place in a public setting, ensuring full transparency throughout the process.

The AQB will deeply study one criterion at a time starting with education, followed by experience and then examination. To ensure any potential board actions are fully researched and analyzed before being presented to the public, the Appraiser Qualifications Board (AQB) has instituted a standardized, flexible methodology.

As envisioned, the research design will be robust and include a range of avenues to gather data and feedback. Methodology can include: literature review, data gathering and analysis from states, federal agencies and other entities that have collected relevant data; interviewing individuals involved in past iterations of the criteria; partnering with think tanks or other research institutions with experience in this arena; introducing concept papers; conducting listening sessions, surveys and public forums with stakeholders; and interviewing qualification setters in other professions. AQB members will manage any activities with the support of staff.

Any proposed recommendations will be exposed for public feedback and shared with the AQB for consideration for proposed board action. As stated above, all board actions, like formal votes, will take place in a public setting to maximize transparency.



The Appraisal
FOUNDATION

Authorized by Congress as the Source of Appraisal
Standards and Appraiser Qualifications

Board of Trustees Board Structure Working Group Report August 31, 2023



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Charge

The Appraisal Foundation Board of Trustees charged the Board Structure Working Group to:

1. Assess the current size and composition of The Appraisal Foundation's Board of Trustees
2. Examine increasing representation from consumer, civil rights, and housing advocates on The Appraisal Foundation's Board of Trustees, and
3. Review Sponsoring Organization assessments and benefits.

In addition, the Board Structure Working Group was asked to analyze the current structure, goals, and charges among the Consumer Affairs & Stakeholder Outreach Committee, the Special Committees for Veterans Outreach and the Diversity, Equity, and Inclusion to determine if the current configuration should remain or if there is an improved arrangement to consider.

Task Force Members

The BOT Chair, in making appointments to the Board Structure Working Group, selected current trustees, representatives from a sampling of sponsoring organizations and a volunteer from an organization that used to be a sponsoring organization. The composition was designed to ensure a broad range of perspectives and appraiser disciplines. Members include the following.

1. Randall Kopfer, 2023 Chair
2. Chris Greenwalt, 2022 Chair
3. Lawrence Colorito
4. David Bunton
5. Pete Fontana
6. Tracy Johnston
7. Leigh Lester
8. Debra McGuire
9. Meredith Meuwly
10. Lawrence Netterville
11. Dayton Nordin
12. John Russell
13. Steve Sousa
14. Michael Zuriff



Background and Methodology

Since The Appraisal Foundation's (the Foundation's) founding in 1987, governance reviews have occasionally been conducted. Each process played an important role in the continued evolution of the organization to reflect a changing world and marketplace. This most recent governance review is a continuation of that process to adapt the Foundation's structure to ensure that it can continue its work to build public trust in the appraisal profession in a constantly shifting environment in ways that are equitable and responsive to all stakeholders.


Over the course of the last three years, The Appraisal Foundation has conducted a series of internal and external reflections in response to major shifts in the appraisal profession, marketplace, and broader global environment. This process began in earnest in 2020 when the Foundation began work developing a strategic plan, Vision 2030, to guide it through the next decade and carry the profession into the future. Goal F of Vision 2030 states that, "The Appraisal Foundation will be recognized as the trusted resource for uniform standards and qualifications for all valuation professionals and services in the United States." This goal to ensure the Foundation is a trusted resource was a key factor as the Board Structure Working Group considered external feedback about how the Foundation can carry out its mission to uphold public trust in a long-term, sustainable manner.

Another important factor contributing to these efforts was the publication of two reports from the National Fair Housing Alliance and Biden Administration's Property Appraisal and Valuation Equity Task Force. Each of these reports raised essential questions that the Foundation's boards and councils have carefully examined and factored into their ongoing considerations.

These factors led to a better understanding of how the organization can evolve to meet the current moment and better fulfill its mission of public trust, and on April 6, 2022, Chair of the Board of Trustees Randall Kopfer formed the initial Board Structure Working Group, chaired by Chris Greenwalt.

The Board Structure Work Group met 10 times on the following dates:

- April 21, 2022
- August 3, 2022
- October 5, 2022
- May 18, 2023
- June 21, 2023
- July 5, 2023
- July 19, 2023
- August 2, 2023
- August 14-15, 2023



The Board Structure Working Group hired Linda Jenkins of Jenkins Consulting Group on June 7, 2022, following an interview process with four board structure consultants. Jenkins was asked to study the current Board of Trustees and propose an action plan in keeping with the Working Group's charge and industry best practices.

Jenkins submitted her first report on October 5, 2022, and presented her findings to the Board of Trustees at their November 5, 2022, meeting in Boston, Massachusetts. At that time, the Board of Trustees asked her to undertake a survey of the sponsors to get a better understanding of their priorities as stakeholders of the Foundation. Jenkins submitted her report on this survey on April 19, 2022.

As the Working Group was still working to fulfill its charge, 2023 Board of Trustees Chair Dayton Nordin named Immediate Past Chair Randall Kopfer as the new chair of the Board Structure Working Group effective January 1, 2023, to continue the ongoing work.

As this process continued, the Board of Trustees undertook a process of engaging with previously unrecognized stakeholder groups, appraisers, users of appraisal services, and appraiser membership organizations through a series of listening sessions. These conversations were conducted with a wide range of organizations and communities to better understand how the Foundation can serve the profession and the public. One of the predominant themes trustees heard in these listening sessions was the importance of an organization that was transparent, equitable and mindful of all of its stakeholder groups.

The Working Group held several more meetings which culminated with an in person meeting in Washington, D.C. at Foundation headquarters on August 14-15, 2023, where it approved this proposal for consideration of the Board of Trustees.

This proposal represents hundreds of hours of reflection, conversation, and consideration amongst the Board Structure Working Group. Their aim with this proposal is to offer a proactive vision of The Appraisal Foundation that is reflective of a changing world, responsive to all of its stakeholders, and sustainable in its mission to uphold public trust in the appraisal profession.



Recommendations

Summary of Recommendations

- A. Open new opportunities for stronger, more equitable relationships between the Foundation and the organizations who support its work to promote public trust in the appraisal profession through a system redesign that sunsets the current sponsor category and ability of any organization to make a direct trustee appointment.
- B. Create a category of organizations called partners. These organizations demonstrate their support for The Appraisal Foundation by meeting publicly listed benchmarks. As confirmed allies who are committed to the Foundation's mission and vision, partners will be trusted resources to nominate candidates to be considered for the Board of Trustees.
- C. Create a new category for organizations that will monetarily support the work of the Foundation, and in return be eligible for discounts for publications and other benefits to be determined by the Admissions and Sponsor Relations Committee and Finance Committee.
- D. Change the structure of the Board of Trustees so that there are nine to ten trustees nominated by a partner organization & nine to eleven public interest trustees, three of whom are nominated by Foundation councils & six to eight who participate in a public application process. All trustees will undergo vetting and public interviews with the Trustee Nominating Committee before being seated.
- E. Remove earmarks from all seats on the Board of Trustees and transition to using targets to ensure equitable representation among stakeholder groups.
- F. Change nominating committee policy and structure to ensure that no more than half of each nominating committee is comprised of partner nominated trustees.
- G. Streamline the Board of Trustees' committee structure.
- H. Update trustee terms and term limits so that all trustees can serve up to two four-year terms.
- I. Streamline the Board of Trustees' leadership structure to enhance continuity and stability. This approach not only promotes efficiency but also provides a clear trajectory for individuals progressing through the leadership ladder, ensuring that their roles are well-defined and understood for the upcoming year.
- J. All trustees will be considered on probationary status for their first two years on the Board of Trustees. Each new trustee will be assigned a mentor and will have regular check-ins with the Oversight Subcommittee to discuss their development as a trustee. If a trustee is not performing satisfactorily at the end of their two-year probationary period, the Oversight Committee may recommend their removal from the Board of Trustees.
- K. The Board of Trustees will appoint an Ad Hoc Review Committee to examine issues of governance and board structure at regular intervals to determine if any further changes are needed.



A. Recommendation to Sunset the Direct Appointments Process

Recommendation: Open new opportunities for stronger, more equitable relationships between the Foundation and the organizations who support its work to promote public trust in the appraisal profession through a system redesign that sunsets the current sponsor category and ability of any organization to make a direct trustee appointment.

Rationale: When The Appraisal Foundation was established in 1987, it was the result of nine organizations coming together, contributing their intellectual and financial capital to establish a nonprofit that would be able to continue their mission of public trust without undue influence from any one stakeholder or political movement. Congress would later recognize the importance of this independent structure when it granted the Foundation congressional authority to write and maintain the standards and minimum qualification criteria for real property appraisers in the United States. To recognize the early support of these founding groups and the important role they continued to play in The Appraisal Foundation's mission to uphold public trust, each of these organizations was granted the ability to make a direct appointment to the Board of Trustees.

Over time, this ability to directly appoint a trustee has been conflated with the financial contributions an organization makes to The Appraisal Foundation. The ability to directly appoint a trustee has never been tied to financial donations and is only the result of the early involvement of those organizations in the establishing of the Foundation and its earliest efforts to develop standards and qualifications. There are other sponsoring organizations who pay a sponsor fee to the Foundation, but do not currently have the ability to directly appoint a trustee.

As additional organizations have sought increased involvement in the Foundation's work and as the Board of Trustees has recognized more stakeholder groups with an interest in the appraisal profession, it has become clear to the Board Structure Working Group that the direct appointment process for certain sponsoring organizations is not equitable.

As a result, the Working Group proposes ending direct appointments for any trustee seat. More information on the new nomination process is included in the recommendations below.

Furthermore, the Working Group proposes sunsetting the sponsor category. This category no longer accurately reflects the relationship between the Foundation and organizations it works with, and it has become a point of confusion which hinders the Foundation's mission to uphold public trust. Instead, the Working Group proposes the introduction of new opportunities for organizations to be a part of the Foundation's work. These opportunities will be described in the following recommendations.



B. Recommendation to Create Partner Category

Recommendation: Create a category of organizations called partners. These organizations demonstrate their support for The Appraisal Foundation by meeting publicly listed benchmarks. As confirmed allies who are committed to the Foundation's mission and vision, partners will be trusted resources to nominate candidates to be considered for the Board of Trustees.

Rationale: A wide range of stakeholder groups are involved in the work of the Foundation. Today, these groups go far beyond the initial appraiser membership organizations and users of appraisal services that established the organization. As a result, the Working Group proposes a new category of Foundation partners who meet publicly listed benchmarks to demonstrate their ongoing collaboration and commitment to the vision of The Appraisal Foundation.


Below are some current sponsor requirements which would be retained by these partners:

- Not-for-profit organization,
- Agree to support and promote the vision and mission of the Foundation,
- Adhere to a Code of Conduct, and
- Adopt and follow USPAP (for appraiser membership organizations) OR agree to promote USPAP if not an appraiser membership organization.

There would be new requirements added which would only apply to partners and are separate from payment of fees. The idea behind these requirements is to ensure partners are truly partnering with and promoting the work of the Foundation. In return, the Foundation would work to promote the partners. The partners and Foundation would work in tandem to build the public trust through uniform ethical standards, meaningful requirements to become an appraiser, communication alignment, and a stronger, more diverse appraisal profession.

Below are the recommended new requirements:

- Promote the work of the Foundation and its boards to policy makers, regulators, news outlets, and other stakeholders.
- Reference the Foundation on the partner's website.
- Include major announcements (which will be defined ahead of time and include things like seeking applicants for boards/panels or Exposure Draft releases) on the partner's webpage and via other communications channels.
- Comment on all exposure drafts released by the Foundation.
- Meet with the Foundation (virtually or in-person) in a one-on-one capacity to assess goals and maintain strong communication.
- Undertake joint projects with the Foundation to promote public trust in valuation.
- Provide subject matter expertise through nominating high-quality individuals to board vacancies and other roles as needed by the Foundation.



In recognition of this partnership, any organization that becomes a partner of The Appraisal Foundation will have the ability to nominate an individual to serve on the Board of Trustees. In making their nominations, the Working Group proposes that partner organizations:


- shall take into consideration the need to reach the composition goals for the year established by the Trustee Nominating Committee which include appraiser discipline and demographic diversity in alignment with the Foundation's Vision2030 Strategic Plan, and
- shall follow a Foundation-approved fair, transparent, and rubric driven process.

Partner nominees will be vetted by the Trustee Nominating Committee (TNC) per procedures established by the Foundation. Based on best practices established by other organizations, the Working Group proposes procedures that include TNC:

- Shall be the sole determiner of whether a nominee is suitable for election as a Trustee.
- Shall have broad authority in evaluating and determining the suitability of each Trustee candidate.
 - Among the criteria that would support a candidate's suitability for election to the Board of Trustees are:
 - evidence of the candidate's commitment to the mission of the Foundation;
 - ability and commitment to exercise independence and objectivity as a Trustee;
 - interest in the appraisal and valuation profession;
 - leadership experience;
 - concern for the public interest; and
 - unquestionable professional ethics and integrity.
- Shall be entitled, but shall not be obligated, to assume that, in the selection and submission of any nominee, the partner organization (or Council) exercised reasonable diligence to ascertain that the nominee is suitable for election as a Trustee.
- Shall establish and follow an open, transparent, rubric driven process that includes a public interview.

C. Recommendation to Create a New Funding Support/Benefit System

Recommendation: Create a new category for organizations that will monetarily support the work of the Foundation, and in return be eligible for discounts for publications and other benefits to be determined by the Admissions and Sponsor Relations Committee and Finance Committee.



Rationale: In considering the current benefits granted to sponsors, the Board Structure Working Group determined that organizations may wish to support the Foundation financially, but doing so should be completely separate from the ability to nominate a trustee. As a result, the Working Group is proposing a new category, with a name to be determined by the Admissions and Sponsor Relations Committee, for those who wish to provide financial support to the Foundation. These organizations will have access to a different set of benefits from partners, including discounts on Foundation publications.

An organization may belong to both the new partner group and this new category of organizations providing financial support. Likewise, an organization could opt to be just a partner or just join this paid category. If an organization is only a part of this paid category, they will not have the ability to nominate a candidate for the Board of Trustees as part of the partner category. The ability to nominate is completely independent of an organization's ability or decision to make a financial contribution to the Foundation.

The full list of requirements and benefits for this new category of organizations will be determined by the Admissions and Sponsor Relations and Finance Committees, based on solicited input from groups likely to provide financial support, and considered by the Board of Trustees at a later date should this proposal be adopted.

D. Recommendation to Change BOT Structure

Recommendation: Change the structure of the Board of Trustees so that there are nine to ten trustees nominated by a partner organization and nine to eleven public interest trustees, three of whom are nominated by Foundation councils and six to eight who participate in a public application process. All trustees will undergo vetting and public interviews with the Trustee Nominating Committee before being seated.


Rationale: Considering the Board Structure Working Group's proposal to end direct trustee appointments to the Board of Trustees, it also proposes adjusting the current makeup of the Board of Trustees. The overall size of the Board of Trustees will not change under this proposal, based on best practices^{1,2}, but will be balanced to ensure there are no more than 50% partner trustees.

As a result, the new proposed makeup would be nine to ten trustees nominated by partner organizations and nine to eleven public interest trustees. Three of the public interest trustees would be nominated by Foundation councils and go through the same rigorous review process as those nominated by partner organizations.

The remaining six to eight public interest trustees would undergo the current process undertaken by the Trustee Nominating Committee each year. This process is competitive and rubric-driven. Trustees on the committee blind score all applicants

¹ <https://nonprofitquarterly.org/goldilocks-approach-nonprofit-board-size-just-right/>

² All references indicated in footnotes are shown in Appendix B: References



through the first two rounds of consideration and utilize rubrics for scoring and deliberations through all four rounds of review.

Likewise, those nominated by a partner organization will be required to go through a similar competitive, rubric-driven process to ensure that all candidates are thoroughly vetted and determined to be a good fit for the Board of Trustees before they are seated.

Regardless of which seat a trustee candidate is applying for, all will now be interviewed in a public setting by the Trustee Nominating Committee to promote transparency.

E. Recommendation to Remove Earmarks and Use Targets for Equitable Representation

Recommendation: Remove earmarks from all seats on the Board of Trustees and transition to using targets to ensure equitable representation among stakeholder groups.

Rationale: The Board of Trustees currently has three earmarked public interest seats for an academic, consumer representative, and an appraiser who is not affiliated with a sponsoring organization. Over time, the Trustee Nominating Committee has had difficulty attracting a wide range of applicants or filling the earmarked seats with qualified candidates altogether.

The Working Group proposes removing the earmarked seats and instead shifting towards targets to ensure trustee representation from all stakeholder groups. The proposed mix of disciplines and stakeholder representation is in line with the recommendations from Linda Jenkins and those offered in the ASC's commissioned report by the National Fair Housing Alliance.

These composition goals will be internally used by the Trustee Nominating Committee to ensure trustee diversity. The Trustee Nominating Committee will identify and publish their goals during each nomination cycle, which will apply to all open seats, regardless of whether they are partner-nominated or public interest. An ideal Board composition would include a mix of representation from:

- Licensed/Certified real property appraisers covering – Residential, Commercial, Agricultural, Mass Appraisals, and Eminent Domain
- Qualified appraisers (those who follow USPAP) from unregulated disciplines – Business Valuation, Personal Property, International valuers
- Real Estate Brokers/Agents
- Consumer, Civil Rights, and/or Fair Housing advocates
- Banking/Lending/Finance representatives
- Academics
- Others with an interest in valuation, including those from the legal community



F. Recommendation to Change Nominating Committee Policy/Structure

Recommendation: Change nominating committee policy and structure to ensure that no more than half of each nominating committee is comprised of partner nominated trustees.

Rationale: To ensure that the public interest is always prioritized in any decisions regarding appointments to the Board of Trustees, Appraisal Standards Board, and Appraiser Qualifications Board, the Board Structure Working Group proposes that the committee makeup of both the Trustee Nominating Committee and Boards Nominating Committee should be filled by at least 50% public interest trustees. Doing this ensures that the public interest is at least equally represented in nominating processes and prevents partners from having outsized influence over the process.

G. Recommendation to Streamline the BOT's Committee Structure

Recommendation: Streamline the Board of Trustees' committee structure.

Rationale: To align with similar organizations like the Financial Accounting Foundation³ and other best practices^{4,5,6,7,8}, this proposal revises the committee structure to streamline and focus the Board of Trustees on core responsibilities of a management board⁹ including:

- Organizational Leadership and policy direction
- Oversight
- Trustee/board appointments
- Finance (and related audit)
- Partner review and engagement

Under this proposal, the Board of Trustees would become the body that sets policy and strategic direction and undertakes oversight, appointment, and financial responsibilities while Foundation staff (with support and input from the councils and panels) would

³ <https://www.accountingfoundation.org>

⁴ <https://leadingwithintent.org/wp-content/uploads/2021/06/2021-Leading-with-Intent-Report.pdf?hsCtaTracking=3cbc90e5-a7b2-402d-9859-4386777d0181%7C1d52646d-7f99-41ef-82be-fdd73f679873>


⁵ <https://boardsource.org/resources/really-need-board-committees/>

⁶ <https://boardable.com/resources/board-committees/>

⁷ https://www.asaecenter.org/resources/articles/an_plus/2015/december/the-basics-of-board-committee-structure

⁸ <https://www.lapiana.org/wp-content/uploads/2020/06/Nonprofit-Board-Committees.pdf>

⁹ <https://www.weil.com/~media/guide-to-nonprofit-governance-2019.pdf>



complete the supporting activities (e.g., communications and outreach)^{10,11}. There would be a plan to incorporate diversity, equity, and inclusion practices into each Board of Trustees standing committee as was suggested in the Linda Jenkins reports. It is recommended that this plan includes certifying one or more staff members in diversity, equity, and inclusion to ensure practices are continuously followed year to year. The following standing committees are proposed to meet these goals and follow best practices.

- Executive Committee
 - Oversight & Ethics Subcommittee
 - Executive Compensation Subcommittee
- Nominating Committees
 - Officers
 - Trustee
 - Boards
- Finance
- Audit
- Admissions

H. Recommendation to Update Trustee Terms and Term Limits

Recommendation: Update trustee terms and term limits so that all trustees can serve up to two four-year terms.

Rationale: Currently trustees are able to serve up to two three-year terms with allowances made for term extensions should a trustee be appointed to leadership. This has resulted in a number of trustees having their terms extended for an additional two years, variably expanding the voting number of the Board of Trustees.

The other difficulty faced by trustees over time was that the terms were simply too short to meaningfully contribute to the work of the Board of Trustees. Many trustees reported that it took them two years to fully understand the workings of the Board of Trustees, and, by that time, they needed to decide whether to reapply or not, limiting their effectiveness as trustees.

To increase the stability of the Board of Trustees and provide trustees with a better opportunity to contribute to the Foundation's work, the Working Group proposes updating trustee terms and term limits so that all terms are four-year terms, and trustees can serve up to two full terms.

¹⁰ <https://www.weil.com/~media/guide-to-nonprofit-governance-2019.pdf>

¹¹ https://www.asaecenter.org/resources/articles/an_plus/2015/december/the-basics-of-board-committee-structure#:~:text=A%20board%20does%20not%20always,relatively%20short%20period%20of%20time.



I. Recommendation to Streamline and Stabilize the BOT's Leadership Structure

Recommendation: Streamline the Board of Trustees' leadership structure to enhance continuity and stability. This approach not only promotes efficiency but also provides a clear trajectory for individuals progressing through the leadership ladder, ensuring that their roles are well-defined and understood for the upcoming year.

Rationale: This proposal recommends combining the Secretary and Treasurer positions for a joint Secretary/Treasurer position, leading to a direct line of succession from Secretary/Treasurer to Chair unless removed from ascension for just cause.

- Year 1: Secretary/Treasurer
- Year 2: Vice Chair
- Year 3: Chair
- Year 4: Immediate Past Chair

This would include a provision that an individual would need to be elected Chair by the last year of their second term, preventing an extended term for the Chair position. If the individual becomes Chair their last year of their second term, they will serve as Immediate Past Chair an extra year in an extended term.


The Secretary/Treasurer should be elected no later than the second year of their second term and the Vice Chair no later than the third year of their second term to ensure the above.

J. Recommendation for Trustee Probationary Period

Recommendation: All trustees will be considered on probationary status for their first two years on the Board of Trustees. Each new trustee will be assigned a mentor and will have regular check-ins with the Oversight Subcommittee to discuss their development as a trustee. If a trustee is not performing satisfactorily at the end of their two-year probationary period, the Oversight Committee may recommend their removal from the Board of Trustees.

Rationale: Some trustees have raised concerns about not fully understanding the work of the Board of Trustees or performance expectations after orientation. This has led, over the years, to various trustees struggling to succeed as a contributing member of the Board of Trustees.

To alleviate this problem, the Board Structure Working Group is proposing for all trustees to receive a mentor when they join the Board of Trustees. This mentor will be selected by the Officers of the BOT and assigned to provide guidance to the new trustee about what to expect from staff and what is expected of trustees. The mentor will



be available to meet with their mentee virtually at regular intervals and answer questions.

The Working Group is also proposing that all new trustees be considered on probationary status for their first two years on the Board of Trustees. New trustees will meet at six-month intervals with the Oversight Subcommittee to check in and make sure they are meeting expectations. These will also offer the opportunity for trustee counseling should they be struggling to succeed in their role. If a trustee has not shown growth and is not meeting expectations at the end of their two-year probationary period, the Oversight Subcommittee may recommend their removal from the Board of Trustees. Trustees can only be removed by a full vote of the Board of Trustees.

K. Recommendation to Continually Review BOT Governance and Structure

Recommendation: The Board of Trustees will appoint an Ad Hoc Review Committee to examine issues of governance and board structure at regular intervals to determine if any further changes are needed.

Rationale: To ensure the new structure and board activities are aligned with the Bylaws, strategic plan, and the Board of Trustees' goals, the Board Structure Working Group is proposing the adoption of a policy for periodic review.

Every five to seven years, or sooner if needed, the Chair shall appoint an Ad Hoc Committee to complete a review of the Board of Trustees structure and activities to:

1. its responsibilities outlined in the Foundation Bylaws,
2. the Foundation's Strategic Plan, and
3. the goals established by Board of Trustees leadership.

Prior to this review and resulting report, the Ad Hoc Committee should survey trustees and Foundation partners regarding the effectiveness of the board and other items of importance.



Transition Period

Given that the current Board of Trustees operates on staggered terms, with only a few new trustees being added and a few finishing their terms each year, it will take some time to fully transition to this new Board Structure. The proposed transition plan prioritizes minimal disruptions to trustees who are currently serving their terms, especially those who would be eligible for an additional term, to provide stability for the organization while this shift is occurring. The transition will be considered complete on January 1, 2027, when all new trustees named by this date will serve four-year terms.


For a visual representation of the proposed transition plan, please reference Appendix A.

Under the proposed Board Structure, trustees will no longer be directly appointed by a sponsoring organization. Instead, there are nine to ten partner trustees, appointed as the result of a candidate being nominated by a partner organization and then successfully making it through the Trustee Nominating Committee's competitive consideration process. As described in the previous section, a partner organization is an organization that supports the work of The Appraisal Foundation and has formalized that support by agreeing to promote the Foundation's work in a variety of ways.

In addition to partner trustees, there will be nine to eleven public interest trustees. Three public interest trustees will be nominated by one of the Foundation's three councils (The Appraisal Foundation Advisory Council, Industry Advisory Council, and Council to Advance Residential Equity), and six to eight public interest trustees appointed according to the Trustee Nominating Committee's current competitive consideration process.

The transition for public interest trustees will be relatively seamless as this category already exists and simply needs to transition from a three to a four-year cycle for all new trustees. To ensure that the new four-year terms are evenly spread out for the Trustee Nominating Committee's work, one trustee, who is starting her first term on January 1, 2024, will have her current term extended to by one year, so she will serve a four-year term instead of a three-year term. Likewise, one trustee appointed to a public interest seat for a term beginning January 1, 2024, will serve a three-year term. All other public trustees will complete their current three-year terms, and each of the remaining seats will transition to four-year terms upon the completion of the current trustee's term (as shown in Appendix A).

It should be noted that to reflect the new balance of nine to ten partner nominated trustees, three council nominated public interest trustees, and six to eight public interest trustees, two seats that are currently allocated for public interest trustees will be reassigned as partner nominated trustees following the end of the current term of the public interest trustees occupying those two seats (As shown in Appendix A).



There will also be little disruption for the current trustees serving in the three public interest seats appointed by councils. Once again, the goal is to ensure the nomination of council representatives to these public interest seats are spread out across the years, so that there are not three new council appointed public interest trustees in the same year. To accomplish this goal, the Council to Advance Residential Equity will nominate their first trustee for a term starting on January 1, 2024, and that individual will serve a four-year term. The current trustees appointed by The Appraisal Foundation Advisory Council and Industry Advisory Council will complete their three-year terms without change, but the individual who is appointed to fill the term beginning January 1, 2026, for The Appraisal Foundation Advisory Council will be appointed to a three-year term (As shown in Appendix A). This will ensure that each of the council's appoints a new trustee in different years.

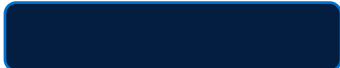
The transition process for moving trustees' seats that are currently directly appointed by sponsoring organizations to those that are filled via partner nomination and consideration by the Trustee Nominating Committee is slightly more complicated (As shown in Appendix A). Just like with the public interest trustees, the goal of this transition is to minimally disrupt the terms of current trustees to maintain stability for the organization throughout this transition.

Should this proposal be adopted by the Board of Trustees, any trustee who was directly appointed by a sponsor will continue to serve the remainder of their term. Four trustees will have their terms extended by one year in order to better allocate an even number of seats available each year under the new four-year terms. Two trustees will now serve terms that expire on December 31, 2025, and two additional trustees will now serve terms that expire on December 31, 2026. These trustees were selected for extended terms because extending those terms best results in a balanced appointment schedule going forward.

In addition to these extended terms, two partner nominated trustees, whose terms will begin on January 1, 2025, will serve a three-year term rather than a four-year term. Again, this is to ensure a balanced appointment schedule for the partner nominated seats that will mirror the public interest seats.

As each of the terms of those trustees who were directly appointed by a sponsoring organization end, their seat will become available to be filled by the Trustee Nominating Committee with applicants nominated by partner organizations (As shown in Appendix A). Each partner organization can only submit one nomination, and if a partner organization currently has a trustee they nominated seated on the Board of Trustees, they cannot submit a new nomination until that person's term is ending.

All nominations from partner organizations and public interest council seats must be submitted following a rigorous review process conducted by the partner organization, as laid out by The Appraisal Foundation's Board of Trustees. The Trustee Nominating



Committee will then consider all nominations following a procedure that mirrors their current competitive, rubric driven process for public interest trustees. This will include a public interview at the Board of Trustees meeting.

As part of this transition, the Trustee Nominating Committee will be moving away from earmarked seats for particular groups and instead focus on targets to ensure representation from a wide range of appraisers and stakeholders. Those currently serving in earmarked seats will complete their terms as normal, and, following the conclusion of their current term, those seats will no longer be earmarked.

This transition process will take three years. As of January 1, 2027, all new trustees will be appointed to four-year terms, and the transition will be considered complete.

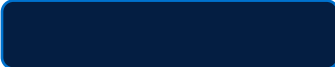
Please see Appendix A for more details on the proposed transition.



Providing Feedback

The Board Structure Working Group wants to hear from you. Over the next several weeks, the Working Group will be meeting with key stakeholders to share this report and answer questions. If you would like a one-on-one meeting after the initial group briefing to discuss questions or concerns regarding the proposed changes, please email Arika James at arika@appraisalfoundation.org, by September 14th.

The Working Group also welcomes your written feedback on the proposal. When submitting written feedback, please consider the issues laid out in this report and be sure to offer alternative suggestions for the working group to consider. Please submit your written comments to Arika James at arika@appraisalfoundation.org not later than 11:59 p.m. ET on September 22nd.



Appendix A: Transition Plan

NOTES
 Board member names in blue indicate they are in their second term
 Starting in 2027, all new Board terms will be 4 years
 These suggested terms are transition steps for the new governance structure
 No extended terms starting in 2027 (besides Immediate Past Chair)

Partner Seats	Starting Year	Transition Period			New 4-year Cycle				Current Term	Next Term
	2024	2025	2026	2027	2028	2029	2030			
Seat 1	Doering	Seat 1*				Seat 1*			No extension	4 year
Seat 2	Fitzgerald	Seat 2*			Seat 2*				No extension	Only 3 year (for Replacement)
Seat 3	Wagester	Seat 3*			Seat 3*				No extension	Only 3 year (for Replacement)
Seat 4		Tanaka	Seat 4*				Seat 4*		Extend 1 year	4 year
Seat 5		Johnston	Seat 5*				Seat 5*		Extend 1 year	4 year
Seat 6		Bernard	Seat 6*				Seat 6*		No extension	4 year
Seat 7			GaNun		Seat 7*				Extend 1 year	4 year
Seat 8			Gregoire		Seat 8*				Extend 1 year	4 year
Seat 9 (New Partner Seat)	Charleston Ro	Seat 9 (New Partner Seat)*					Seat 9*		No extension	4 year
Optional Partner Seat		Academic Seat			Optional Partner Seat*				No extension	4 year

* Indicates start of the next term using Partner nominees.

Public Interest Seats	Starting Year	Transition Period			New 4-year Cycle				Current Term	Next Term
	2024	2025	2026	2027	2028	2029	2030			
PI-CARE		PI-CARE*			PI-CARE*				Extend 1 year	4 year
PI-IAC		Schafer	PI-IAC*				PI-IAC*		No extension	4 year
PI-TAFAC		Greenwalt	PI-TAFAC*				PI-TAFAC*		No extension	Only 3 year (for Replacement)
Seat 1		Gerstner	Seat 1*		Seat 1*				No extension	Only 3 year (for Replacement)
Seat 2		Sherman	Seat 2*			Seat 2*			No extension	4 year
Seat 3		Colorito	Seat 3*			Seat 3*			No extension	4 year
Seat 4			Meuwly	Seat 4*			Seat 4*		No extension	4 year
Seat 5			Lester		Seat 5*				No extension	4 year
Seat 6			Fontana		Seat 6*				No extension	4 year
Optional Seat 1			Watkins			Optional Seat 1*			Extend 1 year	4 year (Optional)
Optional Seat 2		New (White replacement)	Optional Seat 2*				Optional Seat 2*		No extension	4 year (Optional)

* Indicates start of the next term.

9-10 partner 9-11 public	Starting Year	Transition Period			New 4-year Cycle				TOTALS
	2024	2025	2026	2027	2028	2029	2030		
Partners	4	4	3	2	2	2	3	9	
Public - Councils	1	0	1	0	1	1	1	3	
Public - Open	6	3	1	2	1	2	1	6	
TOTAL Normal	11	7	5	4	4	5	5	18	
Partner Optional	1	0	0	1	0	0	0	1	
Public - Open Optional	2	0	1	0	1	0	1	2	
TOTAL Option	14	7	6	5	5	5	6	21	



Appendix B: References

1. "Do You Really Need Board Committees?" BoardSource, as retrieved from: <https://boardsource.org/resources/really-need-board-committees/>.
2. Financial Accounting Foundation, as retrieved from: <https://www.accountingfoundation.org>.
3. La Piana Consulting. "Nonprofit Board Committees," as retrieved from: <https://www.lapiana.org/wp-content/uploads/2020/06/Nonprofit-Board-Committees.pdf>.
4. Leading with Intent. "2021 Leading with Intent Report," as retrieved from: <https://leadingwithintent.org/wp-content/uploads/2021/06/2021-Leading-with-Intent-Report.pdf?hsCtaTracking=3cbc90e5-a7b2-402d-9859-4386777d0181%7C1d52646d-7f99-41ef-82be-fdd73f679873>.
5. Nonprofit Quarterly. "The Goldilocks Approach to Nonprofit Board Size: Just Right," as retrieved from: <https://nonprofitquarterly.org/goldilocks-approach-nonprofit-board-size-just-right/>.
6. "The Ultimate Guide to Board Committees." Boardable, as retrieved from: <https://boardable.com/resources/board-committees/>.
7. "The Basics of Board Committee Structure." ASAE Center for Association Leadership, as retrieved from: https://www.asaecenter.org/resources/articles/an_plus/2015/december/the-basics-of-board-committee-structure.
8. Weil, Gotshal & Manges LLP. "Guide to Nonprofit Governance 2019," as retrieved from: <https://www.weil.com/~media/guide-to-nonprofit-governance-2019.pdf>.