

Appraisal Subcommittee (ASC)  
Public Hearing on Appraisal Bias

Opening Remarks:

**MICHAEL J. HSU**, Acting Comptroller of the Currency,  
Office of the Comptroller of the Currency (OCC)

Panel Witnesses:

**DAVID S. BUNTON**, President, The Appraisal Foundation (TAF)  
**E.C. NEELLY IV**, Executive Director, Mississippi Appraisal Board (MAB)  
**MAUREEN SWEENEY, SRA, AI-RRS**, President, Maureen Sweeney, Real Estate Appraiser, Ltd. (EA)  
**MELISSA TRAN**, Director, Texas Appraiser Licensing and Certification Board (TALCB)  
**JILLIAN WHITE, SRA**, Chief Executive Officer, Appraisal Insights (AI)

ASC Agency Member Representatives:

**ROHIT CHOPRA**, Director, Consumer Financial Protection Bureau (CFPB)  
**JEANMARIE MATTINGLY**, Deputy Director, Office of Credit Union Resources  
and Expansion, National Credit Union Administration (NCUA)  
**ARTHUR LINDO**, Deputy Director, Policy, Division of Supervision and Regulation,  
Board of Governors, Federal Reserve System (FRS)  
**ELIZABETH DAVIS**, Housing Program Officer, Office of Housing FHA,  
U.S. Department of Housing and Urban Development (HUD)  
**LUKE BROWN**, Vice Chair, ASC, and Associate Director,  
Supervisory Policy Branch, Division of Depositor and  
Consumer Protection, Federal Deposit Insurance Corporation (FDIC)  
**JAMES WYLIE**, Associate Director, Fair Lending, Federal Housing Finance Agency (FHFA)  
**ENICE THOMAS**, Deputy Comptroller for Credit Risk, OCC

Moderated by **ZIXTA MARTINEZ**, Chair of ASC and Deputy Director, CFPB

Tuesday, February 13, 2024  
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OCC Headquarters  
Washington, D.C.

**TELECONFERENCE OPERATOR:** Welcome to the Appraisal Subcommittee Public Hearing on Appraisal Bias.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Good morning.

**TELECONFERENCE OPERATOR:** Thank you for joining us today. Please note this conference is being recorded and all audio connections are muted at this time. If you require technical assistance, please open chat with the associated icon at the bottom of your screen, and send a message to the host. If you do not see the toolbar, please move your cursor, and the toolbar will appear. With that, I'll turn the conference over to Zixta Martinez, ASC Chair.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Good morning. Thank you for joining the Appraisal Subcommittee's fourth hearing on appraisal bias in the residential real estate market. Today's

hearing is being hosted by the U.S. Office of the Comptroller of the Currency, or OCC, at their headquarters in Washington, D.C., and it's being live-streamed via webcast. My name is Zixta Martinez. I serve as Chair of the Board of the Appraisal Subcommittee, or ASC. I also serve as Deputy Director of the Consumer Financial Protection Bureau, or CFPB.

Today's hearing will build on information the ASC gathered at three previous hearings held last year. Our hearing will focus on opportunities and challenges for the appraisal profession and State and Federal regulators to address appraisal bias and increase diversity in the profession, including oversight of the Appraisal Foundation. As with previous hearings, the ASC is accepting written comments from the public about the topics discussed today through February 28th. You can submit a comment by emailing [AppraisalBiasHearing@ASC.gov](mailto:AppraisalBiasHearing@ASC.gov).

Here's what you can expect at today's hearing. Michael Hsu, the Acting Comptroller of the Currency, will provide opening remarks. Following his remarks, we will hear from a panel of five witnesses. After opening statements from our witnesses, representatives of each of the seven ASC member agencies will pose questions to the witnesses.

To kick off today's hearing, we are very pleased to have Michael Hsu, Acting Comptroller of the Currency. As Acting Comptroller of the Currency, he is the Administrator of the Federal Banking System and Chief Executive Officer of the OCC. He also serves as a director of the Federal Deposit Insurance Corporation, a member of the Financial Stability Oversight Council and the Federal Financial Institutions Examination Council. Prior to joining the OCC, he served as an associate director in the Division of Supervision and Regulation at the Federal Reserve Board of Governors. In that role, he chaired the Large Institution Supervision Coordinating Committee Operating Committee. He has also served at the International Monetary Fund at the U.S. Department of the Treasury and the Securities and Exchange Commission. I am honored to invite Acting Comptroller Hsu to the podium.

**MICHAEL J. HSU (OCC):** Thank you, Zixta, for that very kind welcome. Good morning. I am honored to host this important event sponsored by the Appraisal Subcommittee. It is fantastic to see so many key players who are vested in addressing bias in the appraisal system.

This is the fourth in a series of public hearings of the ASC to better understand the challenges and potential solutions related to appraisal bias. The first hearing in January 2023 focused on understanding the home appraisal system and the root causes of appraisal bias. The second hearing, held in May, focused on appraisal standards, appraiser qualification criteria, barriers to entry into the profession, and appraisal practices. The third hearing was held last November to discuss how residential appraisals are developed and reviewed, the process for reconsiderations of value, and the development of rural appraisals. Today's hearing will build on what the ASC has learned from the three previous hearings, working towards finding solutions to eliminate appraisal bias within the financial industry. Together, I firmly believe that by addressing appraisal bias, we can build a more equitable housing finance system for all Americans.

Homeownership is a major determinant of wealth in America and a key to a host of economic opportunities. Home equity can finance college or other postsecondary education, small businesses, or medical or other emergencies. Persistent racial wealth inequality, however, has prevented many potential homebuyers, particularly minorities, from owning homes.

Economic inequality in the U.S. has been rising steadily for decades. The COVID-19 pandemic, with its disproportionate impact on communities of color, made matters worse. Thanks to a housing shortage and soaring home prices, Americans who own their homes have seen a nearly \$12 trillion increase in housing wealth since 2020. While these homeowners may rejoice, many minority homebuyers still face daunting hurdles and endure a widening racial wealth gap. Expanding access to homeownership means addressing bias in the appraisal of home values.

The OCC recognizes the value of our collective efforts to increase the diversity of appraisers, reduce barriers to entry into the appraisal profession, and address challenges within existing standards for appraisal reports. A component of the OCC's commitment to elevating fairness and addressing inequality is supporting efforts to increase access to homeownership. We're taking steps that include working to improve supervisory methods for identifying potential discrimination in lending activities and property valuations and supporting research that may lead to new ways to address the undervaluation of housing in communities of color.

The OCC is encouraging banks to expand their financing of affordable housing and other community needs, especially in low- and moderate-income areas. Expanded access to credit is also a key element of the CRA and its core purpose of encouraging banks to help meet the credit needs of the entire communities they serve, including LMI areas. The OCC has long encouraged banks to ensure their boards of directors and workforces reflect the diverse communities they are chartered to serve. Without diverse leadership and staffing, including internal and external appraisers, banks risk developing blind spots or miss red flags that might threaten safety and soundness or impede fair access.

The OCC is also working to reduce barriers to minority homeownership through Project REACH. As the convening authority for Project REACH, the OCC is harnessing the energy and ideas of concerned civil rights, community, banking, business, and other industry leaders across the nation to address this challenge. If you're interested, I encourage you to go to [OCC.gov](https://www OCC.gov) to learn more.

In closing, I want to offer a few words of thanks. Thank you to our expert witnesses. I know many of you have traveled long distances to be here and taken time away from your busy schedules. Thank you to our fellow regulators who, along with the OCC, represent the organizations that compose the ASC Board of Directors, the Federal Reserve, CFPB, FDIC, NCUA, FHFA, and HUD.

I also want to recognize the collaborative efforts by the ASC Board member organizations, appraisal profession representatives, State regulatory licensing agencies, and those with boots on the ground, the appraisers.

Finally, I want to express my gratitude to the ASC staff, the interagency ASC public hearing working group, and the OCC staff for making today happen. I know organizing an event like this requires countless hours of hard work.

Appraisals are integral to underwriting residential real estate lending. They are the value part of the loan-to-value measure. By rooting out bias in the appraisal system, we can expand home ownership and wealth creation opportunities to all Americans. Thank you.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Acting Comptroller Hsu. I will now introduce our witnesses. Joining us today, David Bunton, President of the Appraisal Foundation; Ed Neelly IV, Executive Director of the Mississippi Appraisal Board; Maureen Sweeney, Principal Real Estate Appraiser; Melissa Tran, Director of the Texas Appraiser Licensing and Certification Board; and Jillian White, Chief Executive Officer, Appraisal Insights. Thank you for participating as witnesses today. Each of you will have approximately five minutes to provide your opening statement, and we will begin with Mr. Bunton. Mr. Bunton, the floor is yours.

**DAVID S. BUNTON (TAF)** Good morning to all of you, and thanks to Acting Comptroller Hsu and members of the Appraisal Subcommittee for the invitation to appear before you today. My name is Dave Bunton. I'm pleased to be here in my capacity as the President of the Appraisal Foundation to discuss our ongoing work to uphold the public trust in the appraisal profession and to answer any questions that you may have.

First off, I would like to quickly thank our hearings host, the OCC, for their continued partnership with the foundation in the past year. One of our trustees has worked with their Project REACH, and we have also worked together to incorporate our Industry Advisory Council's Automated Valuation Task Force Report into the ongoing interagency efforts to establish quality control standards for AVMs.

The Appraisal Foundation has a long history as a valued partner and a resource to the Federal Government ever since we had our Congressional Authority granted to us in 1989 regarding standards and qualifications. We've had multiple Government contracts over the years. This includes working closely with the Obama-Biden Administration. We were their valuation resource when they developed the Better Buildings Challenge, which was to improve the efficiency of commercial buildings by 20 percent by 2020, and also with that administration's Department of Energy on green energy issues in the appraisal profession.

We are pleased to be able to provide the best that the private sector has to offer to State and Federal regulators. We're pleased about this partnership in the past, and we look forward to being partners going forward.

A central role in this system is to provide tools for regulators, both State and Federal, who enforce the standards and qualifications throughout the profession. I'm so proud both our boards, the Standards Board and the Qualifications Board, have reacted quickly with dispatch regarding concerns of bias and discrimination over the past 12 to 18 months. One is the

Appraisal Qualifications Board has now made fair housing education a required component of all appraisers' education, first to obtain a State credential and secondly to maintain that State credential. When they developed the fair housing education requirements, they first put together a forum of 18 organizations, Federal regulators, State appraiser regulators, educational providers, consumer and civil rights groups, before they ever put pen to paper. And I think that's what made that process so efficient.

So now that education requirement is in place, and this is our first ask of you. There is no better element in a course than case studies. So now we have a fair housing requirement, and we're having trouble finding valuation-biased case studies. So whether it's through HUD or State appraisal regulatory agencies or through the courts, it's been a real challenge. So any help you can provide us in providing case studies, we would greatly appreciate it.

We also appreciate your compliance reviews to make sure that the criteria that the AQB has already established is adopted, and we support the focus that you've had recently about identifying States that exceed that criteria and then requesting some type of a justification as to why that additional barrier is truly necessary.

Our appraisal standards board wrapped up their work to adopt a new edition of USPAP. I think many of you are aware that the edition that just expired on December 31st had a lifespan of four years, and the new edition of USPAP, which is effective January 1 of last—well, effective last month, that doesn't have an end date. We're going to let the marketplace decide when it's time to write the new standards, and we will give ample notice to the marketplace. But in 2023, they completely revised the ethics rule, again, getting a lot of input from a lot of entities, including the Federal banking agencies, and that new edition is now available.

Here is one area, another—this is my second request to the Appraisal Subcommittee. It's our understanding from State appraiser regulators—and we have a couple with us today—is that when the ASC performs compliance reviews, they do not check to see if USPAP is being consistently enforced. We spent all that time on the ethics rule. We ought to check and see if States are applying it. I think they check to see if they are enforcing the current edition of USPAP, but they never actually get into if it's being consistently enforced or not. But that would be—we would greatly appreciate that. We spent all that time on the ethics rule. Let's just make sure that it's applied correctly.

There are many other areas that we hope to collaborate with the Appraisal Subcommittee. I've been at the foundation for 34 years. We accepted a grant from the Subcommittee for 30 years, and we have generally always viewed ourselves as partnership. Sometimes it expands the contracts, close or not as close, but we've always viewed ourselves as partners with the Subcommittee, partners with the State appraiser.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Mr. Bunton.

**DAVID S. BUNTON (TAF)** I'm sorry. Okay.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Mr. Neelly, you have the floor.

**E.C. NEELLY IV (MAB):** Thank you for the opportunity to be here today. My name is Ed Neelly. I'm the Executive Director of the Mississippi Appraisal Board.

Mississippi has only three small metropolitan areas. As such, the majority of our 82 counties are predominantly rural. We're experiencing extremely low appraiser capacity in over one-third of the counties in our state. Mississippi Practical Appraiser Training program, MPAT, is a standalone practicum pathway to obtaining a licensed appraiser credential. This program serves to increase the current appraiser population, specifically in these rural underserved areas of our State. We see the MPAT program tries to purposely seek out a more diverse group of underrepresented individuals that will serve to better reflect the overall general population of our State. This concerned effort will assist with creating a generational growth of diversified real property appraisers.

MPAT was developed and is managed by a State-approved education provider that is a credentialed appraiser, credentialed instructor, an education course developer, former regulator, and subject-matter expert in the uniform standards of professional appraisal practice. The manager is the primary instructor and has up to six co-instructors that serve as mentors. The mentors are credentialed appraisers, credentialed instructors, course developers, USPAP instructors, former regulators, et cetera, from across the nation.

MPAT is an education-based program that was designed to offer practical appraiser experience in a controlled environment by employing appraisal theory and methodology for conceptual learning experience. Education hours are earned or gained through virtual classroom lecturing sessions, tutorial video sessions, developing and reporting assignments, site visits to properties with the instructor, application of appraisal concepts.

The MPAT program is divided into 17 learning modules in which participants must demonstrate a sufficient level of proficiency for each model prior to advancing to the next level. Proficiency—proficiency—excuse me. These completed reports will be on various types of properties, one-unit residential, two- to four-unit residential, manufactured homes, vacant land, et cetera. The participant is required to complete 20 appraisal report assignments.

MPAT was first implemented in January of 2022 with 73 percent of the MPAT participants from low appraiser-capacity areas of the State. Participant gender makeup was 50 percent male, 50 percent female. Also, 45 of those participating individuals were from non-white populations.

The effectiveness of MPAT is reflected in the overall pass rate for the national exam. MPAT individuals surpassed the national first-time tester average by 16 percent. This evidenced the exactitude and the strength of the controlled-learning practicum pathway to licensing.

Since February of 2023, the education provider that developed MPAT and the Mississippi Appraisal Board have been working closely with multiple licensing jurisdictions across the

nation that are highly interested in duplicating this practicum within the State. Mississippi welcomes the opportunity to share this successful program with others. Collaborative efforts are ongoing with other licensing jurisdiction education providers and higher education facilities to scale this successful program.

The pilot program for MPAT was funded through the ASC State support grant opportunity. Currently, an MPAT program is in process without the benefit of ASC funding. However, there appears to be no shortage of applicants willing to be able to pay for his or her own tuition fees to gain experience hours through this flexible effective pathway to licensing. Mississippi has adopted PAREA by statute, 73-34-21, State statute number. Our State aligns with AQB requirements for gaining experience hours as prerequisite to taking the national licensing and certification exam.

In the past 12 months, we have received approximately 50 complaints, and we are pleased to report that not even one of the complaints alleged bias.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Mr. Neelly. Ms. Tran, you're next.

**MELISSA TRAN (TALCB):** Madam Chair and members of the Subcommittee, my name is Melissa Tran, and I'm the Director of the Texas Appraiser Licensing and Certification Board. Our agency is responsible for oversight of appraisers in the State of Texas. Thank you for allowing me to be here. I commend your commitment to finding real and tangible solutions to these issues.

I was asked to give a State regulator's perspective on challenges facing the industry today. Needless to say, the biggest issues are appraisal bias and lack of diversity in the profession. In Texas, we've taken a multifaceted approach in addressing these issues.

First, we've eliminated barriers to entry to the extent that we can. As you know, the Appraiser Qualifications Board sets the minimum Federal requirements to become an appraiser. Each State then has the right to require more.

In June of last year, as part of the PAVE action plan, the task force released a dashboard identifying licensure requirements for each State. Texas was one of only five States that did not have any requirements over the Federal minimum. Additionally, Texas is among the few States that allow supervisors in the traditional model to have more than three trainees. Finally, in recognizing the need for additional pathways to gain experience, Texas was an early adopter of PAREA.

Secondly, we've increased communication efforts. We created a targeted communication campaign towards aspiring appraisers. We communicated early and often about PAREA, and we participated in the appraiser diversity initiative. These outreach efforts have paid off. Texas has the highest number of PAREA participants of any State with 39 individuals, the next highest State being at 14 participants.

Finally, we enhanced enforcement efforts related to appraisal bias. Texas was the first to create a strategic partnership with the State's civil rights division, which is a fair housing assistance program, to investigate appraisal bias cases. Through this partnership, we've been able to leverage one another's knowledge and ensure that these cases are investigated by subject-matter experts. We've shared this framework with other States, and I know that many States are exploring partnerships of their own, with one already entering into a similar agreement.

While we have accomplished a lot, there's still a long road ahead of us. I was also asked to share my thoughts on opportunities that we had to further address these issues and how the ASC could help State regulators. Of course, one of the biggest opportunities the ASC has to assist States is through funding. I believe that the ASC is in a unique position, with the fees collected through the AMC National Registry, to provide States with resources needed to tackle these issues. I was encouraged to see that the ASC released its Notice of Funding Availability at the beginning of this month, which included reducing barriers to entry as a priority. However, I was surprised to see that scholarships are an unallowable activity in this grant. Scholarships would have provided a swift and impactful solution to reducing barriers and providing appraisers in underserved areas.

The maximum funding for this grant cycle is \$120,000 a year for three years. I've heard many great ideas floating around, such as creating practicum programs and partnering with universities and community colleges. However, these initiatives are extremely expensive. My first order of business when I go back to Austin is to complete this grant application, but we will need, as an agency, to determine what initiatives we can take on within the parameters of this funding amount and allowable activities.

While I'm grateful to the ASC for any funding that it's willing to provide, I do believe that by allowing scholarships and increasing the funding amount, the ASC will encourage States to take a really hard look at what would be impactful in their own areas.

I also believe that a reassessment of the qualifications criteria is long overdue. It's no secret that it's hard to become an appraiser. I testified earlier that Texas does not have any requirements over the Federal minimum. Despite this, we get calls from aspiring appraisers on a daily basis telling us how hard it is to find someone who's willing to supervise them.

I met with a young woman who told me that she wanted to become an appraiser and start a minority woman-owned appraisal firm. I met with her again a year later at the Appraiser Diversity Initiative, and she had yet to find a supervisor. Unfortunately, stories like hers are not rare.

The silver lining in all of this is that I believe the right people are invested in making a difference. I think that through continued partnerships, additional ASC grant funding, additional ASC grant activities, and along with the reassessment of the qualifications criteria, change is possible. And with that, I look forward to your questions.



**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Ms. Tran. Ms. White, you have the floor.

**JILLIAN WHITE (AI):** Hello, and thank you so much for the privilege and the opportunity to be able to address the panel today on the topic of appraisal bias. Your attention to this matter is invaluable, and I'm honored to be able to participate in the ongoing dialogue.

So, in preparation for my oral remarks, I asked myself one fundamental question, which is, what is the one thing that, if it were implemented, would have the greatest impact and make everything easier, if not altogether unnecessary? And the answer to that question was the elimination of the supervisory trainee relationship.

As it stands right now, real estate appraising is one of the few professions that is still relying heavily upon the apprenticeship model, and so what this means is essentially you have to—if you want to become an appraiser, you have to already know an appraiser. And so there's a great deal of data out there in regards to what sort of impact this has had on the appraisal profession.

What we know for certain is that most appraisers are white, most appraisers are male, most appraisers are at or near retirement age, and most appraisers check all three of these boxes.

In addition to that, we have information from the Fannie Mae report that states that race has an impact on the appraised value in regards to refinanced transactions. We have data from the Freddie Mac reports stating that race has an impact on the appraised values as it pertains to purchase transactions. And most recently, we have data from the FHFA blog posts that race has an impact on the application and the size of time adjustments that are applied to appraisals. So, when you look at all this information collectively, there is a clear story of a homogenous group applying opinions of value to heterogeneous communities, but if you are not a member of the particular group that is predominant within appraising, then there is an impact on your appraised value.

In addition to that, within the PAREA of USPAP, it States that the appraiser is responsible for maintaining public trust. Given the demographics of the appraiser population, I think this is a very impossible task and ask of appraisers currently. The public trust has been eroded and is continuing to be eroded, and the only thing that's going to really move that forward is the diversification of the appraiser population so that it is more representative of the communities that it serves.

So now, I understand that each of the agencies seated up here today is not directly responsible for appraisal qualifications. However, I did want to acknowledge and highlight your outsized power of influence on this topic, and there's an incredible opportunity to lean into that in order to make meaningful change.

I have been contracted by the FFIEC to create an appraisal bias training for State and Federal bank examiners, and as I'm preparing the curriculum, I'm laser-focused on what is the one thing

that could have an outsized impact in empowering bank examiners in order to identify lenders who might not be handling the topic of appraisal bias appropriately. And so I invite each of the agencies to also take a look at what is the one thing that could have an outsized impact in your ability to fulfill on the promises of the PAVE initiative, such as strengthening guardrails, empowering consumers, and a revamping of the ROV process.

So once again, my name is Jillian White. I thank you for this opportunity to present in front of you, and I look forward to all of your questions.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Ms. White. Ms. Sweeney, you're next.

**MAUREEN SWEENEY (EA):** Thank you. Thank you, Madam Chair and members of the Appraisal Subcommittee. I thank you for the opportunity to be here today representing the independent fee appraiser.

After three public hearings on appraisal bias, I ask, where do we go from here? The Interagency Appraisal and Evaluation Guidelines need to be strengthened with the goal of promoting public trust. I encourage more oversight by bank regulators, including using the regulatory systems in place as a result of FIRREA, which they largely ignore. The systems the ASC oversees are in place. Use them.

Hire licensed and/or certified appraisers in the Federal financial institutions examining agencies to assist in overseeing the programs at the GSEs, FHA, and VA, especially when investigating appraisal complaints from the public to determine if the complaints has merit.

Some blamed the appraisal profession for the housing crash of 2008, yet no data was collected to determine the percentage of foreclosed mortgage loans as well as loan buybacks that were generated by traditional appraisals developed by licensed and certified appraisers versus the percentage of loans generated by automated valuation models. Today this data is still not collected or distributed. Why not?

On appraisals for federally related transactions, where an appraiser trainee develops the appraisal report, allow the appraiser trainee to sign the report along with their co-signing supervisory appraiser.

How can we encourage people, including those from underrepresented communities, to become appraisers when they are not allowed to work?

Put the truth back in Truth in Lending and make the settlement statement transparent when it comes to appraisal fees. Have a line item for the cost of the appraisal report and a separate line item for the cost of the appraisal management company as well as lines for technology and portal usage fee. The consumer must know what they are paying for.

Alternative valuation products that require the collection of data by specific data apps open the

door to a host of problems, including data being sent and analyzed by unknown and unlicensed individuals out of the United States, subject to out-of-country laws, review, and ownership of the data, as well as unlicensed and unaccountable property data collectors. Again, who controls and regulates the data?

Who controls the consumer's data when it's collected on a data collection app by appraisal management companies and by appraisal software providers? The collected data, including scans, videos, and photos of consumers' homes and possessions, must be protected, and access to data must be controlled. The property data collection process by unlicensed and unregulated people hamper the appraiser trainee's development and hurts the next generation of licensed and certified appraisers. Property data collectors should be replaced with appraisal trainees working towards a career as a licensed or certified appraiser.

Allow the appraiser to speak directly to the lender client instead of going through third-party agents. This will save time, especially when consumers request a reconsideration of value.

Complaints filed by regulatory agencies Fannie Mae and Freddie Mac to State licensing and regulatory boards should have merit. The complaint should identify where the USPAP infraction takes place within the report rather than a general accusation that there's a problem with the report and the regulatory agency needs to find it. The complainant must cooperate with the State regulators after alerting them of the infraction. Currently, Fannie Mae, in particular, offers no cooperation with the states.

I chose to be an appraiser so I can protect the public trust. I believe that people who choose to work in public service want to do the same. I believe that the interagency appraisal and evaluation guidelines, a policy approved in 2010, failed the appraisal community, failed the public trust, and greatly benefited profit-driven businesses that have no accountability to the public or the public trust. The current system rewards cheap and fast. I believe we can do better and we must do better. Thank you.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Ms. Sweeney, and thank you to all the witnesses for your testimony today.

It's now my pleasure to introduce the ASC member agency representatives. They are Rohit Chopra, Director of the Consumer Financial Protection Bureau; JeanMarie Mattingly, Deputy Director, Office of Credit Union Resources and Expansion at the National Credit Union Administration; Arthur Lindo, Deputy Director for Policy, Division of Supervision and Regulation, Board of Governors of the Federal Reserve System; Elizabeth Davis, Housing Program Officer, Office of Housing FHA, U.S. Department of Housing and Urban Development; Luke Brown, Associate Director for the Supervisory Policy Branch Division of Depositor and Consumer Protection at the Federal Deposit Insurance Corporation and Vice Chairperson of the ASC; James Wylie, Associate Director of Fair Lending at the Federal Housing Finance Agency; and Enice Thomas, Deputy Comptroller for Credit Risk at the Office of the Comptroller of the Currency and ASC member.

We'll next turn to the first round of questions. Each ASC representative has ten minutes to ask questions. Then we will take a ten-minute break, and the representatives will have eight minutes to ask questions. As you may have noticed, Director Chopra has been unavoidably delayed. If he has not joined us by CFPB's turn, I will be sitting in for him. So we will get started with Deputy Comptroller Thomas. Deputy Comptroller Thomas, the floor is yours.

**ASC MEMBER ENICE THOMAS (OCC):** All right. Thanks, Chair Martinez, and thanks to all the witnesses who are here to visit with us today and share your experiences and your thoughts. And hopefully, we can continue to move forward in our journey to find ways to resolve appraisal bias.

My first question I want to start off with is with you, Mr. Neelly, on your Mississippi Practical Appraiser Training Program. One, I want to thank you for your State having such a program put in place, but I want to dive a little bit more.

You share some percentages of participants that have participated in a program since 2022 when you all implemented it, but could you give a little bit more background on like the numbers related to the participants?

**E.C. NEELLY IV (MAB):** Yes, sir. Yes, sir. I'd be glad to. We had in the first MPAT class—we had 20 participants, and of those 20 participants, we had seven that were African American, one that was Latino, one that was Native American, and then the rest were Caucasian. And out of the 20 participants, we had two that dropped out, two did not complete the course, and two got other jobs in between that time and went on to doing something else.

**ASC MEMBER ENICE THOMAS (OCC):** Okay, thank you. As you well know, being in Mississippi, you're a State that have a number of historically Black colleges and universities. Is this program being marketed on those campuses, such as Jackson State, Tougaloo, Mississippi Valley, or Alcorn State?

**E.C. NEELLY IV (MAB):** I think right now, and to answer the question, I would have to say that it is not to my knowledge, but the reason for that, we just had the first program, you know, the graduates. There's another MPAT course that has started now, and going forward, I can't speak for the instructor, but speaking as a State, that is definitely something that is going to be put out.

The MPAT program has really been beneficial in the calls, the number of calls. We got so many calls per week to the State, "Hey, I want to be an appraiser. I've been looking for a supervisor for two years, and I can't find one. What can I do?" And now with the MPAT program, along with PAREA, that new program, I think that is going to be a pathway that is going to allow the potential candidates an opportunity to get into the appraisal profession.

**ASC MEMBER ENICE THOMAS (OCC):** Okay. Thank you very much.

I'm going to jump to Ms. Tran, similar on an education-related question. Since you all have adopted PAREA, could you kind of describe kind of the success, what type of success you've had with the program so far?

**MELISSA TRAN (TALCB):** Our biggest success right now is just the number of participants we have in the program from Texas. The provider made the program available last September. So we have yet to get an applicant that came from the PAREA program, so yet to be determined, Comptroller Thomas.

**ASC MEMBER ENICE THOMAS (OCC):** Okay. Thank you.

So another question, this one's for the entire group, and anyone can answer. I know Ms. White kind of answered it with her question on the elimination of the trainer/trainee model. But what shortcomings do you all see in the appraisal industry from a regulatory standpoint that you think should be fixed?

**DAVID S. BUNTON (TAF)** If I could just start off here.

**ASC MEMBER ENICE THOMAS (OCC):** Yes, sir, Mr. Bunton.

**DAVID S. BUNTON (TAF)** The Appraisal Qualifications Board is looking at all the elements of the qualification criteria. We traditionally look at it in silos: exam, education, experience. They're looking at it more holistically. What knowledge, skills, and abilities do you need to be an appraiser as opposed to looking at each silo? It's a major part of their work plan for 2024 and 2025.

**ASC MEMBER ENICE THOMAS (OCC):** Thank you. And, Ms. White, you can jump in again if you have another one.

**JILLIAN WHITE (AI):** Actually, if I could, I would just double-down on the choke holds in terms of diversity and new talent coming in with the appraiser trainee model as it exists currently. So like Ms. Tran, I've had lots of people reach out saying, "I want to become an appraiser. Can you help me find a supervisor?" And 21 years ago when I was a trainee looking for a supervisor, the amount of friction in trying to convince a stranger to share their book of business with you is—it's incredible.

And the only reason why I was able to persevere and ultimately become an appraiser is because of the financial support and backing that I had of my family. I was a recent college grad, living at home. My money was just spent with going out with friends. My rent was covered. Medical insurance was covered. Food was covered. And so I had the ability to persevere and persist and essentially convince somebody to take me under their wing. But without that financial backing and support, I wouldn't have had the luxury to stick with it to actually become an appraiser.

So again, I think the training relationship is the most problematic.

**MAUREEN SWEENEY (EA):** I would like to add to that. Maureen Sweeney here. And it comes down to fees. There's a huge problem with, one, fees that appraisers are paid with what the consumer is paying. With the AMC model that is currently in place, which is basically the consumer doesn't know how much of their appraisal fee goes to AMC fees.

When the AMCs showed up and I was forced to take a pay cut as well as do additional work, at least by 33 percent, if I wanted to do appraisal reports for federally related transactions and go through this middleman company of appraisal management companies, who then added additional bloated fees onto it, so the consumer is paying, they have no idea how much they are paying and how much goes to the appraiser.

My written testimony, I actually show a clear—a clear—that the appraiser is getting a third, the AMC is taking two thirds. So of that small amount that the appraiser is being paid, if they take a trainee under their wings and train them, that trainee will get a percentage of that. Of that, that trainee has to pay their MLS fees, their computer fees for their computer software. There's technology fees that they have to pay to transmit information to their clients. You just can't press Send and a PDF goes to the client. No, it has to go through a specific portal, which will then take even more fees.

So with all of that, it is not—the current system right now is not conducive for working appraisers to take on trainees because nobody's making money. By the time it's all said and done, by the time you split that fee, take the time, take all the fees that we have to pay in order to train somebody, we're making less than minimum wage in many cases. And so is the trainee. The current system with these AMCs taking bloated fees, they're adding bloatedness to the system, and then the consumer has no idea how much they're paying for the appraiser? They think that we're taking—that that's the monies that we're receiving? It's not. And so it really is—it costs many appraisers to take a trainee. It's costing us money to take a trainee on.

So it really—it needs to get fixed. Please, I beg of you. Like, change the Interagency Guidelines, which clearly, clearly states—here, states right in here, “An institution should ensure”—this is on page 20 of the Interagency Guidelines—“An institution should ensure that when a third party engages an appraiser or a person who performs an evaluation, the third party conveys to the person the intended use of the appraisal or evaluation that the regulated institution is the client.” This allows for the AMC to be hidden in the process. This needs to change, please. Please change it. Thank you.

**ASC MEMBER ENICE THOMAS (OCC):** Thank you for your comments.

Ms. Tran or Mr. Neelly, I'll give you an opportunity in the last 40 seconds we have here.

**MELISSA TRAN (TALCB):** I'd just echo what Ms. White said about a reassessment of the qualifications criteria and how difficult it is to become an appraiser through the traditional training model.

**ASC MEMBER ENICE THOMAS (OCC):** Okay, thank you.

**E.C. NEELLY IV (MAB):** Excuse me. I know I really do believe that with programs such as MPAT, our vision as a State is for the future—or for the future as a State is to ensure that highly skilled, well-trained real property appraisers are entering into the profession and can serve as appraisers in these underserved areas where we have low capacity.

**ASC MEMBER ENICE THOMAS (OCC):** Okay. Thank you all.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Deputy Comptroller Thomas. Associate Director Wylie, you're next.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you, Chair Martinez.

Mr. Neelly, the MPAT program, I wonder if you could talk a little bit about the costs of the program.

**E.C. NEELLY IV (MAB):** Okay. The initial program, the State of Mississippi received a grant from the ASC to, you know, conduct the program. The grant was very beneficial and instrumental in Mississippi being able to, you know, have the course take off, the program take off the ground.

This year, because, you know, we have not yet reached the grant period, the instructor, like I said earlier, is charging for the course, and the participants, you know, it's just overwhelming. I get call after call as a State director, "Tell me about the MPAT program. Who do I contact. How do I find out more about it?" And so it is so popular that we're getting calls left and right. I mean, they're very—

**ASC MEMBER JAMES WYLIE (FHFA):** Mr. Neelly, could you tell me specifically what the cost the participants are paying this year is?

**E.C. NEELLY IV (MAB):** No, sir, I'm not familiar. We do not—we just approved the program for the State, and of course, the State does not charge the fee for the course, for the program.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you. You mentioned also that Mississippi is a State that has adopted PAREA. I wonder if you could just contrast and sort of give a comparison between, you know, the sort of paths available right now in Mississippi, the MPAT program, PAREA, the supervisor model. Could you give us some idea of maybe how many entering appraisers are pursuing each comparisons, in your view, of sort of time, cost, and efficacy of each?

**E.C. NEELLY IV (MAB):** Okay, be glad to. Like I said, with the MPAT program, I cannot comment on the cost of the program. I'm not familiar, and I was not here at the onslaught. Like I said, at the initial start of the MPAT program last year, like I said, the fee was zero. We think as a State and as the instructor that really it works out—it will benefit not only the State and the

instructor, if a potential candidate has a little skin in the game. That way they're not just taking the grant money and, you know, haphazardly deciding, "I don't want to do it now. It's a little bit too difficult." Didn't have a lot of that, but we had some of that. And, you know, a lot of the people that are, you know, signing up for MPAT—and I'm sure PAREA will be the same way—these people have full-time jobs. They can't afford to quit doing what they're doing because most of them have families. They've got to do it, you know, after hours. And that's the great thing about MPAT is the MPAT program was developed where normally the meetings take place either after work in the afternoon or early in the morning before work. You know, if you're unable to attend a session, then those sessions are recorded, and you can go back and catch up. So it's been very beneficial.

The PAREA program, we adopted that by reference. We felt like, you know, since the qualification board had already extensively reviewed the program, we were familiar with it enough. We've seen it at the AARO conference. We've seen presentations, but we really don't have anything, you know, hard to—but we really believe that that pathway along with MPAT, PAREA differs from what I understand where—you know, with MPAT, you had virtual classroom lecturing sessions, tutorial video sessions, developing and report assignments, site visits to properties with the instructor, and application of appraisal concepts. You're going to have a lot of the same, but I think the big difference in where the PAREA program—it's going to be, you know, a nearly all-virtual course and which that's going to be wonderful for working people that do not have the time, that have families, that have children, to do it after work, to do it before work. I think there's a need for both programs, and I'm really excited about it.

In regards to the supervisor trainee model, like Ms. Tran said, our State is the same way. Unless a potential appraiser wants to get into the profession, he either has to have a family member who is an appraiser or he has to, you know, have a good friend that is. Nobody is willing to take on a trainee. You know, right now with the interest rates being higher than they were several years ago, you know, there's not as much business. The appraiser is trying to concentrate on getting as much done as he can to provide for his family, and he doesn't have time to spend with a super—with a trainee.

And also, you know, it's just the liability. I think, like Ms. Sweeney said, I don't know what the answer is, but I believe that it's so restrictive. The supervisor training model is not working in our State. It's really not. We have people that call on a weekly basis, "I've taken the courses. I can't find a supervisor. What do I do?"

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you so much, Mr. Neelly.

Ms. White, I think we've heard from Mr. Neelly and several others, and you have mentioned that the supervisory model is just not working in many, many circumstances. This is something you highlighted in your testimony. We've heard about practicum programs. We've heard about PAREA. What do you think the path forward is? Is it those? Something else?

**JILLIAN WHITE (AI):** I think the practicum and PAREA are both steps forward in the right



direction. However, ultimately, I think appraisers should have the opportunity to take their coursework, take an exam, and then become an appraiser.

So much time and energy is spent trying to figure out a way to get just fresh blood into the industry, diversity into it. And the reason for all of this friction and the workarounds is that the current system that we have just isn't working. So ultimately, I think moving towards taking the coursework and an examination would de-bottleneck this and allow all those who have an interest in becoming an appraiser the opportunity to do so.

**ASC MEMBER JAMES WYLIE (FHFA):** Yes.

**DAVID S. BUNTON (TAF)** The practicum has been—it was approved by the AQB in 2009, and until the Mississippi endeavor, no one had did it, because economically, it never worked.

The grant from the Appraisal Subcommittee makes it work economically, and I think given the—I think your reserves are in the neighborhood of \$30 million. I think a partnership between the Subcommittee and the States would be a game changer.

PAREA also now has been approved by 47 States and the District of Columbia. I think all States will approve it sometime this year.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you.

Ms. Tran, a couple of questions for you. You mentioned Texas was the first State to adopt this sort of partnership between the State Fair Housing Investigative Agency and the Appraiser Licensing and Certification Agency. Just in my own work, I'm a fair housing attorney. This seems to just make a lot of sense to me. It seems like appraisers may not understand exactly how to investigate or approach a discrimination case and understand discrimination law. Likewise, fair housing attorneys may not have the deep expertise in appraisals. Would Texas be willing to—any State that wanted to adopt this, to provide assistance to any other State in adopting that model?

**MELISSA TRAN (TALCB):** A hundred percent, Director Wylie, and it's something that we've been doing. We've done outreach to State regulators and housing counselors and said, "If you want a copy of our agreement, we'll provide it for you." I never hesitate to share this partnership with anyone who asks.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you. Mr. Bunton, you've talked about the sort of comprehensive review that's intended for the appraisal qualifications criteria. One item I was curious about is—one thing that has not been mentioned today—Well, I'm sorry, actually it was mentioned by Ms. Sweeney—the sort of emergence of property data collectors. Is that something that you might explore or the Appraisal Qualifications Board might explore as a potential pathway to entry, something that would provide some experience under those criteria?

**DAVID S. BUNTON (TAF)** Exactly. One of the things that the Appraisal Qualifications Board is looking at is experience in related professions, real estate agents and brokers, home inspectors, property data collectors. So what we're going to do is reach out to those groups, though, and see if they can give us some advice.

The hard thing is converting how many real estate sales equal how much appraisal experience, but we want to work with the realtors, the home inspector association to get that related experience.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you. Chair Martinez, I'll yield the remainder of my time.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you. Vice Chair Brown, you have the floor next.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Good afternoon. I'd like to first say to the witnesses, thank you for joining us for this important conversation, the fourth hearing. Also would like to thank participants generally in the hearing. This is a critically important topic that a lot of work still needs to be done, although some progress has been made in the last couple of years.

Mr. Bunton, you've outlined a number of changes that TAF is considering in response to the PAVE report as well as the ASC Board's oversight of a number of issues. You mentioned in your written testimony that in the past year your board has been hard at work in putting your learnings into action. Would you please explain what your organization has specifically learned over the last two years that has motivated you to implement these types of changes?

**DAVID S. BUNTON (TAF)** Well, it depends on the board. The standards board, that has the— the USPAP has prohibited bias and discrimination since it was written in 1987. But then what we learned is when people see unsupported and supported discrimination, bells go off. There's a lot of definitions of the word “discrimination.” So that was a learning experience for us, that people can read it and interpret it different ways.

Qualifications Board, I think it was healthy for us to take a look at all of the required core curriculum and just identify where fair housing education is located. It's in there, but you have to go on a bit of an Easter egg hunt to find it. It's buried in certain courses, and we thought it warranted special attention and a freestanding course.

And then lastly, our governing body, our board of trustees, we had some appointed seats, and we had some that were elected at large. And there are no more appointed seats on our board of trustees. There was the accusation of pay to play, which we disagree with, but it did cause us to examine everything. And we think it's healthy that every seat is reviewed, elected, publicly interviewed by our trustees.

**ASC VICE CHAIR LUKE BROWN (FDIC):** What have you learned about barriers to entry into the industry?

**DAVID S. BUNTON (TAF)** Well, a lot of times—here's what we're struggling with. Appraisers determine the value of the biggest—for most people, the biggest asset that they own, and they also enter those people's homes. So you have to have meaningful qualifications, and what is meaningful qualifications to some people is a barrier to entry to another person. And we're trying to sift through that and say, what are the knowledge skills and abilities that you need to do, and what really isn't necessary and is more of a legacy barrier there? And that's why the qual board in this calendar year is going from top to bottom to look through all that.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Have you learned more about the supervisory model over the last couple of years?

**DAVID S. BUNTON (TAF)** Well, we've known for a while that it's a challenge, which is why they began working on PAREA, which is a multiyear effort. But I think through the practicum and also through PAREA, I think we'll be in a much better place.

One last thing, we also now have created a new advisory council that focuses on civil rights and consumer affairs and fair housing, and we have over 110 organizations affiliated with the foundation. This forced us to examine, to look at that list of organizations, and we were very weak in that area. So now we have ten that belong to that group, and we have three more that are applying. It gives us a perspective that we didn't have before.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Thank you. Obviously, the mission of the foundation is to set standards of excellence for the industry and promote education and uphold the public trust, and you talked a few minutes ago during your testimony about how your organizations—and I'm saying organizations to cover the boards—have acted quickly and with dispatch. But it sounds like you're being responsive. You mentioned the ASC report. You mentioned the PAVE reports. Given the role that you were all playing, could you talk a little bit about why it appears and the expertise on your board, your role in the industry? Could you talk about why you're reacting to all these external reports as opposed to taking a leadership role yourselves? Given your expertise and your experience in the industry, I would imagine that you would independently be aware of these and maybe be leading the way on addressing some of these issues.

**DAVID S. BUNTON (TAF)** Well, I'm pleased to tell you that in December of 2020, we had the first symposium on valuation bias. We had Andre Perry and many other people on it. So I believe we were the very first organization to do it.

I've been at the foundation a long time and testified before Congress six or seven times. This issue has had a much renewed focus. It's been healthy for us to look at all this, but I would go to congressional hearings and be asked a million questions and never once was it about valuation bias or discrimination. It's only in the last 36 to 48 months, and we were acting—as I said, we began in December of 2020 and have been acting with dispatch ever since.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Even with that answer, when you're talking about

questions from the Hill, it sounds like you're reacting. I just wonder what assurances can you give this board that given what we all know now, given the resources you have, given the important role you have vis-a-vis appraisers in the States, that your organization will actually take the lead, identify issues, address those issues from an appraisal bias perspective, as opposed to reacting to what others are saying?

**DAVID S. BUNTON (TAF)** Well, just one little quick point here. The agendas of our independent boards are driven externally, not by the members but by the public meetings that they have. So it never really was a topic that was raised very much. But particularly having that new CARE Advisory Council, we hope that we're going to get a steady stream of issues from people that are impacted by valuation bias.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Thank you. So, you know, given this conversation, can you commit to the board that going forward that TAF will periodically report out on the various initiatives that you've identified and provide data? And again, I know you're retiring, that you'll give us assurances that despite your departure, that the Board itself, as well as the new leadership will be focused on these issues. And again, providing a leadership role is critically important, given your role in the industry

**DAVID S. BUNTON (TAF)** You can count on it. I mean, we can give you a report on how the population of our three boards has changed. We did a demographic study three years ago. We're doing another one later this month, and we want to measure if we've moved the needle at all on the appraisal population. And we'll make all that available to you.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Okay. And I just—I want to ask you as well about the supervisory model. I know, you know, we're all moving towards—not we all, but a number of States are moving towards PAREA. Are there other options out there? It sounds like a very slow process, and not to mention, there's questions about the costs. What, you know—I think it sounds like everybody here agrees that that is a huge barrier to entry into the industry. What other options are out there to address this long-term issue? Again, this is an issue I'm guessing that your organization has been aware of for a long time.

**DAVID S. BUNTON (TAF)** And that's—the AQB will be looking at experience as one of the elements here. As it was pointed out earlier, an apprenticeship model, I suppose there's a certain amount of seasoning that you need to be an appraiser, but we really need to look at that. And maybe there's a way that you can have it where you get the State credential and that you're actively—you know, you can do certain things on your own. Maybe the scope of work bigger than it is today.

I'm hesitant to talk about that. I'm not on the qualifications board. It's an independent board, but I can tell you that what you're hearing today about the supervising appraiser issue, we're hearing it loud and clear as well.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Great. I'm looking forward to seeing reports going

forward of progress.

Mr. Neelly, just a quick question for you. You know, it's great to hear about your program. You know, Texas and Mississippi are taking the lead in some very positive ways. I heard you mention the complaints. Just—I'm curious about your complaint process. And, you know, you mentioned that there's no discrimination. It would be helpful to understand better what process you use. In other words, you have anti-discrimination experts involved, fair lending experts, because, you know, from a supervisor perspective, you know, we're regulators up here. It's not just about whether you have discrimination complaints. Sometimes something on its face does not look like discrimination, but once you start drilling down, you realize that's the nature of the complaint. So I'm curious about what your process is to vet it, because it might not be a win if you're not receiving complaints related to discrimination.

**E.C. NEELLY IV (MAB):** Yes, sir. Thank you. Basically, our process—of course, we have a written complaint process within the State. Currently, those have to be mailed in to our state. Going forward, we're hoping to go paperless within the next six months, where it will be a lot easier for someone to file electronically, you know, and basically, we feel like in that, we feel like that that will be beneficial to the consumer.

As far as the complaint itself, we don't—and when I say we have never, to my knowledge, had a bias or discrimination complaint, we look at each file that we get in. We read the complaint. We see what is the complaint concerning. A lot of times, it does concern value. You know, “My property was undervalued.” You know, in our job, we're trying to make sure that the appraisal conforms to uniform standards, professional appraisal practice.

Now, I say that, in most cases, you know, we're not the value police. We encourage, you know, the consumer to get a second opinion of value.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Time.

**E.C. NEELLY IV (MAB):** However, we do have circumstances that—I know one, in particular, where we had one that was grossly overvalued. When I say grossly—

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Neelly.

**E.C. NEELLY IV (MAB):** Okay. I'm sorry.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Not at all. Thank you for the information.

Ms. Davis, you're up next.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you. And hi, everyone. This is my first hearing. I recently switched jobs, and I've gotten here just in time to get to participate in the fourth hearing and to continue this important work. And HUD is deeply committed to finding the

solutions that help eliminate appraisal bias and ensure fairness for the industry. Thank you all for being here today. I found your written testimony to be very thoughtful and appreciate your points of view and your attendance here.

With my first question to Mr. Bunton, it seems like it's an interesting time for PAREA. The Pathways to Success grant just came out again with the Appraisal Institute taking the grant, and then we got the news that McKissock is suspending its program due to costs. You know, what is the PAREA landscape outside of the Appraisal Institute program?

**DAVID S. BUNTON (TAF)** We have had 12 organizations send us what we call proof of concept. It's sort of the blueprint. Before they start building it, we want the AQB to take a look at it. There are at least five or six that are ongoing now. I do think that the drop-off in mortgage lending has had a few people to at least put it on the shelf, but there are multiple PAREA projects underway now. We don't announce it, because if they don't get approved, it's kind of a ding against them. We only announce it after an organization does.

There is an Australian-based organization called "Opteon." It's an appraisal management company. They have publicly announced that they are doing it, so I can share that with you, but the others are private.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Is there on the horizon a certified appraiser PAREA program?

**DAVID S. BUNTON (TAF):** Yeah. So it was a lot of time and effort to put together the first two modules. We wanted to see if the marketplace was going to embrace it. Assuming that everything works out as intended, then they will develop a certified appraiser module as well. And for those who don't know, the 3,000 hours of experience that you need to be a certified general appraiser, half of it can be residential. So that the certified residential module of PAREA can count for 50 percent of your experience for the certified general.

**ASC MEMBER ELIZABETH DAVIS (HUD):** It's definitely clear from the testimony today that there's a need for additional funding opportunities to launch a lot of these programs off the ground. Is TAF considering taking additional ASC grant funding in order to maybe free up other funds that they'd have available to kind of promote those programs or to make additional use of that material available?

**DAVID S. BUNTON (TAF):** We meet with the senior staff at the Appraisal Subcommittee about every six weeks or so, and over the past several months, maybe even close to a year, you have a new grants director. We have had a few meetings with them. It's my understanding the grants handbook is being revised, and we are very hopeful that we're going to resume receiving grants this calendar year. The first one will probably be in the national exam arena, but we would like to resume receiving grants.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Okay. In your written testimony—this is an FHA-

specific question, but you note that you've been working with partners to educate Capitol Hill about the certified appraiser requirement for FHA. As you rightly noted, it's statutory. So can you discuss your efforts and maybe the status of those efforts?

**DAVID S. BUNTON (TAF):** Well, we were successful on the House as far as allowing licensed appraisers to once again perform FHA appraisals. We've been successful on the House side a few times now. It's never made it to the Senate. We don't lobby. We just go there and provide them information as far as that we believe a licensed appraiser has the knowledge, skills, and ability to perform a residential appraisal.

On the Senate side, Senators Tester and Thune have jointly sponsored an appraisal bill that contains that provision. It's an odd time on Capitol Hill. I used to work up there for 12 years. I'm not sure what's going to happen, but I just think it would be good for everyone.

Point of information, in 2006, we had 30,000 licensed appraisers in this country—I'm sorry—30,000 credentials. Today it's 7,100. They left, particularly in rural areas, because they were only doing one or two appraisals. They didn't want to move up to certified because they had more courses. They had to sit for an exam. So they stopped doing it. So that's where the real shortage is, rural America and in the licensed arena.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Can you talk about any additional efforts you have to help promote appraisers in those areas?

**DAVID S. BUNTON (TAF):** Sort of—I'm thinking here before I speak that we're not an advocacy group like the appraisal industry. Other groups are advocacy groups. We're a standard and qualification setter. So, in that regard, we do a lot of things. We go out and review and approve colleges that have courses in this area. I think we promote the idea that you want to make sure that you hire someone who is competent, who is qualified. But we don't really go out there and try to recruit.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Okay. Your testimony before us today talked about how you're looking for some case data.

**DAVID S. BUNTON (TAF):** Yes.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Could you describe specifically what you are looking for in the efforts that you take into—

**DAVID S. BUNTON (TAF):** Certainly. So fair housing, the courses, both the seven-hour course that you take when you get your State credential as well as the four-hour that you have to take every two years, we believe that there's no better illustration than a case study or two so that the appraiser goes, "Oh, there by the grace of God go I" type of thing. But we really cannot find them. I think I know part of the reason. Part of the reason is that a lot of them are private, and there's some non-disclosure agreements. But I think it would be healthy. We're not going to

develop a fair housing course. We're letting the marketplace do that. But if we could have a repository of several cases that any educational provider could come and apply it to their course, I think it would serve everybody very well.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you. I have a question for Mr. Neelly. You talked about the number of complaints that your State has received, and from an ASC perspective, do you think that ASC should require that States track and report the number of complaints received each year to the ASC, including the basis of the complaints and the efforts taken to resolve them?

**E.C. NEELLY IV (MAB):** Yes, ma'am. I think that would be a good idea.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Okay. And Texas?

**MELISSA TRAN (TALCB):** That's something that we currently report to our board. So if the ASC wished to do that, that's information that we could already provide.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you. And also for Mr. Neelly, does MPAT need continuous grant funding to provide the program, and are other resources emerging perhaps to help fund?

**E.C. NEELLY IV (MAB):** I'm sorry. I did not understand the question.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Does MPAT need continuous grant funding to continue the program, and are other resources maybe emerging financially?

**E.C. NEELLY IV (MAB):** No, ma'am. I think that it is demonstrated that the program can now run on its own. I think that we have people that are more than willing to invest their time, money into that pathway, and I think it was a great benefit starting out. But going forward, you know, I do not see the need where that's going to be a need to have a grant for the MPAT program.

However, you know, we had a meeting last week with ASC concerning the grant program. I think that is absolutely wonderful because it allows states, such as a small State like Mississippi, to be able to, you know, get the resources that we need to effectively run a regulatory agency. We've got roughly 1,100 appraisers in the State. We have another roughly 100 appraisal management companies. But we just—right now, you know, we need additional manpower to help us beef up our regulatory process.

**ASC MEMBER ELIZABETH DAVIS (HUD):** And your testimony noted that other States have approached you about adopting programs similar to MPAT. Have your discussions with them included the topic of grant funding or other ways to finance?

**E.C. NEELLY IV (MAB):** Absolutely. I have talked to Ms. Tran. We have talked several times. I've talked to Angela Jemmott in California. I love Angela. Great person. But anyway, yeah, it's



been—it's the information, you know, they are just dying—“Tell me about the program. Tell me. I've heard about the success of the program.” And, you know, I always—I tell them as much as I can and then refer them to the instructor and developer of the program. And, you know, we're more than happy to help and facilitate that and do on a really a weekly basis.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you. Back to Mr. Bunton. This is changing a little bit on technology. How does TAF see its role in advancing the use of technology by appraisers in the industry?

**DAVID S. BUNTON (TAF):** Well, a few things. One, we have something called the Industry Advisory Council, 37 companies, many of them involved in automated evaluation models. So we have an automated evaluation task force, which has put two reports out in that area.

Also, our Appraisal Standards Board technology can also impact the standards themselves, whether you use drones for inspecting and put your phone in the middle of a room and all that. So we monitor all that very closely.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Ms. Davis. Arthur Lindo is next.

**ASC MEMBER ARTHUR LINDO (FRS):** Thank you, Madam Chair. I'd like to thank all the—sorry. I'd like to thank all of you for coming here today, first of all.

I want to get right to it. So, Mr. Button, you mentioned that you're a longstanding standards setter. You've done a lot for this profession. You've advanced training and other things. And then I thought I heard you say, it's just been recent, in the last 36 to 48 months, you became aware of more of this focus on bias. If that's the case—and I don't want to mischaracterize it—what do you think the biggest contributor has been to appraisal bias? In your process, you would have picked this up in standard setting, kind of reconstruct that for us. What do you think the foundation has identified as the biggest contributor to appraisal bias?

**DAVID S. BUNTON (TAF):** You mean being aware of it?

**ASC MEMBER ARTHUR LINDO (FRS):** You said you're aware of it—

**DAVID S. BUNTON (TAF):** Yeah.

**ASC MEMBER ARTHUR LINDO (FRS):** —of the last 36 to 48.

**DAVID S. BUNTON (TAF):** But there was—

**ASC MEMBER ARTHUR LINDO (FRS):** You've been doing this for a number of years.

**DAVID S. BUNTON (TAF):** There was a hearing in 2019 that it was brought up, but I was at a congressional hearing in 2016, and it was never mentioned at all.

I think the work of Andre Perry drew attention to it. I think some press reports, starting with The New York Times in 2019, very disturbing press reports about what people had to do. So it drew a microscope on an issue that maybe was below the surface, but that's why—that happened in 2019, and that's why our first symposium was in 2020.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. So given that as a background, what do you think TAF's response should really be here to move the ball forward in a measurable way in reducing or hopefully eliminating appraisal bias? I'll take reducing for the moment, but ultimately eliminating. What do you think we should be doing?

**DAVID S. BUNTON (TAF):** Keeping a focus on it, making sure, like the Appraisal Qualifications Board having courses to raise the awareness of all practicing appraisers. I also think just internally. The foundation has been working very hard to make our organization reflect the America that we operate in, because it really wasn't, say, seven to ten years ago. As far as the population of our boards, we have many more people of color. We have many more women now. And I think that helps an awful lot as well.

And it's just our knowledge level, and as I mentioned earlier, we have this advisory council composed of just civil rights, consumer groups, and fair housing groups. We meet with it. We've met with them twice in the last three months. They're bringing attention, issues to us that maybe we weren't aware of.

**ASC MEMBER ARTHUR LINDO (FRS):** So I'm going to go back to the point you just made about diversity within the TAF. You're trying to achieve that. What about diversity in the profession? I'm going to go specifically to the supervisory department, because that seems to be a common point.

**DAVID S. BUNTON (TAF):** We have 74,000 names on our email log, and in 2001, we did a diversity study. Because it was very little, most of the information was anecdotal. It confirmed some things. Majority—

**ASC MEMBER ARTHUR LINDO (FRS):** Anecdotal, but kind of—

**DAVID S. BUNTON (TAF):** Majority male, majority white. But we also, if you're going to measure success, you need a baseline. So that 2001 survey is our baseline. We're now doing one later this month. Will the needle move much in 36 months? I would doubt it. But it's a longitudinal study. We're going to do a year six, year nine, year twelve.

**ASC MEMBER ARTHUR LINDO (FRS):** You said 2001. You must have meant 2000.

**DAVID S. BUNTON (TAF):** Yeah, I do that all the time. I keep forgetting the second two.

**ASC MEMBER ARTHUR LINDO (FRS):** All right. All right.

**DAVID S. BUNTON (TAF):** I'm sorry.

**ASC MEMBER ARTHUR LINDO (FRS):** You don't want to go there with me.

[Laughter.]

**DAVID S. BUNTON (TAF):** 2021. 2021 was the first study. And we're going to do it every 36 months.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay, all right. So you're telling me I got to wait a little while to see—

**DAVID S. BUNTON (TAF):** Well, you're going to get a report this—later this spring on if we move the needle at all in the last 36 months.

**ASC MEMBER ARTHUR LINDO (FRS):** Right. Thanks, Mr. Bunton.

Ms. Tran, I was impressed when you took the step to partner with the Civil Rights Division, and testimony was very, very useful. Have you seen any reduction in the measures that you use to gauge whether or not there's bias, appraisal bias in the State of Texas after that partnership? And if so, what would you say it has been? Has it decreased? Have you seen tangible evidence of that?

**MELISSA TRAN (TALCB):** Thank you for the question, Mr. Lindo. Our partnership is still relatively new. So our data set is pretty limited. I can report to you that we've had about 18 cases that we worked with the Workforce Commission Civil Rights Division on, and of those, we had one where both agencies took follow through.

I think one of the data points that you mentioned—I can't even begin to think of how we would measure whether or not bias in a State would increase or reduce. But what I can tell you is that I think that there is more awareness. We've seen the number of complaints received alleging bias has increased, and like you said, it's not that it didn't exist before. I think there's just more attention being brought to it now.

**ASC MEMBER ARTHUR LINDO (FRS):** Well, while I have you, one more question. I was also interested in—your State is in a rare group. I mean, you don't have additional requirements above what the AQB does, and just in general, by doing that, when you evaluate it to not add those requirements, you probably use some criteria. You did cost-benefit analysis and the like, but you ended up doing it. Since you've done that, have there been any negative impacts from that decision in terms of the qualifications of the appraisers in the State of Texas or the work that they're doing? Have complaints gone up? Have incidents of bias increased? Anything like that you can tell us since you've done that?

**MELISSA TRAN (TALCB):** No, I don't think so. I think Texas, one of the things that we pride ourselves on is reducing barriers to entry in all arenas. But particularly, when it comes to appraisals, there's already an organization that sets the standards for it, and so we just did not see a benefit to adding more.

**ASC MEMBER ARTHUR LINDO (FRS):** So it hasn't degraded the quality of appraisers in your state, nor has it increased other measures that we thought we were studying today, like bias or anything like that, just by that act alone?

**MELISSA TRAN (TALCB):** I don't think so. Appraisers are still required to take and pass the exam as well. So the experience is just getting them to sit at the exam stage, and so the exam is really like the final step in becoming an appraiser. So I don't—

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. Fair Enough. And has the appraiser population in Texas—or could be gotten more diverse during that time period?

**MELISSA TRAN (TALCB):** That's also like Mr. Bunton said, something that's going to have to be like a long-term thing that we watch.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. Well, I guess we have to work more on that.

Ms. White, question for you. I'm a data guy. So I love the idea of standardizing ROVs and the like. So I was intrigued by that work there that you were talking about. What do you think are the largest barriers to such standardization?

**JILLIAN WHITE (AI):** I think the largest barriers are that every lending institution, their operations operate a bit differently. So in coming up with one comprehensive standardized way of handling it, for the most part, it has to be pretty much a broad stroke to make sure that each lending institution is able to apply it. But some of the key points that can be measured are just the frequency of ROV requests, what are the results of the ROV requests, and then tracking any sort of changes in value.

When I was working at a lending institution, we implemented this and had some really quick findings that enabled us to figure out where we needed to deploy resources as it pertains to ROVs in order to be the most effective. So just getting some baseline information in terms of what is going on with this process and then having that shared so that lending institutions are able to compare their numbers against others.

**ASC MEMBER ARTHUR LINDO (FRS):** I like that. Standardization, we can measure it.

Okay. I got about two minutes left, so I'm going to open it up for a question for all of you, and I'll start with Ms. Sweeney. But the idea here is, do you really think we have the right balance? We've got a tremendous amount of work that's been done to say these are the costs of becoming an appraiser, these are the hurdles that required to be overcome to get into the

industry. But we haven't talked about the revenue side of this. You touched on that a bit. Do we really have more of a market price for appraisals, or is that in need of review? Because I see the constraint on what you can charge, but the idea that the costs keep going up for the average appraiser and the like, what do you think is a real market price for an appraisal, if you didn't have some of these things?

**MAUREEN SWEENEY (EA):** Well, I can tell you that what appraisers are receiving and what the consumer is paying, especially when appraisal management companies are involved, is a very different—are very different. And so what cost—basically the cost of appraisal, it depends on what the scope of the work of the assignment is. For example—

**ASC MEMBER ARTHUR LINDO (FRS):** Residential.

**MAUREEN SWEENEY (EA):** Exactly. Well, but to answer your question, the cost for an appraisal of a one-bedroom condominium in a building that has 500 similar units is very different from the cost of a 15,000-square-foot single-family house. Those are two different appraisal assignments with two different scopes of work. So having the same fee for each is not practical because the amount of time that's going to go into each is very different.

And so in our State, when one is getting their license, there is a matrix—oh, I'm sorry.

**ASC MEMBER ARTHUR LINDO (FRS):** No, go ahead, please.

**MAUREEN SWEENEY (EA):** There is a matrix for, you know, here, for a single-family home, ten hours, a condo, ten hours. But if it exceeds that, then you have to explain, hey, why are you taking more hours in there? And so to say that—

**ASC MEMBER ARTHUR LINDO (FRS):** I'm out of time. So I'd like—we'll come back to pricing later today, but thank you.

**MAUREEN SWEENEY (EA):** Not a problem. Thank you.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Good morning, everyone, and again, thank you all for being here. Your written testimony for me was very educational and informative, but today's discussion has been as well.

And, Ms. White, I know we spent a lot of time on the supervisory model, but I want to look at it from a little bit of a different angle and get your thoughts on it. When I think about appraisals in the appraisal industry, I think you'll all agree that there is a measure of judgment that needs to come into the final valuation. Yes, we have models. We have forms. We have things that are in it. But ultimately, an appraiser has to use their judgment on what the final value is.

I think about that when I think about my own profession, which is I'm a certified public accountant. So when I do an opinion of a company, when I'm doing an audit, I have to use judgment. And I became an accountant by going to school, getting a degree, passing a test, and then having to work for two years under a certified public accountant to help hone my judgment, to help me understand what it was all about, and to really be able to be certified from that process. So I had the advantage of—I got a job, and that person—if I went to work for CPA, that person could be my mentor, my oversight, sign the paperwork that I needed to get my license.

In the appraisal industry, what I'm learning is that it's who you know that you can find that will serve as your supervisor or your mentor who you might know. So I see a benefit to having that time with somebody who's experienced in the field. Is there another way it could be done? So rather than a new person having to find their own supervisory person, their own mentor, could the States take that on, or could AMC companies take that on where somebody was hired and they would be assigned a mentor? Do you think that's an option, or what other options might there be to have that relationship to gain the judgment?

**JILLIAN WHITE (AI):** Great question. And I absolutely do see the value in having mentorship and somebody essentially teach you the ropes and allow you to hone your skills before you immediately are thrown out there and appraising properties and assigning values. The issue—there's a number of issues.

Number one, one of the friction points for appraisers and the reason why they aren't taking on trainees is they say, “Why in the world would I want to train my competition?” So now if there were to be some sort of pairing of a trainee with a supervisor, that friction point of the competitive nature of it would need to be eliminated as well.

An additional friction point is that once a trainee is assigned to a supervisor and working with them, oftentimes different lenders will not accept the trainee's work unless that supervisor physically goes out and inspects the property with that trainee, sometimes for a year. And so that's extremely onerous on the supervisor to have this resource that they aren't able to really fully leverage and utilize for an extended period of time.

So a pairing of a supervisor and a trainee, I think that would address a lot of the friction points in terms of having to know somebody in order to become an appraiser. But there are also other friction points that would prevent, I think, the efficacy of a program like that working.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Okay. I can understand that. And I think, you know, when I think about when I was first starting in accounting, the junior accountant carried the bag when they were going out with the person, you know, and eventually you get more and more work assigned to you, you know, till the point where you're doing the work and somebody is just reviewing it afterwards. So I think that's something that maybe if we could look at either through the qualifications board or through State licensure of different ways, maybe different levels of appraisal, that's certainly something that can be looked at. But thank

you. That does help me understand it. And I do think it's important to have that guidance and that mentorship for a new person in the profession.

Ms. Sweeny, I'd like to move over to you and some of what your testimony was. You indicated in your testimony that complaints from homeowners and appraisers were numerous, but that your review of the complaints indicated a lack of competency rather than an ethical violation. Can you talk a little bit more about that? Do you have any type of percentage of how much was competency versus ethics? And once you became aware of the lack of competency, what was done about it? You know, I know we're trying to work on the ethical violations, and there are ways to do that. But as you were finding a lack of competency, what was being done about that?

**MAUREEN SWEENEY (EA):** Thank you for your question. I totally appreciate it. I served on the Illinois Appraisal Licensing Board from 2005 through 2017. During that time, many complaints came in, and many of the complaints—this was before the supervisory appraiser—the supervisory appraiser trainee program was enacted. And so we ran across appraisers who took their basic appraisal education, and then they became appraisers without having anybody supervise them, which then caused some problems, to say the least, because people didn't know what they didn't know, because they weren't properly trained. They had their license, but what did they do with that license?

For example, you alluded to the fact that you had to go for two years, hold the bag until you became comfortable being a—you know, till you learned the ropes on being an accountant. The appraisal profession needed the same thing, because there are a lot of appraisers who came in, and they didn't know what they didn't know.

And so what our board did when they came in, we had to determine what is the basis of this report, okay? Somebody complained about them. Most of the complaints came in from the public or other appraisers. Unfortunately, not a lot from lenders. Again, back to this Interagency Guideline thing. But what happened was that we had to determine, did they know what they didn't know? And if they needed assistance and education, we can help competency with education. Absolutely.

So there were appraisers who came in and had to retake basic appraisal principles, basic appraisal procedures, and other courses that were out there—the 15-hour USPAP—if they were unaware or they didn't click in to what was needed on the standard side of it. So it was, “Here, you've been out in the field. Now it's time for you to retake these basic courses so you know what you need to know.” And so there are many courses, qualifying education, that can be taken as continuing education. So that way, they also got the hours. So a lot of appraisers received consent to administrative supervision, which was not a public discipline, but they got a whole lot of education to make them better appraisers. If it was an ethical violation, that's a different issue.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Okay. Thank you. The other thing in your

statement was that you indicated lenders and agencies are not clearly identifying USPAP violations and filing complaints with the regulatory agencies. Can you tell us what you based that statement on or what evidence you have to support that?

**MAUREEN SWEENEY (EA):** I base that information talking with investigators, with other State regulators, with—for example, with—yeah, and with discussing with investigators and other State regulators throughout the country.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Okay. Thank you. My next two questions are long. So I'm going to yield my time right now and save it for next round. Thank you.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** I want to thank Deputy Director Mattingly and Deputy Director Lindo. Before I handle CFPB's questions, I want to recognize that Director Rohit Chopra and FHA Director Sandra Thompson are in the room. I will, nevertheless, be handling CFPB's first-round questions.

And the first question is directed to Mr. Bunton. Do you acknowledge that Federal law requires that the Appraisal Subcommittee monitor and review The Appraisal Foundation?

**DAVID S. BUNTON (TAF):** Yes, I believe those are the exact words in the statute.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** At our May 19th hearing, Director Chopra asked Michelle Czekalski Bradley and Brad Swinney if they would invite, notify, and allow ASC staff to observe all TAF meetings, including nonpublic meetings. Both said that that was a governance issue for the board of trustees. Mr. Bunton—

**DAVID S. BUNTON (TAF):** Mm-hmm.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** —have you personally been involved in excluding ASC staff from exercising their monitor and review authority?

**DAVID S. BUNTON (TAF):** No, not at all. I've never had a request, that I'm aware of anyway, to participate in any of our meetings. The ASC policy regarding the reviewing and monitoring, the foundation says that they will not attend closed meetings. I believe that's what it says. But historically, over three decades, they've attended just about all foundation meetings.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** As a member of the board of trustees with a voice but no vote, will you voice your support for allowing ASC staff to fully exercise their monitor and review authority?

**DAVID S. BUNTON (TAF):** I'd be happy to bring it up. The next meeting is in mid-May.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** So you're saying that if the ASC changes its policy, you would support that three—that the TAF Board invite ASC staff and include them in closed



meetings?

**DAVID S. BUNTON (TAF):** We would just be reverting back to previous practice, yes.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Will you commit to going back and meeting with your board and ensuring that this takes place?

**DAVID S. BUNTON (TAF):** I will—I will raise it with them. It's not my decision. I don't have a vote on the board of trustees, but I will share with them the conversation that you and I are having today.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** So you're committing to voice, if not vote, for that?

**DAVID S. BUNTON (TAF):** That is correct.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** At our May hearing, the panel asked Mr. Swinney about the cost of PAREA to appraisers. He said AQB cannot control that, but AQB sets parameters for PAREA programs, approves PAREA programs, sets application fees for prospective PAREA vendors. The board of trustees says it can require financial contributions from sponsors and members of the Industry Advisory Council. If TAF exercises authority in all the areas that I just identified, despite lacking explicit statutory authority to do that, why can't The Appraisal Foundation set a price cap for prospective vendors to ensure you're not merely replacing one barrier to entry with a new barrier to entry?

**DAVID S. BUNTON (TAF):** The examples that you gave regarding Industry Advisory Council, sponsor assessments, we no longer have and other things. Those are fees associated with our internal operations. For us to put a price cap on a PAREA program, that's outside of our—we do not put a price cap on State exams. We do not put a price cap on courses out there. Those are private entities. We only control where we have an expense associated with it to cover that expense.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Can you provide to your prospective vendors information to create, to cabin the cost?

**DAVID S. BUNTON (TAF):** I'm sorry. To agree to what?

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** When you're soliciting vendor applications to create a PAREA program, can that solicitation include information that would cabin the cost to prospective users?

**DAVID S. BUNTON (TAF):** We can ask them about pricing. I think what's going to happen is right now you have one PAREA provider in the marketplace. You have multiple PAREA providers in the marketplace; the price will come down. So this is the first one. It's whatever the market will bear, but I think you're going to see a change in that.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** What I'm suggesting is that your solicitation can perhaps socialize the market to create some economies.

**DAVID S. BUNTON (TAF):** Mm-hmm. I will relay that to the qual board. That would be their call, but yes.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** I understand that you're retiring this year, and as you know, the president of TAF plays a critical role in the organization. You are the only president TAF has ever had. It is not a secret, and most of us have read that many appraisers believe TAF has long been run in an autocratic fashion and that real change is necessary.

Prior hearing witness Jonathan Miller reported typical appraiser feedback following the announcement of your retirement, quote, "It's really disheartening because I'm sure there are plenty of people like me who would be interested in leading The Appraisal Foundation but have no interest in doing so if real change can't be accomplished."

I and others at the ASC have urged TAF, both directly and in correspondence, to look outside the organization for its next president. Do you believe that this approach would help the lack of public trust in The Appraisal Foundation?

**DAVID S. BUNTON (TAF):** Well, Mr. Miller does have a challenge with the truth often. Most of the time when he reports, writes in an article, it is—it is out there. I've talked to him. I've tried to correct. He doesn't want to hear about the facts.

As far as an autocratic style, we have a board. We have a committee that picks people to serve on the qualifications board and the standards board. I am never in the room. I'm never involved in deliberations. We have a committee that decides who's on the board of trustees. I am never in the room. I am never involved in deliberations. Just among us, if you're in the people-picking business, you don't stay there for 34 years. That's how that works. So I've stayed out of it.

As far as the selection process, our board of trustees has picked a seven-person search committee. That search committee then went out and interviewed search companies. They selected one. They have developed a profile of what it would be to fill this position. I have seen that because they wanted to see what my opinion of it was. But I am not on that committee, and I'm not involved in that process, and I know the process is ongoing.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you for that information. As you know, members of the ASC board talked to that individual consultant that was selected, and during that interaction, we conveyed directly that we thought it would be good for the market to consider external candidates for this position that has voice but no vote.

**DAVID S. BUNTON (TAF):** Mm-hmm.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Would you commit to recommending that the board of

trustees use a process that will include and consider external candidates?

**DAVID S. BUNTON (TAF):** The chair of The Appraisal Foundation board of trustees is present today. So she is hearing this conversation, but I can underscore it after this meeting with her.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Would you commit to advocating for including external candidates?

**DAVID S. BUNTON (TAF):** Well, I've kind of stayed out of the process of picking my successor, so to be consistent with that, as I say, I'm not involved in that. The chair of the board of trustees is involved in that, and she's present today.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Can you appreciate that limiting a search and selection to staff of The Appraisal Foundation, which I believe includes around 13 individuals, doesn't compare to opening up the process—the search, the selection—to include folks who are outside The Appraisal Foundation?

**DAVID S. BUNTON (TAF):** I think it's weighing upward mobility in an organization versus an external search, and again, that's not my decision.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Choosing someone who will run the organization the same way you've run it for 30 years is not necessarily beneficial to the organization. It may be a detriment and a continuation of the same problems that TAF has been criticized for. What is the downside to opening it up to external candidates?

**DAVID S. BUNTON (TAF):** I don't know of a downside, but it's not my decision.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Would any of the witnesses care to comment?

[No audible response.]

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Okay. That concludes the first round of questioning. We will now take a ten-minute break, and we will regroup at noon. Thank you.

[Break taken.]

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Welcome back. Welcome back. We will now move to a second round of questions. In this round, each ASC representative will have eight minutes to ask questions, and we will begin again with Deputy Comptroller Thomas. Deputy Comptroller Thomas, the floor is yours.

**ASC MEMBER ENICE THOMAS (OCC):** All right. Thanks, Chair Martinez.

Ms. White, I want to pose a question to both you and Ms. Sweeney, but I want to start with you

first, and it's regarding the sales comparison approach. Reading through your testimony, it reads as, you know, it's a useful tool, but it must evolve. So I would like to know if you could just share your thoughts and ideas on what you're thinking about the sales comparison approach and how it needs to evolve or be modified.

**JILLIAN WHITE (AI):** So in regards to instances of bias, you'll see that a lot of the biases show up in areas of discretion within the sales comparison approach. Appraisers have the discretion to define the neighborhood, the comp selection, the adjustment, whether to make them or not, the size of the adjustments, and going back to what I referenced in my opening statements regarding the FHFA blog, talking about time adjustments and how they're applied differently. Each of these discretionary points have a stacking effect that can lead to a very different value conclusion, depending upon the appraiser.

Ten, twenty, thirty years ago, when we didn't have access to the amount of data that we have today, that level of discretion was necessary. However, now with all the technology and information available, a lot of those discretionary choices can be removed and standardized in order to level the playing field in terms of how the sales comparison approach is handled.

**ASC MEMBER ENICE THOMAS (OCC):** Okay. Thank you.

And, Ms. Sweeney, as I read through your testimony, it appears that you are very supportive of the sales approach, with your testimony saying that, you know, it helps determine the true market value of a property. Can you just elaborate more on, you know, what do you feel is the best—if you feel the sales approach is the best approach, and is there any modifications that could be made to make it a better approach?

**MAUREEN SWEENEY (EA):** The sales comparison approach is based upon the theory of substitution, that when all things are equal, the property with the lowest price will sell fastest than the property with the highest price. Substitution. And so adding to what Ms. White was saying is that with adjustments, adjustments are extracted from the marketplace. And so through proper training, that an appraiser should be able to extract information from the marketplace in order to get their adjustments. There's very specific ways to determine a time adjustment, a location adjustment, et cetera, that appraisers really need to include that in their work.

An appraisal, kind of like third grade math, show your work, and I'm a fan of appraisers showing their work in the body of their appraisal report. Some like the cost approach. They're like, "Whoa. It all has to be the cost approach. Whoa." The cost approach is inapplicable when you're doing a condominium. Why? Because of the invisibility of the common elements. We cannot divide the common elements in a condominium association because the common elements are owned by the condo association, not by the individual owner. So the cost approach is not applicable when one does a condominium. And so for that, the sales comparison approach is the most reliable approach to value when appraising condominiums.

**ASC MEMBER ENICE THOMAS (OCC):** Thank you. And I know I posed that question to Ms. White and Ms. Sweeney, but others, do you have any thoughts on the sales comparison approach or any modifications that may be needed? Yes, sir. Mr. Neelly.

**E.C. NEELLY IV (MAB):** I 100 percent agree. I've been a fee appraiser since 1989 and was all the way up to 2010 when I went to work for a bank as the chief residential appraisal officer for a regional eight-State bank. You know, there's—without a question, the sales comparison approach, you know, is the best tool for the determination of market value being based, just like Ms. Sweeney said, on the principle of substitution, you know, in using truly comparable sales and not just sales. There's a huge difference between a sale and a comparable sale.

With the adjustment being extracted from the marketplace and, you know, with appraisers showing based on what? How did you come up with that adjustment? Are you using the same adjustment that you've used since 1989, or have you modified that over time as time has gone on and you're familiar with the data?

But I do not believe that you can take judgment out of an appraisal when formulating an opinion of fair market value. That's what a lender is paying an appraiser for. That's what an individual—they want your opinion. They just don't want figures.

**ASC MEMBER ENICE THOMAS (OCC):** So how do we handle that in cases where we have rural areas, where we have limited number of comps, and to try to delineate or eliminate, you know, improper comps or bias that could come from that?

**E.C. NEELLY IV (MAB):** That's a good question. And we're a poster child for it, the State of Mississippi. We're primarily rural. We have three metropolitan areas in the whole state: Jackson, we have South Haven, and we have Gulfport. And, you know, so primarily, that is what appraisers are appraising, our rural-type properties. Sure, they're smaller towns, but I mean, most smaller towns are below 40,000 people. So the market areas that they service, they're servicing not only the market that they're in, but typically about a four to five area county around that—you know, the individual county that they live in.

But I feel like that that's why that we definitely need to maintain some type of supervisory structure. I'm adamantly against somebody being able to just take courses and go out and do an appraisal. Take a test; go out and do an appraisal. I agree with Ms. Mattingly. You know, I worked for two years under a supervisor, and I didn't have anybody that I could run up to and say, "Hey, I want to get in the appraisal industry. What can I do?" I looked, I looked, I looked. And back then, we didn't have to have a supervisor in 1989. But that's what I did, because I did not know the business. I wanted to learn it, and thankfully, I had an individual that was willing to train me and let me go beside him for free. I didn't get compensated for two years. I worked there from 8:00 to 5:00 and then from 5:30 to 12:00. I bartended at night, stayed till 1:00, cleaned up, and did it all again the next day. But we do need a supervisor-type structure. I think if you don't, it's going to cause so much—so many problems for lenders, for States with a complaint process, et cetera.

**ASC MEMBER ENICE THOMAS (OCC):** Okay, thank you. Chair Martinez, I'll yield back the last seconds of my time.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Deputy Comptroller Thomas. Associate Director Wylie, you have the floor.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you. Mr. Bunton, you mentioned The Appraisal Foundation was considering a diversity survey. Are you familiar with the Bureau of Labor Statistics, statistics on the appraisal profession?

**DAVID S. BUNTON (TAF):** To some degree. I do know that when they say appraisal, they also include all the assessors, which is a sizable number out there. I'm familiar with it.

**ASC MEMBER JAMES WYLIE (FHFA):** Correct, yes. And I reviewed these this morning, and the 2021 Bureau of Labor Statistics in that category, it noted that 97.7 percent of that category were white, 1.1 percent were Black. And these are the statistics that are cited in the PAVE report.

I reviewed the 2023 data. That number has changed to 94.7 percent white, but 0.6 percent Black. That was greatly concerning to me.

Looking at the overall labor force in that same report from the Bureau of Labor Statistics for that 2021 statistic, the Black membership in the labor force was 12.3 percent. And it was 12.9 percent. That's 11 times greater than in 2021, the representation of the labor force compared to appraisers, and 21 times if we look at the updated 2023 statistics.

Would you agree that those are dire statistics?

**DAVID S. BUNTON (TAF):** They are dire. I do wonder if that isn't an outlier to see a 4 percent drop in such a short period of time.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you. You talked a little bit about the process The Appraisal Foundation is going to undertake for the review of their criteria. Has The Appraisal Foundation traditionally, when looking at changes to the criteria, engaged experts in employment discrimination law or in the validation of employment selection procedures like organizational psychologists?

**DAVID S. BUNTON (TAF):** Historically, we haven't. Although when we just did the fair housing education, we brought in Consumer Law Center, the National Fair Housing Alliance, and other groups like that. I think going forward, you will see that.

**ASC MEMBER JAMES WYLIE (FHFA):** So I want to add to some of these statistics, some of the statistics from historical case law in employment discrimination. In employment discrimination, like in fair housing, sometimes there are cases that are called "pattern or practice of

discrimination” or system-wide discrimination. Comparing some of those historical cases, for example, when the Supreme Court recognized this in *Hazelwood v. United States*—this was 1977—there, the comparison was a school district had 1.8 percent Black educators when 15.4 percent of the educators in that area were Black. So that was over a rate of eight times greater. The Teamsters case, another one, was a rate of 12.5 times greater. Given that, I personally am concerned about these dire statistics. Do you think in addition to what you laid out, it might be appropriate to engage an independent expert on Title VII, independent experts in organizational psychology to comprehensively review the qualifications criteria for compliance with employment discrimination law?

**DAVID S. BUNTON (TAF):** It's certainly something to look at. Totally agree.

**ASC MEMBER JAMES WYLIE (FHFA):** I want to talk about USPAP. Mr. Bunton, would you agree that USPAP is the law?

**DAVID S. BUNTON (TAF):** Yes.

**ASC MEMBER JAMES WYLIE (FHFA):** So, in fact, The Appraisal Foundation in your—I suppose it's moniker. I see it on many of the materials. It says authorized by Congress as the source of the appraisal standards and appraiser qualifications. Is that right?

**DAVID S. BUNTON (TAF):** That's correct.

**ASC MEMBER JAMES WYLIE (FHFA):** So I was reviewing the statutes, looking at places where USPAP is incorporated. Of course, we have the sort of requirements for federally related transactions where USPAP is a requirement. In addition, I noted there's a mandatory reporting duty for certain Federal agencies that identify a USPAP violation. I noted a mandatory reporting duty for mortgage lenders, brokers, and others involved in a real estate transaction if they think there might be USPAP violation. Is that a comprehensive list? Do you believe there are others?

**DAVID S. BUNTON (TAF):** I think that's relatively comprehensive. There may be others. I know that the Marshals Service, some others also recognize it, and it falls outside of the real property arena as well. There have been several landmark cases in the U.S. courts regarding personal property valuation, and they cite USPAP.

**ASC MEMBER JAMES WYLIE (FHFA):** And USPAP is developed through a somewhat participatory process. There are comments from appraisers. There's public meetings. There's debate about exposure drafts.

**DAVID S. BUNTON (TAF):** Mm-hmm.

**ASC MEMBER JAMES WYLIE (FHFA):** And so, in some sense, would you view USPAP as a collective work based on the participation of those parties?

**DAVID S. BUNTON (TAF):** Yes.

**ASC MEMBER JAMES WYLIE (FHFA):** So one thing in contrast with USPAP compared to other areas of law, you have to pay for USPAP, correct?

**DAVID S. BUNTON (TAF):** You don't have to pay for the standards that are the—standards one through four on our website, and they are available free of charge. You can download them, and you can print them.

**ASC MEMBER JAMES WYLIE (FHFA):** I did notice that. However, it's quite far down on the website, and I did notice that that standard one through four, it still has a copyright notice from The Appraisal Foundation. So for example, my agency could not distribute that free part of the USPAP without being at risk for copyright infringement.

**DAVID S. BUNTON (TAF):** I'll bring that back to our office, and then we'll look at that, because that wasn't the intent. The intent was to make it available to anyone.

**ASC MEMBER JAMES WYLIE (FHFA):** So you wouldn't have a problem with Federal or State agencies that free portion of USPAP being distributed freely by other government agencies?

**DAVID S. BUNTON (TAF):** That's correct. In fact, initially, when USPAP was first adopted, it appeared in the Federal Register, the first three standards.

**ASC MEMBER JAMES WYLIE (FHFA):** But appraisers, in order to maintain their licensure, they have to take ongoing education, and they have to purchase updated copies of USPAP. Is that correct?

**DAVID S. BUNTON (TAF):** They have to purchase what's called a “guidance manual.” It has all the advisory opinions and things like that. USPAP, we're hoping is not going to be changing. Appraisers have to take seven hours of USPAP every two years, and I would hope that the USPAP document, which by the way is \$35 today—and it was \$25 when Congress enacted this—that they could use that same book of standards in more than one cycle, multiple cycles.

**ASC MEMBER JAMES WYLIE (FHFA):** So I reviewed some of the revenue and expenses for The Appraisal Foundation based on the tax filings. I looked at the specific program regarding USPAP. For 2022, what I saw was that The Appraisal Foundation made about \$4.4 million off of USPAP, and the expenses listed for that program were \$402,000. Do those figures sound accurate?

**DAVID S. BUNTON (TAF):** Not off the top of my head, but I'm not going to dispute them. If you saw them, I would agree with them.

**ASC MEMBER JAMES WYLIE (FHFA):** Given that it seems odd, perhaps unique in Federal law, that this is something that the people who are subject to it and who may have mandatory reporting duties have to know in order to exercise that duties, do you think those revenues and



expenses seem excessive?

**DAVID S. BUNTON (TAF):** The issue we have here is a certain amount of context. Over the last ten years, the Federal grant from the Appraisal Subcommittee of the Foundation went from \$1.9 million to \$250,000 for our ASB and AQB. You can't operate with that kind of a wide swing. So we need to have a certain amount of publication revenue.

When Congress enacted FAREA in 1989, we were selling USPAP. They were aware of it. We recently talked to their staff director, and they don't have an issue with that. It helps with—our budget is about \$4.4 million.

**ASC MEMBER JAMES WYLIE (FHFA):** Mr. Bunton—

**DAVID S. BUNTON (TAF):** So it covers just about all of our expenses.

**ASC MEMBER JAMES WYLIE (FHFA):** —are you aware of the government edicts doctrine and copyright law?

**DAVID S. BUNTON (TAF):** No.

**ASC MEMBER JAMES WYLIE (FHFA):** Under this doctrine, the Supreme Court has noted that the essence of that doctrine is that no one can own the law. Why do you feel is it appropriate for The Appraisal Foundation to exercise copyright over the law and generate revenue from all of the appraisers and others who are subject to these requirements?

**DAVID S. BUNTON (TAF):** Based on our copyright counsel, our outside legal council, the standards are publicly available. The annotations, the intellectual property is what is for sale, and that has been allowed in numerous court cases. They make a distinction between the standards themselves and the annotations.

**ASC MEMBER JAMES WYLIE (FHFA):** Thank you.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Associate Director Wylie. Vice Chair Brown, you have the floor.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Thank you. So first of all, as a member of the ASC Board, I would like to associate myself with the chair's line of questioning regarding the selection of the next president of the foundation. I understand the foundation is sometimes described as a guild within a guild. So it seems appropriate to cast a wide net in terms of hiring the next president and absolutely consider strong external candidates.

Mr. Bunton, in your testimony earlier, you referenced in response to a few questions from members of this panel that the market should decide. It seems appropriate, then, you should help—your organization should leverage the market to help identify the next best president for

the foundation going forward. Given the lessons learned over the last couple of years and the foundation's role established by Congress, it's critically important that the appropriate leadership be in place, as I described before, as opposed to being a reactive organization to events, leading on events, focused on helping to modernize the industry and also focus on addressing appraisal bias going forward. If a wide net is not cast and if a wide range of leaders with new ideas are not considered, it seems to me that that essentially is a barrier to entry into the leadership of the foundation. So I wholeheartedly support the line of questioning of the chair.

Then I have a couple of questions, and really, I'm going to direct these questions to all the panelists. This body has had a long journey over the last year focused on appraisal bias. This is the fourth hearing, and I always consider it as the fourth chapter in the book, but it's an important chapter and this is not the end of the story. The journey continues. So I would ask all the panelists here, could you identify one thing, given testimony today and what's happened the last couple of years shining a light on appraisal bias, that you would, number one, recommend that the foundation take, a definitive step that the foundation can take to address appraisal bias? Number two, what can the ASC do going forward based on our role? And number three, we have 50 States out there on the ground making important impacts. What's one thing that a State could do to help move this issue forward? I'll start with Ms. White. Would you mind please addressing those three questions?

**JILLIAN WHITE (AI):** Yes. I will start with what the States can do. In regards to receipt of appraisal bias cases or complaints, I think it's really important to have a way of making a determination if it is biased or incompetent of an appraiser, especially if there's going to be some sort of enforcement or fine imposed on the appraiser as a result of it and so really having the training and the support in order to make that determination.

And then that ladders up to the ASC, how they can assist by helping the States receive that kind of training so they know exactly what to look for and how to make these determinations and how to do so in a timely manner.

And then in terms of what TAF can do, I said it in my opening remarks. I really think the Appraiser Qualifications Board needs to either eliminate or most certainly revisit the appraiser supervisory relationship.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Any comment on the potential leadership of the foundation going forward?

**JILLIAN WHITE (AI):** I think it would serve TAF well to have leadership that historically has been disassociated from Dave because of his longstanding presence as the president and to really show that there is a new legacy moving forward and kind of fresh ideas coming in and an openness to change, especially in this changing climate as the topics of discussion such as appraisal bias are most prevalent and pressing.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Appreciate that very much. Any suggestion for the ASC going forward?

**JILLIAN WHITE (AI):** Suggestions for the ASC is really providing support for the State boards in terms of the training and identification and determination of bias cases and making sure that there are clear guidance in terms of how to distinguish cases of bias from instances of incompetence.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Thank you. I appreciate your testimony.

Ms. Tran, would you mind answering the questions?

**MELISSA TRAN (TALCB):** Thank you for the question. From the perspective of the foundation, I'll just reiterate what I said in my opening statement, reassessing and reviewing the qualifications criteria to make sure that they are appropriate and they don't have barriers that are not necessary.

From the perspective of the ASC and the States, it's really, if we have to work within these qualifications criteria, how do we get more people in? So from our perspective as a State, we need to be creative. We need to find solutions that work in our area.

And from the ASC's perspective, grant funding, allowing us to run with the ideas that we come up with in a way that is not limited by amount or scope of allowed activities.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Thank you. Hopefully, your State's approach can be replicated to other states.

Any thoughts on the foundation and what the foundation could do going forward?

**MELISSA TRAN (TALCB):** I think that Dave has mentioned several initiatives that they plan to take on. Just keeping us informed and letting us know how we can help make a difference.

**ASC VICE CHAIR LUKE BROWN (FDIC):** Thank you. Mr. Neelly?

**E.C. NEELLY IV (MAB):** Yes, sir. Thank you, Director Brown. I think that it would be very beneficial for the foundation, you know, to offer training and support in regards to appraisal bias. Right now, there are not a lot of resources out there that you can go to. You know, in my opinion, I have a real concern that this seems to have morphed into such a huge issue. It keeps getting bigger and bigger, it seems to me, but we're having trouble finding a case study to study the problem. And I'm not, by any stretch of imagination, saying that one does not exist in some form or fashion. But I look at it on a risk-versus-reward-type scenario. Kind of goes along with Ms. Sweeney, what she was talking about fees in regards to the AMC, you know, jobs that are accepted.

If you have a scenario where an individual is embezzling money from a company, an employee, why does he do that? He does it risk-wise, hoping he doesn't get caught, but reward-wise, he's getting typically a great sum of money. Same way with a bank robber. Guy goes to the bank. He robs the bank. Boy, he's hoping to get a lot of money. Well, if he does, he gets away for a while. The FBI always get him. So risk versus reward.

You take this scenario, and I say all that to say right now, an appraiser—let's just say a typical thing. He goes out. It's hard for me to understand how someone would jeopardize their entire career, their livelihood, and their license where they would never be able to practice appraisal again.

I do think that this really has more to do with ethics. A lot of it, in my opinion—you know, I can't teach you to be ethical. You can't teach me to be ethical. I'm ethical or not ethical based on how I was raised, my family, and I think that in situations where someone would ever let their bias opinion or bias come into a valuation opinion, you know, those people should not be appraisers.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Time.

**ASC VICE CHAIR LUKE BROWN (FDIC):** I do want to say, Mr. Neelly, there are use cases out there. Obviously, there's nondiscrimination experts or lending experts that I'm sure might ring your phone based on this testimony, and many of us have seen some of these cases highlighted in the media. So there are absolutely cases out there, and we should get you that information. Thank you

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Vice Chair Brown. Ms. Davis, you're up next.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you, and I definitely echo that. It seems like there's resources available to get you the case data. HUD is happy to share them, and I think they're already out there, that we've seen them in connection with these hearings.

**E.C. NEELLY IV (MAB):** Yeah. And I'm in no way alleging that there are no case studies out there. I'm just saying, in my opinion, having been at a regional bank for nine years—and I was over that department—and having been in the position as the State director, I'd just go off the data that I have seen. And I hope that we continue to not see them. That would be the best thing in the world. But if there are bias situations out there, we want to discover those, and we want to, you know, alleviate that problem, because those type people should not be appraised.

**JILLIAN WHITE (AI):** Can I just speak to that for a moment, the ability to see the bias cases?

**ASC MEMBER ELIZABETH DAVIS (HUD):** Yes, please.

**JILLIAN WHITE (AI):** So when I was working in a lending institution, there were a number of sales people who had personal relationships with me who would come and say, "Hey, Jillian, we

have a bias complaint here. Can you take a look?" And because of that back-and-forth, open line of communication, I really thought I had a handle in terms of all the bias cases that were coming through our lending institution. It's only when I sat down and actually created a specific process, did training with the sales teams to identify when these keywords are mentioned, this is something that should be escalated, it's only at that point when these processes were put into place that I was humbled by the amount of bias cases that were coming in and really found the need to stand up a robust process in order to identify and handle them.

So oftentimes a lack of awareness of the bias cases coming in isn't because they don't exist, but it's actually because the systems in place to catch them are not refined enough in order to tease them out, recognize them, and therefore handle them.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Now that some of those data fields where there might be some language in there that keyword-search may not be available any longer, how do you see State agencies and other Federal agencies able to identify bias?

**JILLIAN WHITE (AI):** So there are a number of areas within the appraisal report where instances of bias will show themselves, such as the definition of the neighborhood, the comp selection, the adjustments made, the reconciled value. And so I like to say that appraisers are storytellers. And so appraiser, their job is to make a compelling story as to why their estimate of value is correct.

In instances of bias, what happens is the story that's being told is very specific in one direction, and it's not the normal path. The appraiser had to take a bit of a turn in order to create this new narrative, stepping over comparables, making adjustments that don't make sense. And so in identifying those areas and looking at the pieces and the stacking effect of them, then that is how State agencies would be able to define instances of bias versus instances of non-bias.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Ms. Sweeney, do you also have some insights?

**MAUREEN SWEENEY (EA):** Bias is an ethical violation of USPAP, so was advocacy. And as Ms. White was speaking, I was thinking of appraisal reports where an appraiser is advocating for their client, either for or against them. And advocacy is against USPAP, and it's against the law. We may not advocate for our client or any cause. We must be true to what is the value of the property that is in front. We must be independent, impartial, and objective as appraisers. That's what we do. That's who we are.

And so when we advocate, when our search criteria is based on price versus anything else, if our search criteria is based on price, we have a predetermined opinion of value. We can't do that. It must be based upon other criteria. How many bedrooms? How many baths? What type of ownership does it have? Is it a condominium? Is it part of a PUD? We have to look at all these other type of search criteria. And so when appraising or even reviewing—Ms. White and I both review reports. So when, as we review them, we have to be paying attention to this and then figure out, is it a competency issue, or is it an ethical issue? And by looking at both of those, an

opinion, a determination of what's wrong with the report can be made. But by looking at something at face value at first, sometimes the story is very different as we continue on in the investigation.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Do you think with the ethics rule update, the additional agency anti-bias guidance, increased trainings on bias, that they're resolving some of the competency issues?

**MAUREEN SWEENEY (EA):** I do. I do. And full disclosure, I'm a USPAP instructor, and I taught USPAP on Friday. Lively discussion. I love teaching it. P.S., also wrote a music video based upon USPAP. Available on—

[Laughter.]

**ASC MEMBER ELIZABETH DAVIS (HUD):** That wasn't in your testimony.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Put it in the record.

**ASC MEMBER ELIZABETH DAVIS (HUD):** That's too bad. Please—

**MAUREEN SWEENEY (EA):** I know. No time to do it, much to the horror of poor Dave at the end of the table.

But in all seriousness, we taught USPAP, and I am of the generation that grew up in the '60s and '70s, and so I was fully immersed. And here, fair housing was part of my—is part of the fabric of who I am. But now we have new generations of people coming in who were never quite taught, right, because we just assume that the new generation coming in knows this information, knows, hey, these are the fair housing laws. These are the fair housing of 1866. You've got this in fair housing. You've got this one, and you've got three of them. My brain right now is not thinking of all three specifically. The—whatever. I just got frustrated for a second.

But the new people coming in, we need to teach the next generation about fair housing. I think this is a wonderful opportunity for, hey, dinosaurs like myself to be reminded of what we should know and new people of, hey, here is something you also should know as well. So I believe that. You know what. Ney, I may have been making a mistake. I didn't know what I didn't know. So therefore, let's teach people, because they may not understand that they've been doing it wrong. That's the beauty of education.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Ms. White, anything to add?

**JILLIAN WHITE (AI):** Nothing to add.

**ASC MEMBER ELIZABETH DAVIS (HUD):** No rap? No USPAP

[Laughter.]

**JILLIAN WHITE (AI):** No.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Okay. I only have 26 seconds left, but I would be curious, Mr. Bunton, on—CARE had its first meetings in 2023, and are there any action items that resulted from those meetings or interesting discussions that would be good for us to be aware of?

**DAVID S. BUNTON (TAF):** Yeah. They met in December, and they met again the first of this month. One of the things that they want to do is help identify cases of valuation bias, as well as bringing in more organizations. It's still in its formative phase. As I mentioned, there are three more organizations that have applied, but they want to work closely with the States regarding this whole area of valuation bias. They're extremely interested in it.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Time.

**ASC MEMBER ELIZABETH DAVIS (HUD):** Thank you very much.

**DAVID S. BUNTON (TAF):** Mm-hmm.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Ms. Davis. Deputy Director Lindo, you have the floor.

**ASC MEMBER ARTHUR LINDO (FRS):** Thank you, Madam Chair. Okay. So I'm not going to waste my time in this go-round. I'm going to get right to it. So we're going to start out with I have some observations on the use of automated tools and data-driven approaches, and one of the things I kind of wonder is, are we missing an opportunity here? Could we use automated tools to improve the credibility and reliability of appraisals to reduce the amount of bias that may occur? So I'm going to ask each of you to think through any ideas you might have or limitations that might result from the overuse of automated tools.

Now, I'm not substituting automated tools for the judgment of the appraiser—appraiser. Excuse me. I'm just saying the use of those tools should inform the appraiser, right? So I may be a little off in terms of the way it actually works, but I'll start with you, Ms. Sweeney. I'm trying to get to, could we use automated tools to reduce, if you will, the amount of bias that typically would occur in a process where there's a whole lot of judgment without those types of constraints?

**MAUREEN SWEENEY (EA):** If automatic tools are using historic data, then guess what? Bias is already baked into it. It's already baked into the algorithm. So therefore, it's almost like we have to move back from what is in the algorithm and say, okay, I'm now—because all data must be verified.

**ASC MEMBER ARTHUR LINDO (FRS):** Mm-hmm.

**MAUREEN SWEENEY (EA):** And I don't know how those algorithms—how they come up with their conclusions, because it's proprietary, how they come up with their value conclusions or what they're choosing. So therefore, in terms of data and using automated valuation modeling as the end-all, be-all for a value, there needs to be transparency in that, so transparency and verification. And those two big things will help, especially with historic bias that's baked into the data.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. So you think it's possible, but we'd have to address those types of constraints.

**MAUREEN SWEENEY (EA):** I think that data must be analyzed across the board. And with some of these automated valuation modeling programs, I have no idea where they're getting their data from and how they're analyzing that information.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. Fair enough. Ms. White, your views on automated tools?

**JILLIAN WHITE (AI):** Interesting story. I was a field appraiser for the first 13 years of my career, and then I literally went from being a field appraiser to heading the appraisal department at a bank. And when I transitioned over, I was amazed at the number of tools available on the lender side that I would have loved to have had access to as an appraiser in the field. I was—like, my quality of reports would have been so greatly improved if that information was just provided to appraisers.

So I think there's a definite opportunity for there to be a pairing of the appraiser's opinion along with analytical tools and data that we really haven't leaned into, and it will not only expedite the process but also reinforce the appraisers in knowing, oh, okay, I thought my estimate of value was this, and now I have additional data to back it up.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. And you think it could reduce the amount of bias we see in typical appraisal?

**JILLIAN WHITE (AI):** I absolutely think it can reduce the amount of bias, because if nothing else, it can serve as a checks and balance for the appraiser and say, oh, I was thinking this way about the property or I was defining the property in this way. But when I take a look at, let's say, the historic red line map, I see that because this is a Black family, all of the comps that I selected were also in historically red-lined areas, even though there were other comps in the surrounding areas that I could have been utilized. So I think by surfacing the information, it really— everybody wins in that scenario when the appraisers are provided with more tools and more transparency in their estimates of value.

**ASC MEMBER ARTHUR LINDO (FRS):** Do you have any concerns similar to Ms. Sweeney as to how we might do that or what safeguards might you put in place if—



**JILLIAN WHITE (AI):** So I agree with what Ms. Sweeney said. The bias is baked in at the systemic level. However, in terms of dealing with the individual biases of the appraisers, that's where I believe the technological tools can really come in and assist. In order to deal with the systemic biases, we really have to take a look at the long-term impact of the reduction and suppression of property values in historically Black and brown neighborhoods.

**ASC MEMBER ARTHUR LINDO (FRS):** Thank you. Ms. Tran, would you like to weigh in, your views on that?

**MELISSA TRAN (TALCB):** Thank you for the question. I agree with both Ms. White and Ms. Sweeney. Data, if used responsibly, can help challenge an appraiser's assumptions. I am not an appraiser. I work with appraisers daily, though, and what they'll tell you is the more data, the better. What's important is that we don't assume that just because this is what the data says and that's how it's always been, it's right. So I think data, AVM models used responsibly, could help address this issue.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay. Mr. Neelly, would you like to weigh in?

**E.C. NEELLY IV (MAB):** Yes, sir. I'm very familiar with automated valuation models in that we utilize them at the lending institution that I work for. They still utilize those today. When we first started utilizing AVMs, we basically did it—and we utilized them for home equity lines of credit, typically \$25,000 or less, because we weren't familiar enough with the stress test, the tolerance numbers, things like that, had no idea that some of those AVMs are set up based on hedonic index models, or others are set up on true comparable sales data. It's obtained from, you know, various sources.

So once we were able to see that how those models worked—and with Mississippi being a rural area, you couldn't use the same model in every county of the state. So we had to set it up in a three-tier system where if you had a small county with very few sales, you know, based off you had a larger, you know—and too, we saw a lot of times in those rural markets, the AVM model was not very accurate.

**ASC MEMBER ARTHUR LINDO (FRS):** So there are limitations in—

**E.C. NEELLY IV (MAB):** There are definitely definite limitations. They work great, we saw in towns or small cities. But when you get out into the rural markets, they don't work that well—or at least in my experience.

**ASC MEMBER ARTHUR LINDO (FRS):** Okay.

**E.C. NEELLY IV (MAB):** I think as far as a check-and-balance tool, there again, we, you know, had gotten the tolerance number so good in certain areas, that's the first thing that we would do was run an AVM based off an appraisal that we had, just to check and see if, you know, and in most—

**ASC MEMBER ARTHUR LINDO (FRS):** So for a reasonable test, that might be inappropriate—

**E.C. NEELLY IV (MAB):** It is. I do not see—

**ASC MEMBER ARTHUR LINDO (FRS):** Kind of change the—I'm going to lose all my time here. I just want to make sure Dave, Mr. Bunton, if you want to get in on this before—

**DAVID S. BUNTON (TAF):** When you say AVMs, that is a big bundle.

**ASC MEMBER ARTHUR LINDO (FRS):** I said automated tools. I didn't want to necessarily—

**DAVID S. BUNTON (TAF):** Oh, okay. I'm sorry.

**ASC MEMBER ARTHUR LINDO (FRS):** —AVM—

**DAVID S. BUNTON (TAF):** But I'm using—

**ASC MEMBER ARTHUR LINDO (FRS):** Everybody isn't like—think [unclear] wants AVMs out of the [un clear].

**DAVID S. BUNTON (TAF):** It's the absence of a yardstick or standards that concerns us, that AVMs cover the waterfront. Some have confidence scores, but they develop their own confidence score.

**ASC MEMBER ARTHUR LINDO (FRS):** Agreed.

**DAVID S. BUNTON (TAF):** But those algorithms, you know, come out of this black box. I think until there's a yardstick to determine the integrity of these, I think you have to tread very carefully. But in homogenous areas, they can be very close.

**ASC MEMBER ARTHUR LINDO (FRS):** Work reasonable well? Okay. So we should spend some time on that. And I am out of time.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** There we go. Thank you, Deputy Director Lindo. Deputy Director Mattingly, you have the floor.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Thank you. And once again, I'm going to take us in a completely different direction. So—and I had one way I was going to go with this, but since my time is limited, I'm going to kind of combine it all.

So I listened and read that—Ms. Sweeney, that you said the best indicator of what a willing buyer will pay and a willing seller will accept is the sales comparison approach to value. So first, I have a little concern with that, because to me, what a buyer will pay and a seller will accept is the price, not necessarily the value. The sales comparison value comes into what a lender will

base their loan on, so the value of the property that a lender will make a loan to the borrower on. Now, typically the borrower and the buyer—the borrower and the buyer are the same person, but the lender and the seller are not the same. So I do see a difference between price and borrowing value.

When I think about that, I think about who hires the appraiser and who gets the value from the appraiser and are they satisfied with it or not. Technically, it's my understanding that the lender hires the appraiser to do an appraisal and tell them what the value of the property is. The buyer is not part of that discussion, but the buyer has the opportunity to ask for a reconsideration of value. So my question really goes to how does a buyer know they can ask for a reconsideration of value. Does their lender tell them? Does the appraiser tell them? Where does that come in, and is that being used enough when a buyer feels that there may be a biased appraisal?

So I'll open that up to any of you who have been appraisers. Ms. Sweeney, if you want to start, how does this reconsideration of value come into the picture, and is it being used appropriately?

**MAUREEN SWEENEY (EA):** Thank you for your question. So just to clarify, price is a fact. Value is an opinion that is based upon credible assignment results. I just want to make sure that we're all on the same playing field to know what these two terms are.

And so the way the model goes is that the client, in this case, mortgage is the lender, is a lender client, they order the report, and then the appraiser works with the client to determine the market value of the property as an effective date. So in many instances, with reconsideration of values, either, A, the appraiser will alert the lender ahead of time, like hey, property's not going to appraise out, or they'll receive the report depending upon if this third-party agent conveys that information or not, and they'll say, "Finish the report. We need to have that for our files."

So in most instances, it is my understanding that it is the lender who will alert the buyer that there's an issue, because again, we cannot talk with homeowners to say your place ain't appraising out, because we don't have connection with who is—you know, the only time we really have connection with who is in the house is for a refinance. We rarely meet the buyers or the sellers. We usually—if it's for a sale, we'll meet the agent of the property, you know, the buyer's agent in most cases.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** So then it's beholden on the lender to let the buyer know that the appraisal did not come in high enough, but they may ask for a reconsideration of value.

**MAUREEN SWEENEY (EA):** That is my understanding, yes.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** And do you feel that lenders are doing that enough?

**MAUREEN SWEENEY (EA):** By looking and hearing everything from the hearings, for the past three hearings, as well as listening to people in my community, no.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Okay. Others? Anybody else? Thoughts on that?

**JILLIAN WHITE (AI):** Yes.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Ms. White?

**JILLIAN WHITE (AI):** I can speak to that. So in a situation where there's a buyer, that necessarily means it's a purchase transaction, and typically, the ROV requests are coming from the real estate agents. And so they are going and writing on behalf of the buyer, the borrower saying, you know, I got X number of offers on this property. The house is worth so much. It's highly unusual for the buyer in that situation to be the one to submit the ROV, because now they're thinking, well, perhaps this house that I was going to purchase at this price is no longer worth that.

In refinance transactions, the ROVs are coming directly from the homeowner who is in the property, and so one of the challenges with the lender is how upfront do you want to be with your consumer that they can file a complaint, and so it's this push-pull. You want to make them aware of their options, but at the same time, do you want to go into the appraisal process, planting that seed that it could be inaccurate, and here's what the rebuttal process looks like?

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Okay. Any other thoughts?

**E.C. NEELLY IV (MAB):** Yes. You know, as far as a reconsideration of values, I mean, I cannot speak for all banks, but my former employer, I can say that that is something that, you know, most of the time that if we got something that a consumer was sort of shocked and they thought, "I know my house is worth more"—of course, everybody thinks their house is worth more than it really is—you know, then we would allow that. But, you know, most of the time, that price, that cost of that appraisal, that was something that the borrower was going to have to pay for. It was rare that the bank ever paid for a reconsideration of value unless, you know, we saw that something, you know, had sufficient problems, and we recognized that.

But I think that's a great question. I think reconsideration of value is a good tool.

**ASC MEMBER JEANMARIE MATTINGLY (NCUA):** Okay. Thank you all.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you, Deputy Director Mattingly. Director Chopra, the floor is yours.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Well, first, thank you to all the witnesses for joining today and a big special thanks to all the members of the subcommittee and the staff who

organized today's hearing. This is the fourth of all the hearings we're having, and I think we've established some important things through those hearings, including today, and we heard it clearly. USPAP is the law. The Appraisal Foundation develops that USPAP, and the Appraisal Subcommittee is responsible for monitoring The Appraisal Foundation.

And a few things that we have to care about when monitoring The Appraisal Foundation are issues of transparency, issues of conflicts of interest, and issues of governance and leadership. And, Mr. Bunton, you have been the head of The Appraisal Foundation for many years. Congratulations on your decision to retire. You have been one of the most powerful people in America when it comes to appraisal. So I just want to touch and clarify a couple of issues that you've raised today as well as others affiliated with the foundation have raised in our hearings.

So in the last round of questioning, you were asked about the availability of Federal personnel to exercise their monitoring responsibilities of The Appraisal Foundation, and I just want to clarify. You said that you have played no role in excluding government personnel from any meetings. Is that what you said?

**DAVID S. BUNTON (TAF):** Yes. I'm trying—I'm just trying—now I'm looking back. You know, like over the years? It's always—for decades, everyone—

**ASC MEMBER ROHIT CHOPRA (CFPB):** So when a request was made or where there was a conflict for which there has been, according to the subcommittee staff, a number of issues related to this, you were not involved in making any decision to not permit subcommittee staff?

**DAVID S. BUNTON (TAF):** No. What was—

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay.

**DAVID S. BUNTON (TAF):** Okay. What was brought—

**ASC MEMBER ROHIT CHOPRA (CFPB):** I'll take that—

**DAVID S. BUNTON (TAF):** What was brought to attention was that the observation memos were being completed in these closed sessions, and we asked if they were FOIA-able, and we didn't get an answer, which we thought that chilled discussions. And then, frankly, to our surprise, the ASC changed its monitoring policy and said they would not be attending those.

**ASC MEMBER ROHIT CHOPRA (CFPB):** So in terms of the reason, but you were not involved in that?

**DAVID S. BUNTON (TAF):** Not that—well, I'm trying to think. Three or four years ago, there was correspondence back and forth about we were concerned about the conduct of some ASC observers at those meetings, but—

**ASC MEMBER ROHIT CHOPRA (CFPB):** So you were involved?

**DAVID S. BUNTON (TAF):** Well, we didn't—we didn't come out with an exclusionary policy. That came from you—

**ASC MEMBER ROHIT CHOPRA (CFPB):** So “we” includes you? I'm just trying to understand your role. You've made a pretty strong assertion in the first question that you were not involved, and I'm just trying to understand, because that seems to be at odds with what we are hearing from the subcommittee staff. So I think we might need to ask you to put some of this in writing so we can understand.

**DAVID S. BUNTON (TAF):** Be happy to.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Let me move on to conflicts of interest. In a previous hearing, we asked the chair of the ASB about conflicts of interest, and actually, unprompted, she surfaced that her husband worked at a vendor doing business in the field, and that they had similar policies on conflicts of interest in place as Federal agencies. And I believe there was follow-up to understand about the conflicts-of-interest policies at The Appraisal Foundation. So do you stand by the characterization that The Appraisal Foundation has similar conflicts-of-interest policies as Federal agencies?

**DAVID S. BUNTON (TAF):** I'm not entirely sure of all the conflicts-of-interest policies of the Federal Government, but we've had a conflict-of-interest policy for years, every year—

**ASC MEMBER ROHIT CHOPRA (CFPB):** So again, you're not sure about the conflicts-of-interest policies of Federal agencies. So I'm taking that to mean you cannot stand by the characterization that it is the same or similar?

**DAVID S. BUNTON (TAF):** I would say it's similar.

**ASC MEMBER ROHIT CHOPRA (CFPB):** So is it similar, or is it that you don't understand the Federal Government's conflicts-of-interest policies?

**DAVID S. BUNTON (TAF):** I'm familiar with the whole concept of conflict.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Got it. Okay. Generally speaking, let me ask you, in the back-and-forth between the subcommittee and the foundation about conflicts of interest, it was told to us that an educational vendor, of course, who is a for-profit company, that it wasn't really an issue because they were on the Appraisal Standards Board and not on the AQB. So our understanding—do you have a sense of—is there anyone on the AQB that may stand to profit from the decisions from the AQB?

**DAVID S. BUNTON (TAF):** There is a member that was recently appointed to the AQB last fall that works for one of those private educational vendors, and she is going to have to recuse

herself from any decision related to curriculum.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. Understood. I think there is a lot that needs to be fixed about the conflicts-of-interest policies based on our review by some of us and our staff. It is nothing like Federal agency policies and raises huge questions about the decisions of these boards and whether they're actually in the public interest.

Let me go to generally the issue of governance. So I think I've mentioned in the past, The Appraisal Foundation has a weird structure. There are trustees. There are partners. There are sponsors. Let me ask you, do you know how many trustees are nominated by partners that you will expect to be on the board of trustees?

**DAVID S. BUNTON (TAF):** It will vary on the year, depending on the vacancies. This is the first year we've had partner nominations. I believe there are four.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. And can I just ask generally, how many partners does The Appraisal Foundation have?

**DAVID S. BUNTON (TAF):** At the present time, I believe it's about 12.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. And of those 12, how many are also sponsors?

**DAVID S. BUNTON (TAF):** We no longer have sponsors.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay.

**DAVID S. BUNTON (TAF):** We did away with that.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. But let's actually dig into it, because in your testimony, you attach this long document about all the governance changes. And actually when we look at the details, are you—can you actually share with us, are all of those 12 partners—none of them have ever been sponsors, or is it possible that they have been sponsors, but you're just no longer calling them that?

**DAVID S. BUNTON (TAF):** Well, it's more than just nomenclature. We changed the yardstick to be a partner. There is no financial contribution to the foundation, nor do the partners have a right to appoint someone.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Well—

**DAVID S. BUNTON (TAF):** They only have the right to nominate. They make no financial contribution to the foundation.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Well, that's a good—I'm glad you raised that, because of

the partners, your consultant or whatever, your working group came up with the fact that there should be, of course, public interest trustees. You have had them in the past. There has been some questions about how they are chosen. So I think what I want to understand is, based on the definition of what you have put in as a public interest trustee, it's any member of the public who has an interest in The appraisal foundation. So can a public interest trustee be a member of a partner or a former sponsor?

**DAVID S. BUNTON (TAF):** They could be.

**ASC MEMBER ROHIT CHOPRA (CFPB):** They could be, so—

**DAVID S. BUNTON (TAF):** But they wouldn't be appointed by—it would be an individual effort on their part. It wouldn't have an organization affiliation.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Right. But they would not be prohibited from it. At the end of the day, regulators look hard at the governance and leadership of these entities. You all have an enormous amount of power about this.

I, again, want to congratulate you and others for the work you have done. But I think what Vice Chair Brown just raised is really one of the most important questions, which is—we talked about—Chair Martinez mentioned this too—about your successor. And I just want to ask and to clarify again, you essentially said you have played no role in the selection of your successor. Can I ask, have you expressed any opinion about specific candidates to any board member, former sponsor, partner, or consultant?

**DAVID S. BUNTON (TAF):** I'm sure I have. I think the committee asked me for any suggestions as to my successor.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. So it would not be accurate to say you have played no role then?

**DAVID S. BUNTON (TAF):** I have not participated in any of their decisions, nor have I been in the room when those decisions were made.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. Well, clearly, the extent to which you are being consulted and essentially by people that you had a role in appointing or selecting—and you can paper it up with all sorts of ways that you haven't, but it is very important for the Appraisal Subcommittee to have confidence in the leadership selection process and the actual head that is chosen. So I do want to ask—and you do speak for the board. I know you're not a voting member, but will the board seek ratification from the Appraisal Subcommittee before making a final appointment for your successor?

**DAVID S. BUNTON (TAF):** Well, I don't know. I don't know because that question has never been posed to me before. I think monitor and review is far different than ratification.



Ratification is much more active than monitor and review.

**ASC MEMBER ROHIT CHOPRA (CFPB):** Okay. Well, I think there has been a long history of sidestepping the monitor and review process, and I think we will need to make sure that the regulators feel confident in the selection and appointment of your successor to ensure that the organization takes a different direction.

Thank you all very much.

**ASC CHAIR ZIXTA MARTINEZ (CFPB):** Thank you. I have a long list of thanks here. I want to thank all of the ASC staff and member agency staff who helped plan and facilitate the hearings, including this one. I want to thank all of the ASC member agency representatives and the witnesses. A special thank you to Acting Comptroller Hsu and our OCC colleagues for hosting today's hearing.

As a reminder, we will be accepting written comments from the public on the topics discussed during today's hearing through February 28th. You can submit a comment by emailing [AppraisalBiasHearing@ASC.gov](mailto:AppraisalBiasHearing@ASC.gov). Today's hearing was recorded and will be posted on OCC's YouTube channel.

That concludes today's appraisal bias hearing. Thanks to everyone in the room and who attended remotely. Have a great afternoon.

[End of recorded session.]