

Appraisal Subcommittee (ASC)
Second Hearing on Appraisal Bias in the Residential Real Estate Market

Opening Remarks:

SANDRA THOMPSON, Director, Federal Housing Finance Agency (FHFA)

Panel Witnesses:

BRAD SWINNEY, Chair, Appraiser Qualifications Board (AQB)
MICHELLE CZEKALSKI BRADLEY, Chair, Appraisal Standards Board (ASB)
ANGELA JEMMOTT, Chief of California Bureau of Real Estate Appraisers,
and member of Association of Appraiser Regulatory Officials (ARRO)
JONATHAN MILLER, President and CEO, Miller Samuel, Real Estate Appraiser, New York City
MORGAN WILLIAMS, General Counsel, National Fair Housing Alliance (NFHA)

ASC Agency Member Representatives:

SANDRA THOMPSON, Director, FHFA
ROHIT CHOPRA, Director, Consumer Financial Protection Bureau (CFPB)
JULIA GORDON, Assistant Secretary for Housing and Federal Housing Commissioner,
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)
ARTHUR LINDO, Deputy Director for Policy, Division of Supervision and
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Office of the Comptroller of the Currency (OCC)
VICTORIA NAHRWOLD, Associate Director, Office of Examination and Insurance,
National Credit Union Administration (NCUA)

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

May 19, 2023
10 a.m. to 1 p.m. EST

Constitution Center in Washington, D.C.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Good morning. Thank you for joining the Appraisal Subcommittee's second hearing on appraisal bias in the residential real estate market. Today's hearing is being held at Constitution Center in Washington, DC, and is hosted by the Federal Housing Finance Agency, or FHFA.

This hearing is being live streamed at [FHFA.WindRoseMedia.com](https://www.fhfa.gov/WindRoseMedia), and the recording will be posted next week on FHFA's YouTube page.

My name is Zixta Martinez, and I serve as Chair of the Board of the Appraisal Subcommittee, or ASC. The ASC is a Federal agency with a seven-member board made up of the Federal agencies you see seated before you. The ASC's role is focused on oversight and support of the appraisal regulatory system. I also serve as Deputy Director of the Consumer Financial Protection Bureau, or CFPB.

Today's hearing will build on the information we gathered as a result of the first hearing the ASC held in January of this year. Our focus today is on the appraisal regulatory system, including appraisal standards, appraiser qualification criteria, barriers to entry into the appraiser profession, appraisal and appraiser practices, and state regulation and enforcement. ASC will hold two additional hearings on topics related to appraisal bias, which we will announce in the coming months.

As with our previous hearing, ASC is taking written comments from the public about the topics discussed through June 5th, 2023. You can submit a comment by emailing AppraisalBiasHearing@ASC.gov.

Here's what you can expect today. First, FHFA Director Sandra Thompson will provide opening remarks. Following her remarks, we will hear from a panel of five witnesses. After opening statements from the witnesses, representatives of each of the seven agencies comprising the ASC board will pose questions to the panel.

So let's get started. We're very pleased to have Sandra Thompson, Director of the Federal Housing Finance Agency, kick off today's hearing and serve as FHFA's representative. Before taking on her current role, Director Thompson served as Deputy Director of the Division of Housing Mission and Goals at FHFA. As the Deputy Director, she held FHFA's housing and regulatory policy, capital policy, financial analysis, fair lending, and all mission activities for Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. She served in this position since March of 2013. Prior to joining FHFA, Director Thompson worked at the Federal Deposit Insurance Corporation for more than 23 years in various leadership positions, including as Director of the Division of Risk Management Supervision. I'm pleased and honored to invite Director Thompson to the podium.

[Applause.]

ASC MEMBER SANDRA THOMPSON (FHFA): Good morning. It's great to see so many people here today in person on a Friday morning to discuss the important issue of appraisal bias. First, I want to thank you, our witnesses, for your participation in our hearing today. Your knowledge will be invaluable in helping to identify challenges within the current appraisal regulatory system. We look forward to hearing your perspectives, which will help FHFA and our fellow agencies represented here today implement tangible solutions to eliminate appraisal bias and misvaluation within the housing industry.

Next, I want to share my gratitude for the diligent work of our panelists, the Appraisal Subcommittee Board, and the Appraisal Subcommittee staff. Working together, I'm confident in our ability to address appraisal bias and create an even stronger, more equitable housing finance system for all Americans. Fair appraisals start with a fair appraisal regulatory structure. Through our oversight and robust enforcement, we really try to make sure that these things are imperative to making sure that we have fair and accurate home appraisals.

Our first hearing in January raised a number of critical issues with the current appraisal regulatory structure that I hope we can explore further today, but because not everyone here today was also present at our January subcommittee hearing, I want to briefly review some of the steps we at FHFA have taken to address appraisal bias and misvaluation.

Nearly two years ago, FHFA partnered with other government agencies, including the agencies represented here today—HUD, CFPB, FDIC, the Federal Reserve, NCUA, and the OCC—to form an interagency group, the Property Appraisal and Valuation Equity, or the PAVE Task Force. This task force is co-chaired by the Secretary of HUD Marcia Fudge and Ambassador Susan Rice. We at FHFA are supporting PAVE's development of a database to ensure agencies have the data they need for their oversight, enforcement, and research functions. This database will build on the FHFA's October 22 release of the Uniform Appraisal Dataset Aggregate Statistics that was derived from more than 47 million appraisal records. The publication of this data is significant because, as within the appraisal process, the first step in solving a problem is to identify it and then determine the scope of it.

Next is the data collection and analysis, and the data here leaves no doubt that appraisal bias is not just a rare, one-off, anecdotal blip in the world of housing finance. FHFA is sharing its extensive appraisal data with HUD, the CFPB, and the Department of Justice to ensure that we hold bad actors accountable for biased appraisals. The enterprises are also undergoing an extensive redesign of the Uniform Appraisal Dataset to enhance appraisal data quality and consistency.

The goal of this UAD redesign is to reduce the number of discretionary fields and, in place of free-form text, rely more on fields with clearly defined values to reduce subjectivity. Standardizing data inputs could also reduce potentially biased or inappropriate statements as well as provide the flexibility required to support further analysis in future modernization projects.

I also want to mention some of the steps we're taking to address the lack of diversity in the appraisal industry. Currently, the appraisal field is one of the least diverse in the entire country. As in any industry, lack of diversity can lead to problematic results. Our team at FHFA reviewed thousands of appraisal records finding numerous cases of inappropriate commentary. For example, one comment concerned an immigrant-rich community being, quote, "one spicy neighborhood." Another one noted a town as having a "Black race population above state average." These comments are absolutely unacceptable and don't belong anywhere in today's society, let alone within a home appraisal.

We've been working with Fannie Mae and Freddie Mac on the Appraiser Diversity Initiative to diversify the appraisal profession through outreach, scholarships, and mentorship. To date, the Appraiser Diversity Initiative has awarded 469 scholarships to diverse individuals. Currently, 171 recipients are actively fulfilling education requirements, 85 have completed their education, and 51 are working with a supervisory appraiser or are employed in the industry. This initiative now has 29 industry sponsors that support the outreach, scholarship, and advisor components

of this incredible endeavor. And while we've taken significant steps, our work has only just begun. So I thank all of you again for being here today and for your commitment to addressing appraisal bias in the housing industry.

I look forward to hearing today's testimony and continuing the great work of promoting fair and accurate valuation for everyone. Welcome to FHFA. Thank you.

[Applause.]

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Director Thompson.

I will now introduce our witnesses. Joining us today are Brad Swinney, Chair of the Appraisal Foundation's Appraiser Qualifications Board, or AQB; Michelle Czekalski Bradley, Chair of the Appraisal Foundation's Appraisal Standards Board, or ASB; Angela Jemmott, Chief of California's Bureau of Real Estate Appraisers and member of the Association of the Appraiser Regulatory Officials, or ARRO; Jonathan Miller, a state-certified real estate appraiser who is a president and CEO of a real estate appraisal and consulting firm in New York City; and Morgan Williams, General Counsel at the National Fair Housing Alliance.

Thank you for participating as witnesses today. You will have five minutes to provide your statement and we'll begin with Mr. Swinney. Mr. Swinney, the floor is yours.

BRAD SWINNEY (AQB): Thank you, Chair Martinez. Thank you for inviting me. My name is Brad Swinney, and I'm pleased to be here in my capacity as Chair of the Appraiser Qualifications Board to discuss the work of the AQB and answer your questions.

The AQB's role is to write the minimum qualification criteria for obtaining different levels of appraisal credentials and to update and change that criteria when necessary. The criteria consist of three categories of requirements: education, experience, and examination. However, changes to the criteria should and do happen slowly and deliberately. We are thankful for the Appraisal Subcommittee's support for this deliberate process, as a letter the ASC recently sent to the AQB stressed the importance of not enacting changes too quickly, additionally, with both the AQB and the ASC staff understand states and territories often need years to put any changes in the criteria into their state laws and regulations.

To change the criteria, we follow a process very similar to the Administrative Procedures Act, which takes time and allows for detailed research and public input. We are working through that process now to propose increasing the required education of appraisers to include focused training on valuation bias and fair housing laws and regulations.

Beyond this current work, the AQB has multiple entities asking us to reexamine all three sections of the criteria. Given the sheer scope of these requests, it is incumbent on the AQB to conduct careful research and to develop a solid plan for looking into each of these proposed changes; for example, when we consider one of the things we have to acknowledge is the way

new laws directed at appraisers impact the profession. Our criteria may work very well under one set of laws but not work well after a new law is passed.

An important example is the Dodd-Frank Act on the appraisal profession. One of the major components or accomplishments of the Dodd-Frank Act was to ensure appraiser independence. Dodd-Frank required more firewalls to protect an appraiser from being adversely influenced by a lender or by any other party with an interest in the transaction related to the appraisal. However, after Dodd-Frank became effective, banks, which for a long time were the training ground for new appraisers, phased out their appraisal departments and began relying instead on independent contract appraisers through appraisal management companies. The unintended consequence was that a vital training ground for aspiring appraisers was lost.

Prior to Dodd-Frank, many new appraisers would be hired as trainees by banks and complete the required experience hours in-house. With the passage of Dodd-Frank in 2010, this training ground slowly dried up, leading to a shortage of opportunities for anyone seeking to become an appraiser that did not already know an appraiser willing to take them on as a trainee.

This problem led to the development of the Practical Application of Real Estate Appraisal, or PAREA. PAREA is simulated training that an aspiring appraiser can complete from their home without the need to find a supervisor. The AQB began developing the initial research and ideas that led to PAREA in 2015, which gives you an idea of how long it can take to develop these new initiatives and to give states time to adopt them—to adopt them under their own state laws. PAREA has been part of the criteria since January 1, 2021, and there are currently eight developers working on PAREA modules, with the first couple of programs expected to be coming to market later this year in the first quarter of 2024.

We believe PAREA will be a game changer for aspiring appraisers and will welcome the next generation of appraisers more quickly into the profession. We are happy to announce the first approval of a PAREA program, AI PAREA, clearing the way for the Appraisal Institute to bring this first PAREA program to market. The arrival of the first PAREA program is the culmination of an eight-year effort to find an alternative to the supervisor training model that would result in new appraisers who continue to be meaningfully qualified and prepared to enter the appraiser workforce.

Any future changes to the criteria deserve the same careful study, and we are actively working now to begin that study through our new work plan. This work plan outlines a number of areas mentioned by the Biden administration's PAVE report, including looking into non-appraisal real estate-related experience options, changes to the national exam, and college degree requirements. We have had direct conversation with the PAVE task force on our work plan and look forward to continuing dialogue with them. Any proposed changes to the criteria that result from our research will be carefully vetted and exposed for public comment in line with our process for all proposed changes to the criteria.

I look forward to answering your questions on our ongoing work to ensure that any new

entrants into the appraisal profession are meaningfully qualified to uphold the public's trust and advance the valuation profession. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Mr. Swinney. Ms. Czekalski Bradley, you're next.

MICHELLE CZEKALSKI BRADLEY (ASB): Thank you very much, Chair Martinez, for inviting me. On behalf of the Appraisal Standards Board, I am Michelle Czekalski Bradley. I serve as chair of the Standards Board, and I'm here to answer any questions I can about the role of the ASB in the appraiser regulatory system.

The ASB is an independent board of the foundation. This means the ASB, not the foundation, writes, develops, and maintains all content within the Uniform Standards of Professional Appraisal Practice. USPAP is a set of standards with the express purpose of promoting and maintaining public trust and confidence in professional appraisal practice. Congress recognized USPAP as the generally recognized standards of practice in the appraisal profession in Title XI of FIRREA.

The ASB is proud of its work. This independent board has been entrusted by Congress to protect these fair, objective, and impartial standards for the past 34 years. Allegations of bias are a threat to public trust. Discrimination in appraisal is a real harm to consumers, and there is no place in the valuation profession for those that act in a discriminatory manner.

The ASB has been active in addressing these concerns. This led to a comprehensive review of the ethics rule. The review followed a methodical process, one that mirrors the Administrative Procedures Act, and resulted in five separate publicly available exposure drafts in countless hours, consulting with stakeholders within and outside of the appraisal profession, including fair housing organizations, Federal regulators, and members of the public.

And I am very pleased to say that on May 5th, few short weeks ago, the ASB adopted updated language for the ethics rule in USPAP. Now, to give states time to adopt, this will become effective this January 1st. The adopted changes include the addition of a nondiscrimination section within the ethics rule, which explicitly references key antidiscrimination laws and principles appraisers must follow.

While competency rule continues to require appraisers to recognize and comply with laws and regulations applicable to the appraiser or to the assignment, this update to the ethics rule explicitly references the key antidiscrimination laws, the Fair Housing Act, ECOA, and the Civil Rights Act of 1866. The public will have access to those changes, and anyone will be able to open USPAP and see the explicit prohibition against bias and discrimination. Any appraiser following the requirements of USPAP will produce a credible appraisal that was developed without bias, without discrimination.

The ASB has no powers of enforcement or to conduct investigations. We have no power to

require appraisers to adhere to USPAP. Enforcement is the role of state and federal agencies. The ASB establishes the content of USPAP, and the individual states and territories are tasked under Title XI of FIRREA with ensuring that appraisals performed in the state in connection with federally related transactions are prepared in accordance with these standards. The ASC is charged under Title XI with determining if states are complying with the act, including if states are properly conducting their USPAP enforcement efforts.

Although per the ASC policy statements, the ASC monitors states for determining whether the state processes complaints and completes investigations in a reasonable time period, the ASC does not ensure that appraisals that are part of the complaint are prepared in accordance with USPAP.

We believe compliance with USPAP is vital to public trust, and we hope that the ASC will reconsider this position and ensure that states are properly enforcing USPAP standards. The ASB recognizes our work is not over in maintaining appraisal standards that build public trust. I'm proud of the initiatives and happy to share more. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you. Next is Ms. Angela Jemmott.

ANGELA JEMMOTT (ARRO): Good morning, Chair Martinez and members of the Appraisal Subcommittee. I'm very grateful for this opportunity to share with you all today. I find it a honor and a distinct privilege to participate in the second hearing on appraisal bias.

In the words of Governor Newsom, in California, we recognize that our incredible diversity is the foundation for our state strength, growth, and success, and that confronting inequality is not just a moral imperative but an economic one.

Our state has made great strides in redressing historical wrongs and stubborn disparities, but we know that much work remains to tackle the barriers that hold back too many Californians and undermine our collective prosperity.

In October of 2022, the Federal Housing and Finance Agency released the Uniform Appraisal Dataset, UAD. This data came directly from licensed appraisers and consists of area appraisals submitted to Fannie Mae and Freddie Mac from January 2013 to December, 2021. The UAD was analyzed by noteworthy researchers such as the Women's Bond Center, the Economic Government and Public Policy, and the Brookings Institute [sic] right here in D.C. From over 32 million final appraisal reports, these institutions both concluded that within majority Black and brown communities, home appraisal biases are still being experienced.

The Women's Bond findings meticulously report the reality that this data is embedded in the history of our nation's home financing and purchasing processes that evidently has not been eradicated.

Just recently, ARRO polled membership in an effort to capture the current condition of state

regulators on the topic of investigating appraisal bias. ARRO's survey results shed light on the need for better understanding of state's authority and approach regarding the investigation of appraisal biases. From ARRO's survey, I would like to point out one data point, and it is the overall number of bias cases received by state regulators' offices across the nation. This data point can be distracting for some, because the overall numbers are very few. I'm identifying complaints as state regulators.

The state regulators' collection does not account for claims in insurance companies through the errors and omissions. It does not account for claims filed in Federal courts and U.S. Department of Labor, Department of Justice, and all the state level of fair housing offices.

I am grateful for the Appraisal Standards Board adopting the fifth exposure draft on May 5th, this year. This a huge step in the right direction in assisting state regulators, agencies and their understanding and interpretation of their own authority to investigate biases.

In California, we acknowledge the existence of potential appraisal bias. To this end, I will share a number of our efforts we have pursued. In 2021, AB 948 was enacted. This law included several elements to address appraisal biases, including updating the existing complaint form to allow consumers to indicate if they believe their appraisal value of their real estate is below market value. Also part of the law, any license application must complete education and cultural competency, and licensees must both take cultural competency and elimination bias training as part of their continuing education.

And in June of last year, the bureau hosted an educational symposium for giving insight and exposure to subject matter experts in this field of education. The bureau is also looking inward at our own competency of bias allocations. As we continue to seek training for our investigators, we have partnered with the California Civil Rights Department through a memorandum of understanding to assist us in handling discrimination complaints.

Equally important, the bureau is addressing access to the profession. We have also looked at existing policies and opportunities to increase access to the profession.

In closing, it is the public that needs to see that we're doing everything we can to maintain the public trust and protect them and their properties. We're all standing in the gate of this historical journey together. I sincerely hope we can earnestly seek solutions that will ultimately reinforce the public trust to our beloved profession.

I truly also thank you for this opportunity again and look forward to your questions.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Ms. Jemmott. Next, we have Mr. Jonathan Miller.

JONATHAN MILLER (NYC Real Estate Appraiser): Thank you for the opportunity to participate today in the Appraisal Subcommittee's second public hearing on appraisal bias.

Having been a real estate appraiser for 37 years, I will share my concerns about barriers to entry and appraisal bias.

I'm a New York and Connecticut general certified appraiser who co-founded Miller Samuel in 1986, a real estate appraisal firm that covers the New York City metropolitan area. It takes about two years to become a residential certified appraiser. The Appraisal Foundation, also referred to as TAF, maintains minimum standards for the industry and has long required a two-year mentoring system where appraiser trainees need to find someone in the profession to take them under their wing, a mentor, and support them for two years, because trainees add a little value to the mentor if banks don't accept their work.

This is a key reason why the appraisal industry is devoid of diversity. This is also why the industry has been aging out for years, unable to bring in new appraisers in significant numbers.

After the 2009 Home Valuation Code of Conduct became embedded into housing policy to stem the influence of mortgage brokers over appraisers, appraisal management companies, also known as AMCs, came to dominate the administration of the residential appraisal businesses banks were looking to shed costs in the aftermath of the housing bubble and outsource their former in-house appraisal departments.

Since the financial crisis, most banks have required appraisers to be certified and rarely accept work by appraiser trainees. AMCs account for about 80 percent of residential appraisal orders from banks nationwide and often keep at least half of the appraisal fee the consumer pays at the time of the mortgage application. The consumer is generally unaware that the appraiser gets a limited portion of the appraisal fee. As a result, the financial condition of appraisal firms has deteriorated significantly since the GFC. Why does this matter? Because the two-year mentoring requirement became even more problematic after the GF—after the great financial crisis, as appraisers were less able to carry an appraiser trainee for two years to get their certification. TAF has been unable to pivot as the world has changed.

The TAF mentoring system has perpetuated low diversity within the appraisal industry. In 2021, 98 percent of our industry was white. Dead last in the 400 occupations ranked by the Bureau of Labor Statistics, TAF has had only one person of color on its technical boards in over three decades. Imagine an industry where a small business like mine sees an opportunity to grow but has to invest two to three years to train new staff before they can even begin the expansion. This is my firm's reality, which is untenable and severely impedes the commerce of all appraisers.

The trainee, once certified, will often have to start their own—will often leave to start their own practice. This significantly disincentivizes experienced appraisers to mentor trainees.

Last year, after two years of being mentored and completing her coursework, an appraiser trainee at our firm submitted an experience log to the state. The appraiser checked in every month with the state and was repeatedly told her file was under review. The total process took

nearly three years for the appraiser to get her certification and represent the amount of time she could not make a reasonable living without our company to supplement her income.

Certified appraisers must have 1,500 hours of experience and not less than two years. This multiyear window of experience requirement is an arbitrary time period. It is not based on any known research studies that show that this extended period of time is optimal.

There have been a series of national appraisal stories about people of color getting bank appraisal, which comes in low. Then the homeowner asks the white neighbor to stand in their place and removes photos and other personal items from the home, and the second appraisal comes in at a higher number needed to qualify for the mortgage. I'm sure this experience is awful for the homeowner. At the very least, the disparity in results shows a flaw in the appraisal process, even before the issue of appraisal bias is addressed. And why is the higher second appraisal always the correct value?

Bias and unconscious bias exists in our industry. With greater diversity within the profession, the frequency of these events would hopefully be reduced. The two-year mentoring system limits access to the appraisal industry, severely limits diversity, and therefore is a disservice to the appraisal industry and deteriorates the public trust in the profession. Thank you for your time.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Mr. Miller. Next we have Morgan Williams.

MORGAN WILLIAMS (NFHA): Distinguished members of the Board of the Appraisal Subcommittee, thank you for inviting the National Fair Housing Alliance to testify today on the extremely important issue of appraisal bias and regulatory reform, which affects millions of consumers across the country.

My name is Morgan Williams, and I'm the General Counsel of the National Fair Housing Alliance. Representing over 170 local fair housing groups and other offices involved in fair housing enforcement, the National Fair Housing Alliance's goal is to eliminate all forms of housing discrimination and ensure equitable housing opportunities for all people and communities.

An appraisal has the power to determine the value of a consumer's most important financial asset, which can hold the key to determining whether the consumer can purchase a permanent home rather than rent, access credit on reasonable terms, and build wealth for generations to come. However, numerous news stories as well as research by the Federal Housing Financial Agency, our gracious host, Fannie Mae, Freddie Mac, Drs. Junia Howell and Elizabeth Korver-Glenn, the Brookings Institution, and the National Fair Housing Alliance have documented the serious and systemic problem of appraisal bias for consumers, particularly in communities of color.

The appraisal bias exacerbates the large and growing Black-white racial wealth gap by causing

Black families to get lower returns from home equity than white families. Moreover, appraisal discrimination violates the Fair Housing Act and other Federal, state and local civil rights laws.

Through oversight of The Appraisal Foundation, the Appraisal Subcommittee is in a unique position to remedy the bias in the valuation process. In January of 2002, the Appraisal Subcommittee commissioned the National Fair Housing Alliance along with Dane Law and the Christensen Law Firm to examine whether the structure of The Appraisal Foundation, the real property appraiser qualification criteria, or the Uniform Standards of Professional Appraisal Practice, or USPAP, contribute to racial bias. The results were stunning and groundbreaking.

The research showed that severely outdated methods of governance, professional criteria, and professional standards support and exacerbate the disparate impact on consumers and communities of color. Fifty-five years after the passage of the Fair Housing Act, it's clear that the promise of fair and equitable housing is unfulfilled, but meaningful improvements are within reach.

Based on the National Fair Housing Alliance's outreach to civil rights and consumer advocates, the appraisal industry, the mortgage industry, realtors and academics, we respectfully offer the following recommendations.

First, with respect to governance, we urge the Appraisal Subcommittee to work with The Appraisal Foundation to set public goals and timelines to convert The Appraisal Foundation's governance to a fairer and more democratic structure that serves the public interest. More specifically, we urge reform of The Appraisal Foundation's pay-to-play board appointment process and repeal of paywalls for public access to USPAP and related advisory opinions.

Second, with respect to the appraiser qualification criteria, we urge the Appraisal Subcommittee to work with The Appraisal Foundation to set public goals and timelines to eliminate unnecessary and discriminatory barriers to entry in the appraisal profession and ensure comprehensive, accurate, and ultimately practical fair housing training for appraisers.

Third, with respect to USPAP, we urge the Appraisal Subcommittee to work with The Appraisal Foundation to set public goals and timelines to thoroughly review USPAP for fair housing risk and amend the standards to limit that risk.

Finally, we urge the Appraisal Subcommittee to coordinate with the other PAVE task force agencies to ensure a consistent whole-of-government approach to addressing appraisal bias.

Thank you for the opportunity to appear before you today. I look forward to answering your questions.

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

It's now my pleasure to introduce the ASC board representatives. They are Sandra Thompson, Director of the Federal Housing Finance Agency; Rohit Chopra, Director of the Consumer Financial Protection Bureau; Julia Gordon, Assistant Secretary for Housing in the Federal Housing Administration, Commissioner at the 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, Arthur Lindo, Deputy Director for Policy, Division of the Supervision and Regulation at the Board of Governors of the Federal Reserve System; Enice Thomas, Deputy Comptroller for Credit Risk at the Office of the Comptroller of the Currency; and Victoria Nahrwold, Associate Director in the Office of Examination and Insurance at the National Credit Union Administration.

Each ASC representative has 10 minutes to ask questions. Then we will take a 10-minute break, and the ASC representatives will have 8 minutes to ask questions during a second round. We will begin with Director Thompson. Director, the floor is yours.

ASC MEMBER SANDRA THOMPSON (FHFA): Thank you, Zixta. I want to make sure I get all my questions in in my 10 minutes. So I'm going to have a question for each of you, and I want to read them all, so I hurry up and get that in.

So. Mr. Swinney—well, first of all, thank you all for being here. Your testimonies were absolutely outstanding. I did want to ask some specific questions about PAREA, and specifically, there have been very few details made available about these programs. I know yesterday, the Appraisal Institute announced that they received approval from the Appraiser Qualification Board, yet there's a lot of questions that still remain. How much does this cost? I mean, is it affordable? And I know that there are some programs that have scholarships, but how much does it cost—how much these programs cost with scholarship and without?

Then my second question for you was the requirement for a college degree, and I really want to understand how that came to fruition and what your thoughts are about that.

All right, Ms. Czekalski Bradley. I'm only familiar with the first part. Family certainly has been in the business for a very long time and certainly appreciate your dedication to that. Let me ask, I know you guys set the standards, but is there a process for public input when you set the standards, or do you think there should be a process? And how does that work just in terms of public comment on what you're thinking? And almost akin to the rulemaking process or a request for input, how does that work in your organization?

And, Ms. Jemmott, thank you so much for coming all the way here from California. We really appreciate you being here. Wanted to talk a little bit about the complaint process, and you described what took place in California—or takes place in California, but I wanted to know if there's a standard appraiser complaint process throughout the country, and do you see that a need for a standardized complaint process with regard to appraisals? Because it seems like each state handles these issues a little differently.

Mr. Miller, thank you so much for your testimony, and I specifically wanted to ask you about suggestions that you might have for this two-year training program. Do you think it's necessary? And if we had to restructure it, what would you put in place so that—how would you put in place an effective training program?

And then, Mr. Williams, of course, thank you for all the work that you've been doing with the PAVE task force. I wanted to ask you if you thought that there was a more efficient regulatory structure that would be helpful in updating the standards and appraisal qualifications so that we can start mitigating this potential bias and also encourage fair access to the housing issues that we have.

So we'll start with Mr. Swinney.

BRAD SWINNEY (AQB): Thank you, Director Thompson. The first question on PAREA, cost with and without scholarships, AQB—that is a decision left to the providers. What the AQB has required of the providers is that they make the potential PAREA participants aware of all the costs up front before they get enrolled.

ASC MEMBER SANDRA THOMPSON (FHFA): Can you give me a range? No dollar amount? I'd like to know if it's cost prohibitive or not, just trying to get a ballpark. It doesn't have to be exact.

BRAD SWINNEY (AQB): Well, I can't really commit the providers to even a range of costs.

I heard—let's see. We were just at ARRO, and I think the Appraisal Institute indicated they'd done a—they'd surveyed the industry, and they were looking at 5,000 is where they were—where—what their survey had told them. But that is based on my memory from the ARRO conference, which has been a week or so ago.

And then that is without scholarship, obviously, and so with scholarship—you know, these would be full scholarships to partial scholarships. Again, all of this is left up to the providers. We just ensure that the providers let potential enrollees know up front because we don't want someone to get into a program and then have a new cost thrown at them.

On the college degree requirement—did that answer all your questions? I mean, that's my best answer to—

ASC MEMBER SANDRA THOMPSON (FHFA): Okay. Go ahead.

BRAD SWINNEY (AQB): Okay. On the college degree requirement, that actually came into being into the criteria following the housing bubble and the Great Recession, and so I believe it entered the criteria in 2011 shortly after that. At the time, regulators and agencies and stakeholders were concerned that appraisers were not educated enough. Then in 2000—and it was put into the criteria in 2011 with an effective date of 2015, again, to give states time to

adopt it into their laws and regulations—

ASC MEMBER SANDRA THOMPSON (FHFA): Do you think—

BRAD SWINNEY (AQB): —and to give—and to give practitioners time to finish a license process they may have started.

ASC MEMBER SANDRA THOMPSON (FHFA): Do you think that's necessary, a college degree or university?

BRAD SWINNEY (AQB): So then—and college degrees are up—they're up like front and center in our work plan of things to do. But since that—since that happened in 2018, we did roll back the college degree requirements so that there is no college requirement for the licensed residential credential. There is a path to the certified residential credential without a college degree or college courses, though it is one of six paths. And then the certified general credential still requires a bachelor's degree or higher.

ASC MEMBER SANDRA THOMPSON (FHFA): Is the work of a licensed residential practitioner accepted?

BRAD SWINNEY (AQB): Yes. I mean, we can't—we can't tell clients, you know, of appraisers who they will take work from and who they won't. But it is a credential with license authority to appraise residential properties. We do wish and hope that it will be more widely accepted among agencies.

MICHELLE CZEKALSKI BRADLEY (ASB): And to continue on, Director Thompson, thank you so much for this great question. There is so much public involvement in what the board does. In fact, the whole process that we do is centered on public involvement. We conduct webinars. We take public questions during our live meetings. And in fact, we've made the live meetings virtual now so that even more people can participate. The last public meeting we had, we had over—well over 500 registrants, and we always take public questions during those times. Suggestion box on our website, newsletters, and everything is always available. We have a lot of outreach sessions. Happy to answer more on that, give time.

ANGELA JEMMOTT (ARRO): Yes. This topic of complaint process is something of high interest to me. In California, we do have a standard at which we review complaints. But I think when we laser in on this topic of appraisal bias and how we manage the complaint system is where we all are different in approaching it. And so I can say specifically for us, we have recognized that there are some micro and types of discrimination and bias that could occur in a process that may not necessarily be seen in a USPAP process of issues in terms of biases. And so for us, we do prefer and desire to see more standardization and training for our investigators across the states. That is a desire for us.

We have approached it in California by partnering with our civil rights department because

that's what their expertise is in, and yet we are experts in the appraisal side. So we're partnering, and we're learning from each other.

I would say another state such as Texas is doing the exact same thing, that they're partnering with their civil rights department. And so we are growing together in this process, but I would recommend and desire to see more of standardization in this area.

JONATHAN MILLER (NYC Real Estate Appraiser): So when we're talking about the PAREA as a way to sort of accelerate input into the industry, I think that's a good thing. It's not the panacea. It doesn't solve enough of the problem.

For the sake of time, I'll go into training. The two-year training, as I talked about in my presentation, is based on nothing. And I think one of the problems with the bureaucratic largesse in this appraisal licensing scenario is that nothing is sort of verified and tested, and so the whole industry is waiting two, three years to get somebody certified is a real impediment.

The last thing is I think that—you know, one of the problems with the trainees is not having enough banks that accept their work, and I think there has to be an outreach because, for example, Fannie and Freddie will accept trainee appraisals, but banks won't. And that's a big roadblock to resolving this problem.

MORGAN WILLIAMS (NFHA): I thank you, Director Thompson. I see we're out of time.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Please go ahead and answer.

MORGAN WILLIAMS (NFHA): I'll just say briefly, The Appraisal Foundation's legal authority is unclear and largely unfettered. In its rulemaking and other operations, The Appraisal Foundation is not subject to the regulatory guardrails imposed by Congress, such as FOIA, the Administrative Procedures Act, or importantly, conflict of interest rules. I'm happy to elaborate further. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you. Next, we have Vice Chair Brown. You have the floor.

ASC VICE CHAIR LUKE BROWN (FDIC): Good morning. Thank you, witnesses, for joining us today and agreeing to provide insights into these challenges to the ASC.

Whether in urban, rural, or suburban areas of the country, it seems that becoming an appraiser is harder than necessary, resulting in shortages and barriers to entry for people of color as well as women.

At our first hearing, the ASC had guests joining us to talk a little bit about appraisal bias, and the Tate-Austin family walked us through some of the challenges that they faced that were extremely compelling and important for us all to remember as we have this conversation.

Appraiser shortages and barriers to entry undermine the critically important role that appraisers play in the residential real estate system. Residential appraisers provide confidence that a homeowner is getting what they paid for when purchasing or refinancing a home, and they provide reassurance to the mortgage originators and the secondary market that the property is valued without deficiencies, which is really important. But we look forward to hearing from you, what the ASC should be doing to address some of these issues.

I want to follow up on the Director's questions. Mr. Swinney—am I pronouncing that properly? Swinney?

BRAD SWINNEY (AQB): Yes, sir.

ASC VICE CHAIR LUKE BROWN (FDIC): So your testimony talks a lot about PAREA as an alternative training approach, and you mentioned a number of potentially \$5,000 costs. Mr. Miller's testimony goes through a number of barriers related to costs currently in place, including an appraiser being trained over a two-year period with potentially low wages and also ultimately a successful appraiser might have to share 50 percent of their fee. It would be really helpful to understand better to what extent your organization has thought deeply about the costs related to PAREA and what that would mean in terms of sort of opening things up and allowing more people to join the profession.

BRAD SWINNEY (AQB): Thank you, Vice Chair Brown. So PAREA—the AQB, in our role, sets the minimum criteria for obtaining an appraisal credential, and the PAREA program providers will ultimately decide what those fees are going to be. We have given that thought at the AQB level and then more largely at The Appraisal Foundation level, and we are actively looking at scholarship programs through the Appraiser Diversity Initiative. And then our Pathways to Success grant that was a competitive grant, that ended up being awarded to the Appraisal Institute in cooperation with the National Society of Real Estate Appraisers to help them with their cost in developing PAREA, it actually requires outreach to minorities, veterans, and those willing to serve in rural—or serve to practice appraisal in rural communities.

We are concerned. You know, when we do want PAREA to be widely used, it is a pathway that allows for meaningful criteria—meaningful experience and meaningful criteria without having to have a supervisor.

ASC VICE CHAIR LUKE BROWN (FDIC): I'm sorry. That's very helpful, but I just, I want to focus on this cost piece, because as I understand your testimony, you're essentially offering PAREA as an alternative public policy. And I understand you set minimum standards, and so if you're trying to resolve the problem of appraisal bias, I would think that as you understand that cost is a huge issue, that should be in front of mind. I understand what you're saying about contractors having to ultimately, you know, down river essentially develop the program and implement it, but if you're really going to address the barrier, it would be helpful to understand how specifically you've thought through what the cost can be and how the cost could be less, because \$5,000, I just wonder if the average entry level person can afford that cost before they

even become an appraiser. Where are they going to get that funding? And I don't—and I know there's potential grants out there. I don't know how widespread that is, but as a threshold question, it seems that if you're trying to solve the public policy problem, you'd want to start with narrowing the costs.

BRAD SWINNEY (AQB): Understood. So then—so we just don't have control of the cost issue. We are interested and we believe that many will take PAREA, and because that is the solution that can address the lack of supervisory issue at scale, we also have practicum, which allows for—which in the 2000—January 1, 2022, criteria went from 50 percent allowed experience to 100 percent allowed experience. And we appreciate the ASC funding state grants to help states develop PAREA, Mississippi being a recent example of that.

And I would like to state that just—the licensed residential credential requirement through the traditional path, the supervisor training path, is 1,000 hours in no fewer than six months. The certified residential is 1,500 hours in no fewer than one year, and the certified general is 3,000 hours in no fewer than 18 months. That's the current AQB criteria. Many states do exceed that, maybe having not rolled back the criteria when that time requirement was brought back.

But again, to answer your question on PAREA, we are concerned that it be offered in an affordable manner, yes, but we don't drive the cost.

ASC VICE CHAIR LUKE BROWN (FDIC): Thank you very much.

Mr. Miller, I found your testimony extremely helpful, extremely substantive, and right to the point about the barriers. Would you mind sharing with us your thoughts on the most significant barriers and potentially anything the ASC could do to help address some of those barriers?

JONATHAN MILLER (NYC Real Estate Appraiser): Sure. The issue is time, that the—I think sort of a simplistic way to describe it is that I think what we've ended up after 33 decades of The Appraisal Foundation is an industry that's treated like this is some sort of rocket science or engineering, and it's overstating sort of the need for the amount of training or the amount of mentoring. And that is a cost factor for the people that are trying to get into the industry.

The other thing that I think is incredible is our industry is—I'd call it a "sleeper industry." No one knows what we do, who we are. It's a big mystery. And it is amazing when you interact with the public, how few people know even how to get in. It may be on a website somewhere, but there is just not an understanding that it's here.

And what we're trying to do, I think, is solve the lack of diversity of being dead last in sort of the diversity rankings by BLS as one area to resolve, and I think marketing the industry to people of color, to other people that are just not aware of it, is something that needs to happen in a pretty big way to solve this. There has to be a sea change in attitude in terms of expanding the number of people that enter the profession.

ASC VICE CHAIR LUKE BROWN (FDIC): Thank you very much. Just to follow up, because, of course, you run out of time up here. So I've always learned the devil is in the details, and we've heard a lot about PAREA and how it's a viable alternative. And we're the Appraisal Subcommittee. So we're concerned about appraisal bias, but we're also concerned about appraisals being done correctly. Could you talk a little bit about your thoughts on PAREA as an alternative in terms of removing barriers but also in terms of having the proper process in place for appraisers to obtain their credentials in terms of going through all the appropriate steps?

JONATHAN MILLER (NYC Real Estate Appraiser): Sure. So I think PAREA is a helpful alternative to bypassing the mentoring program, which is one of the key reasons why we have such a lack of diversity in the industry. But it is a cost up front, much like mentoring is a cost up front where you have to not make a living for two years, essentially, to get into the industry.

So I realize the cost amounts sound like large numbers, but on the other hand, the alternative is a two-year window that seems excessively long, in my experience, to bring someone on board and make them competent to do their own appraisals.

ASC VICE CHAIR LUKE BROWN (FDIC): Okay. So that's back to your point, time and cost—

JONATHAN MILLER (NYC Real Estate Appraiser): Correct.

ASC VICE CHAIR LUKE BROWN (FDIC): —go in terms of getting the right policy prescription, time and cost.

JONATHAN MILLER (NYC Real Estate Appraiser): Correct.

ASC VICE CHAIR LUKE BROWN (FDIC): Thank you. I think that probably concludes my questions, Madam Chair.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Vice Chair Brown. Next, we have Assistant Secretary Julia Gordon. You have the floor.

ASC MEMBER JULIA GORDON (HUD): Good morning, everyone, and thank you to FHFA for hosting in your lovely auditorium. And I want to thank the panel so much for your participation in today's hearing. In my career, I've spent far more time on your side of the table than on this side, and I appreciate how much work went into this and preparing for this day.

So I want to note that HUD is very proud and honored to be part of the PAVE initiative that Director Thompson talked about earlier. We are also planning to share our data with all our fellow agencies, so that we know how important aggregating data and then making that data available for research and other uses is to any enterprise, but particularly in locating, distinguishing the areas of inequity so we can better fix them.

And I will say that as the FHA Commissioner, my interest in the appraisal system is not

theoretical but is very practical and immediate, because we rely on appraisals to support our mortgage insurance program, which operates in every single geography in this country. Our insurance allows households who are not well served by the conventional mortgage market to access homeownership, and advancing equity is a part of our core mission. A far higher percentage of FHA borrowers are people of color than through any other channel, especially Black households. And it is absolutely critical, both to our service to the community and to the safety and soundness of our mutual mortgage insurance fund, that appraisals fairly and accurately reflect home value.

And so we know that all the approaches to appraisal, not just the sales comparison approach, but all of the recognized value approaches rest on a foundation of market value developed over years of discrimination and patterns of segregation. And that's why we know that eradicating bias is not—there's not one quick and easy fix here. We know it's going to take a comprehensive approach across all parts of the appraisal and mortgage industry, and that's why what we're doing here is so important.

It is also critical for our work to have an ample supply of appraisers in all geographies at all times, and I think what we're doing here today is really focusing in on the role of who is doing the work and how is—how are the standards from that work created and governed that make such a difference for how we move forward in this area.

So with that, I want to continue a little bit on a thread that we've been on, and then I hope to have a little time to switch up a little bit. But I want to start with Mr. Miller on this question and maybe go to Mr. Williams, which is—so we know at HUD that just because you are on an appraiser roster doesn't mean that you get used. In fact, we were just looking at our roster the other day. We were looking for something else. We were looking at what happened to our roster in terms of diversity after HERA and the change from licensed to certified appraisers, which did significantly reduce the people of color that we were able to use.

But we also noticed that women are very disproportionately underused relative to the number who are on our roster, and so this underscores something you mentioned during your testimony, which is the importance of—and I think Mr. Swinney mentioned this also—the importance of having appraisers used once they are qualified, however it is we're getting them qualified. And we know that when a person is learning the business through a simulator course such as PAREA or any kind of alternatives that we come up with, it is really important to get the industry to accept them and to start using them, because if we have them but don't use them, it's not going to change that.

So I would like you to talk about how—both how we can get the industry to formally accept them, but also once they've been formally accepted, how we can get people working in the industry to choose them. And please, in your answer, consider anything that the Appraisal Subcommittee should be doing or any other of the organizations represented in this hearing. Thanks.

JONATHAN MILLER (NYC Real Estate Appraiser): Thank you. I think the number one issue is going to be driving the economics so they make sense. So like in case—the example that I gave you, if I have a trainee and 80 percent of my bank clients won't accept their work, the economics don't work. Whether they're coming from—will they look at PAREA the same way? We don't know yet. So to me, the idea here is that we market—or there's some sort of connection to the banking industry about the merits of trainees versus someone that's been certified for two years.

Until the economics makes sense, I don't think there's going to be any change anywhere. The math has to work for, the appraisal industry is a bunch of—in the residential side anyway, it's a bunch of lone wolves working in their houses. It's not big firms with human resource departments, and they're still struggling after the financial crisis with the expansion of AMCs and their business and taking some of their fee. So I guess that would be the way I would think of a solution.

ASC MEMBER JULIA GORDON (HUD): So I'm going to throw this open to the panel. Who has practical and implementable thoughts on how we can overcome this problem? Mr. Williams?

MORGAN WILLIAMS (NFHA): Thank you, Commissioner Gordon. Again, I think before you get to the question of roster, you have to start with the baseline fact that my colleague noted that the industry is devoid of diversity.

We urge the Appraisal Subcommittee to work with The Appraisal Foundation to set public goals and timelines to eliminate the unnecessary and discriminatory barriers to entry in the appraisal profession. My colleague has referred to some of the criteria.

ASC MEMBER JULIA GORDON (HUD): But, Mr. Williams, I'm sorry. I'm going to interrupt you—

MORGAN WILLIAMS (NFHA): Yes.

ASC MEMBER JULIA GORDON (HUD): —because I understand that this industry is devoid of diversity. And I think we have the beginnings of some ideas for changing that.

I am concerned about getting people onto rosters and not having them used. Do you have thoughts on that specifically?

MORGAN WILLIAMS (NFHA): I think specifically when we talk about bringing new people into the industry and using them, we need to understand that the industry is modernizing. And at the same time that we're talking about bringing a diverse body of people onto these rosters and then utilizing them, we have to understand that the industry that we're bringing them into is going to be radically different in a number of years, you know, in a short period of time. And so we're talking about utilizing the workforce of appraisers that we're bringing on. There's a larger question that's not just about sort of selecting people off of rosters. It's understanding the radical changes that are happening in the market and in the appraisal industry, and we're

going to need to ensure that those modernizations are bringing individual appraisers along, especially as we're promoting diversity in the industry, because if we're bringing people onto these rosters and then it's an industry that's changing, we're setting them up for failure.

ASC MEMBER JULIA GORDON (HUD): I'm going to—well, Mr. Swinney.

BRAD SWINNEY (AQB): Well, Commissioner Gordon, I did want to offer some thoughts on PAREA and its acceptance. We do have—our board has been presenting and answering questions to state regulatory bodies. And we're up now to 43 states accepting PAREA for experience at—mostly at 100 percent. In fact, I know of only one at partial.

And that communication, I think, could be really well spent on users of appraisal services as well to give them a comfort level with the experience gained through PAREA. In PAREA, they're going to see many more varied types of properties than they typically will under the standard system, because under the standard tradition—or the traditional supervisor training system, you're limited to your supervisor's market. And that includes property types and whether it's an increasing or decreasing market. Within PAREA, they get to see different property types, different markets, different—you know, as part of their training. So they're going to get a more broad-based training.

ASC MEMBER JULIA GORDON (HUD): Right. And do we need—what else do we need to have your organization, ASC, every other organization in here help make that case? Do we have the resources for that?

BRAD SWINNEY (AQB): We're happy to make the case to anyone who will listen. In terms of resources, as I said, we've been talking—we go and we speak or we—most of it has been Zoom, but we do actually go on on-site as well to present to the regulatory bodies.

ASC MEMBER JULIA GORDON (HUD): Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Assistant Secretary Gordon. Next, we have Deputy Comptroller Enice Thomas.

ASC MEMBER ENICE THOMAS (OCC): All right. Thank you, everyone, for being here today, taking time out of your day to come and speak with us and hopefully answer some good questions that we have in front of you.

Chair Swinney, I want to ask you the first question. In your testimony, you indicated that states often layer additional requirements for the criteria on top of the current real property appraisal qualification criteria. Has the AQB conducted an assessment which states—an assessment of which states are adding requirements and what those added requirements are?

BRAD SWINNEY (AQB): I don't believe we have a study of that. The ASC has recently reached out to states in encouraging them to take a look. They have every right—you know, the state's

rights. They have every right to exceed our minimum criteria. But ASC has urged them to look and make sure that there's a good reason for those, for where they exceed the minimums in their view. In other words, are you sure about this? Take another look at it, please.

I believe that's probably where the two-year time requirement, I keep hearing, may be coming from, because again, our minimum criteria, even under the traditional supervisor training model, 6 months LR, 1 year CR, 18 months CG—or licensed residential, certified residential, certified general, there's three different credential levels. That's under the traditional model. For the LR and CR, PAREA is not time based. It's proficiency based. So you get through the program as soon as—you know, at the pace that you are proficient in the model you just finished, you go to the next. So you have to successfully complete in order to proceed. But it can be done in an accelerated pace. Have I answered your question?

ASC MEMBER ENICE THOMAS (OCC): Yes, sir. You answered it. Thank you.

So, Mr. Williams, I've got a question for you in regarding to the sales comparison approach. It's two questions here. So do you believe the sales comparison approach may perpetuate racial bias in appraisals? And then, secondly, what would be an alternative to the sales approach as we hear more people talk about different alternatives?

MORGAN WILLIAMS (NFHA): Thank you for your question. Yes, I think we do believe that the discretion inherent in the sales comparison approach around the ability for appraisers to identify comparables, set adjustments, and make other subjective determinations in association with the identification of the neighborhood to be considered do manifest bias, and that as an industry, it's incumbent upon the appraisal standards boards to identify some specific high-level guardrails on the sales comparison approach.

Notably, the USPAP continues to pose fair housing risk and needs to be modernized. One of the things that could be done in instituting guardrails on the sales comparison approach is simply identifying in USPAP that there is a baseline standard for fair and equitable outcomes. And currently not something that's included in the standards and we highly recommend, the Appraisal Subcommittee to work with The Appraisal Foundation to set goals to ensure a fairer USPAP.

In terms of alternatives to the sales comparison approach, we identify a couple of steps. One, there's the need for greater appraisal systems that can be developed to analyze how the sales comparison approach is being executed in real time using data. Currently, the GSEs, Fannie Mae and Freddie Mac, have instituted systems based on the UAD that allow for a post hoc review of an appraisal once it comes to them. What we're calling for is for systems to be developed and implemented by regulators and with industry partnerships to ensure that those real-time flags are alerted in the course of executing the sales comparison approach.

Ultimately, analysis of the sales comparison approach is also going to take further research, and for that, we call for further release of the Uniform Appraisal Dataset at the loan level.

Obviously, that raises privacy issues, but we call upon the regulators to work with industry partners and consumer rights advocates to ensure that those privacy issues are addressed and that that loan-level data can be released. With the release of that loan-level data, then industry itself can institute those compliance controls. In fact, industry itself is doing that now with the access to data that they have in the context of large lenders who have tens of thousands, even millions of records. But if the industry itself had access to that information by release of loan-level data from the UAD, then the industry would be able to more broadly institute these compliance measures.

ASC MEMBER ENICE THOMAS (OCC): Thank you. So, Ms. Jemmott, I'm going to circle back to a question related to complaints that Director Thompson asked in the beginning. So are there state regulatory appraisal programs that do not have the authority to investigate bias complaints? And if not, how are those complaints typically handled?

ANGELA JEMMOTT (ARRO): Yes, thank you for your question. It is not a matter of not having the authority. We have it in USPAP. It is the process of which we can identify to be able to validate discrimination. That is the issue. And USPAP is outside of the opportunities that possibly could be occurring in a discrimination process from appraisal report or experience. That is why we felt it was important to really reemphasize the fact that we need the training as investigators. We need to understand, and then additionally, to have a uniform training and consistency throughout the nation, because we have just noticed from the survey, there are different responses and thoughts to the ability to research and to ability to understand if it was a discrimination.

Many times, they find it is a competency versus a discrimination in many of their findings, and that's where we want to get better at it. So we're approaching it from that standpoint.

ASC MEMBER ENICE THOMAS (OCC): Okay. Thank you. Chair, I'll yield back time this go-around.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you. Next, we have Deputy Director Lindo.

ASC MEMBER ARTHUR LINDO (FRS): Thank you, Madam Chair, and I'd like to thank the witnesses again for your testimony today.

Ms. Jemmott, I'm going to go back to I think where Enice was just talking to you about the complaint process. So forgive me if it looks a little bit similar. But the idea here is that you mentioned investigator training, and I know the ASC has been active in that area for a long time. I guess what I'm trying to figure out, are there additional steps that you think the ASC and possibly TAF could take in that regard to improve the ability of individuals like you to investigate these complaints, so anything you'd have in addition to what you've said that you'd recommend we do?

ANGELA JEMMOTT (ARRO): From my understanding—thank you for this question, because this

is extremely important to us in California in regarding to truly protecting the public, to be able to have our investigators be confident in that their investigation is appropriate and thorough. And so with that said, I'm assuming that all states are feeling the same way, that we want to be able to fully protect the public.

And with that, we need the full-fledged training of this level of bias, because we have the authority, for example, to be able to—if there is a opportunity in one appraisal report or investigation case that comes before us, we can do additional audits of a particular appraiser. However, how could we do that in our own capacity? So those are things that we're saying, okay, how do we do this? How do we get better at identifying? And so we're looking at the layers. We're really at the iceberg of—in this whole process of developing as a nation to understand.

I've heard and seen that we need to think about, besides the words—we see in the reports there's—the examples that was opening with Director Thompson, that there's words that are said. That is one way of identifying, but there's other ways that we want to get beyond to understand, and that's what we're seeking in California.

MORGAN WILLIAMS (NFHA): May I add to that briefly, just in regards to the data that—

ASC MEMBER ARTHUR LINDO (FRS): One more follow-up from Ms. Jemmott, and then I'll turn to you, Mr. Williams.

So, on that one, Ms. Jemmott—sorry—the idea that a state has to have the ability to monitor and each state is somewhat unique in their approach, is there something that we could do, again, from our side on helping to do this across all states? We have, for example, an assessment program at the ASC to look at state-regulated programs, as you know, but—regulatory programs. But I'm just looking to see if we can normalize that a bit. So anything there you'd have for us?

ANGELA JEMMOTT (ARRO): Yes. In the terms of developing more specific questions, training, we have not seen that available to investigators from our standpoint, that we know that there are trainings. We've seen some of the opportunities, but specifically for appraisal training, investigator appraisal training, we have not seen that, and we would like to partner in that capacity.

We've actually participated in some of the videos, and then just that steps—it's five hours of training presentation. We're on it. We are taking that in our office to participate in it ourselves. But that is, to me, just the beginning stages of understanding, but not necessarily the full-fledged training for investigators.

ASC MEMBER ARTHUR LINDO (FRS): Okay. Thank you for that. Mr. Williams, you wanted to add your view to that?

MORGAN WILLIAMS (NFHA): Thank you, Mr. Lindo. Just very briefly. We applaud the Federal Housing Finance Agency for releasing the aggregate Uniform Appraisal Dataset data in October, but if they were able to release the loan-level data, then that would enable not only industry to institute compliance and researchers to understand the problem, to then begin to develop alternatives, but it would enable private citizens and state actors to pursue that enforcement that would be required with that data. Like in the Home Mortgage Disclosure Act context, if we have the actual loan-level data, then state regulators are going to be able to actually assess the compliance of an individual appraiser within the context in which it was done.

ASC MEMBER ARTHUR LINDO (FRS): Right. This all requires a lot of judgment, as you understand to detect—

MORGAN WILLIAMS (NFHA): Just a release of data, yeah—

ASC MEMBER ARTHUR LINDO (FRS): —detect scrutinizing.

MORGAN WILLIAMS (NFHA): —which requires some privacy concerns, yes.

ASC MEMBER ARTHUR LINDO (FRS): With that, I'd like to turn to you, Jonathan, and maybe you can give me an idea. You're on the other side of this. You're an appraiser who might be evaluated, and you're a reputable individual from what I can see in your background and the like. What might we do differently, again, in terms of identifying these areas where discrimination may be occurring and then pursuing some sorts of steps to remedy it? Anything you would add based on what you've heard so far?

JONATHAN MILLER (NYC Real Estate Appraiser): No, other than working with banks to help them identify—as an appraiser, basically, we present. We send it to the client, to the bank, and that's the last we see of it, unless there's a mistake of some kind. We don't really interact with other appraisers. So even though we're generating the report or the research, we don't have the purview of sort of a broad look over what our competitors are doing, if that makes sense.

ASC MEMBER ARTHUR LINDO (FRS): So even if I were an appraiser practicing and got wind of a trend going on in a typical set of appraisers, I wouldn't actually know about that. The information that I might learn from an enforcement action or some sort of corrective action, I couldn't implement that from a standpoint of learning. There's no transparency around this is what I'm saying.

JONATHAN MILLER (NYC Real Estate Appraiser): No, there's no transparency, and it would be helpful to understand it, you know, to see it as an appraiser standpoint. But at least in my experience, we don't.

ASC MEMBER ARTHUR LINDO (FRS): Okay. That's helpful.

Mr. Swinney, just one or two questions for you, if you would. Back to the college degree

approach, when the board was considering that, were there actually college programs that you had in mind that somebody could apply to and get a valuation-type degree where they could actually apply it in practice? Is there anything like that that you would be able to tell us was considered or available at the time—or even today, if you were to say that?

BRAD SWINNEY (AQB): Right. So the college degree requirement as it was rolled out in 2011 was a college, just a college degree, and so it wasn't aimed at a real estate appraisal degree. So from that route, no, that didn't exist. The—

ASC MEMBER ARTHUR LINDO (FRS): Does it exist today, or is there a program that you're referring to?

BRAD SWINNEY (AQB): No, it's still—it's still a college degree, just a blanket bachelor's or higher degree for the certified general, and then there are the different paths for the certified residential. The one that doesn't require a college degree requires five years as a licensed residential appraiser with a clean record, and then the other paths are an associate's degree.

Obviously, a bachelor's degree fills the role—or college courses and focused, and the associate's needs to be focused in a real estate-related area or certain college courses focused in a real estate-related area, specific, laid out in the criteria. You can CLEP those programs or any combination of CLEP in taking the degrees.

Now, we are looking to—we're going to have—it's in our work plan, and we are reconsidering the college degree requirement. And that's our next item in the work plan. What we have been busy doing has been the fair housing and valuation bias, continuing education requirement, and then analyzing the PAREA programs that have been brought to us, and of course, the recent approval of the Appraisal Institute's Licensed Residential Program.

Now, we do have another college—

ASC MEMBER ARTHUR LINDO (FRS): Do you see any value in a program that would have indicia that would lead us to understand some of the indicators of bias that may come through evaluation process, or are you agnostic on that point, or do you think there are elements that we could actually incorporate into a program?

BRAD SWINNEY (AQB): I'm sorry. Could—

ASC MEMBER ARTHUR LINDO (FRS): At a college or other institution, are there indicia of bias in valuation that we could incorporate into a program? Is that part of the thinking here, or is any college degree subject to a valuation type of approach acceptable? I'm trying to get to the underlying issues we've been getting to today. That is, if bias does exist, how do you root it out in valuation processes and the like? Are there any programs that you can think of that would help us or an aspiring appraiser to get to that point?

BRAD SWINNEY (AQB): So our efforts to ensure training in fair housing law and regulation and valuation bias are focused on the second exposure draft that we just released Tuesday after the 1st. We have consulted with fair housing experts through forums, task force, webinars to come up with the content outline that we are putting out there, but I'm not aware of any university programs.

ASC MEMBER ARTHUR LINDO (FRS): Or other? Okay.

BRAD SWINNEY (AQB): There is another aspect of college degree where we do look at real estate degree programs, but that is for hours of qualifying education. So if you're interested—

ASC MEMBER ARTHUR LINDO (FRS): Okay. I'm going to be out of time in a second, so I have a couple more questions. I'll get it in the next round, but thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you. Next, we have Associate Director Nahrwold.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Good morning. Thank you to the panel members for joining us today as we explore the appraisal regulatory system and more specifically focusing on the standards and qualifications and barriers to entry. Appreciate your being here.

My first question is for Mr. Swinney, and it's kind of a follow-up a little bit in terms of very specifically how you believe PAREA will increase appraiser diversity, and what challenges do you see with implementing that?

BRAD SWINNEY (AQB): I believe PAREA will increase appraiser diversity because it opens opportunities for people that want into the appraisal profession that have not been able to find a supervisor to gain their experience without a supervisor. And that, so we have seen a lot of that—"I would like to get in, but I can't find a supervisor"—since we really first started exploring this option back in 2015. That was prior to my being on the board, but that's when it started. So yes, I believe that it will help bring in more diverse and more appraisers into the profession.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Could you elaborate a little bit on what the differences are in terms of training and educational requirements for PAREA versus the standard method of licensing or certification?

BRAD SWINNEY (AQB): Any differences concerning education would be around timing. For PAREA, you're required to have your qualifying education before you—all of your qualifying education before you enter the program because it is proficiency-based, and that will allow you to progress through the PAREA program more quickly because it is, after all, where you demonstrate your ability to apply what you've learned in the classroom. So they need to have learned it in the classroom before they get to this program and have to apply it and then have a big long pause or a stop because "Oh, I haven't had that course yet."

But as far as differences in the required education, there is no difference in the required qualifying education to a credential between experience models. The difference is in timing.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): So no difference in educational requirements and the added cost of basically paying to play, right, being a part of that process. Am I understanding that correctly?

BRAD SWINNEY (AQB): In terms of the added cost, again, we are not in control of either supervisor trainee arrangements or what a PAREA provider charges someone to enroll in their program. At least where PAREA is concerned, they do have to make the potential enrollee aware of all costs up front. That is part of the policies and agreement that they sign in order to be a provider. So all that is made known up front.

And then, of course, my board works with the qualification criteria and looking at ways to get people the experience which—without the need for the supervisor because that is—we have seen a real need for that.

On the foundation side, they work in the area of scholarships and initiatives to try to get those available to minorities, veterans, and those that want to practice in rural communities.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Okay. So I understand you don't control the cost, but you do mandate the training requirements, the education requirements, correct?

BRAD SWINNEY (AQB): The minimum criteria, yes, ma'am.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Yes. Okay. Thank you.

Ms. Czekalski Bradley, good morning.

MICHELLE CZEKALSKI BRADLEY (ASB): Good morning.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): So in your testimony, you identified enforcement as a challenge, and more specifically, you noted that the ability to regulate appraisers and enforce USPAP was a power entrusted to state regulatory agencies and, of course, the ASC. I'm curious to what extent you may have interacted with, worked with, reached out to states in trying to come up with solutions for that enforcement challenge.

MICHELLE CZEKALSKI BRADLEY (ASB): I really appreciate that question. Thank you very much.

So as Chair of the ASB, my role is to promulgate USPAP. I don't go—I'm a practicing appraiser by trade. I do this just to give back to the profession. But my role as Chair of ASB does not get involved in reaching out to states and talking about enforcement.

What's very, very important is once the appraiser completes that appraisal in accordance with

USPAP, USPAP today even, that final report will be absent bias and absent discrimination. But when a complaint comes into a state regulatory agency, it is my understanding that the state checks to make sure that the state—the investigation is conducted uniformly and in a certain time period. But what's important is not every state confirms that the appraisals that are subject of a complaint and often from the public—those appraisals aren't checked to be certain that they were conformed in compliance with USPAP. And it's vital to public trust that the competency and ethical standards of the profession are enforced.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): So you have standards that are required, and the states and the ASC are tasked with enforcing those standards. But you don't see a need or you haven't reached out to states to figure out what are the challenges that they have with enforcement? Are they confused? Is there a challenge with the process? I'm just curious about that.

MICHELLE CZEKALSKI BRADLEY (ASB): I appreciate the follow-up, and let me say that I am quite certain that The Appraisal Foundation—I don't speak for The Appraisal Foundation. I just speak for the Standards Board. But I'm quite sure that The Appraisal Foundation would welcome the opportunity to collaborate more with the Appraisal Subcommittee on those types of challenging issues. Absolutely.

There is a very important role in private-sector expertise, Federal monitoring, and state oversight. That is really important, those three things that come together. We hear about this unique system, but we have some great things that go on in this system.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Thank you.

MICHELLE CZEKALSKI BRADLEY (ASB): You're very welcome. Thank you.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): So I'm running out of time. Mr. Miller, real quick. I'm curious. You noted a number of issues with appraisal bias. I'm curious to what extent you've kind of looked internally at your system, your process, your business and tried to determine what, if any, factors might be contributing to bias there, and if you found some, what you might do to remediate them.

You did mention, I think, when you were responding to Art, that you don't interact with other appraisers, and I'm curious, you know. Are there professional organizations or associations that appraisers are a part of that gives them an opportunity to kind of have that community and discuss what they're seeing, what they're not seeing, that sort of thing?

JONATHAN MILLER (NYC Real Estate Appraiser): So we do interact with other appraisers. We just don't interact with their work to see what they're doing, and I think in the topic of unconscious bias, if you don't know, you don't see.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Do you require unconscious bias training for

appraisers that work for your firm?

JONATHAN MILLER (NYC Real Estate Appraiser): No.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Thank you. I yield back. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Associate Director Nahrwold. Next, we have Director Chopra. You have the floor.

ASC MEMBER ROHIT CHOPRA (CFPB): Well, thank you all for attending today, and really, it's so important that we have a strong appraisal profession and one where appraisals are free of bias.

I think many of these goals all seem to go through The Appraisal Foundation, and I just want to ask a little bit more about the processes of the foundation and the boards. So, Ms. Czekalski Bradley, in your testimony, you say—and I'm paraphrasing a little—neither the foundation nor the Appraisal Standards Board is a government entity, and neither has the power to make law. The role of the ASB is to develop, interpret, and amend the Uniform Standards of Professional Appraisal Practice, or USPAP.

So I'm looking at federal law, and you're probably familiar with Title XI of FIRREA—you just mentioned it earlier—which says that real estate appraisals be performed in accordance with generally accepted appraisal standards as evidenced by the appraisal standards promulgated by the Appraisal Standards Board of The Appraisal Foundation. It also says that such appraisal shall be subject to appropriate review with the Uniform Standards of Professional Appraisal Practice, or USPAP.

So I guess, what do you mean that it is not—does not have the ability, the foundation and the ASB, to make law? When you do amend that USPAP, doesn't it essentially have the force of law on so many appraisers in America?

MICHELLE CZEKALSKI BRADLEY (ASB): That's a great question. Thank you very much for asking.

Yes. So when we promulgate USPAP—and first, let me please say that it is done in an open and transparent manner.

ASC MEMBER ROHIT CHOPRA (CFPB): But the answer is yes. Basically, it compels appraisers—

MICHELLE CZEKALSKI BRADLEY (ASB): Effectively, it becomes—it has the force of law. Yes, sir.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay, great. And then when it is amended—let me ask Mr. Miller. You're an appraiser. When it is changed, do appraisers end up having to do something with it and pay fees?

JONATHAN MILLER (NYC Real Estate Appraiser): Until recently, it's been updated every two

years, and so we take classes, a USPAP seven-hour update class every two years. And honestly, there's 5 minutes or 10 minutes of it is the new stuff, and then the rest is just not really an update. So appraisers have to leave their work and sit in a classroom for, you know, a day and learn very little. And there's a lot of nuances that is changed over and over and over every couple of years and then undone and then redone, and it creates a lot of confusion within the appraisal community and the banks that we do business with.

ASC MEMBER ROHIT CHOPRA (CFPB): And you have to pay for this?

JONATHAN MILLER (NYC Real Estate Appraiser): Yes, that's correct.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. So we essentially have the ability to compel appraisers and tax them. I guess I want to ask now a little bit about the—you mentioned, Ms. Czekalski Bradley, that your board is independent from The Appraisal Foundation. Who appoints you?

MICHELLE CZEKALSKI BRADLEY (ASB): The Board of Trustees appoints members of the ASB and the AQB.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. So The Appraisal Foundation chooses both the chairs, vice chairs, and all the members.

MICHELLE CZEKALSKI BRADLEY (ASB): Yes, sir. That's correct.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. So I'm not sure how totally independent that would be from The Appraisal Foundation. Can I ask you, do you know how The Appraisal Foundation Board of Trustees is appointed?

MICHELLE CZEKALSKI BRADLEY (ASB): I'm so sorry. I actually do not.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay, okay.

MICHELLE CZEKALSKI BRADLEY (ASB): That's not my realm.

ASC MEMBER ROHIT CHOPRA (CFPB): That's fine.

You mentioned, Mr. Williams, about the pay-to-play system of The Appraisal Foundation's board. I guess, is it a sign of independence when you can essentially purchase seats on a board of trustees?

MORGAN WILLIAMS (NFHA): No, Director Chopra. Industry organizations pay an upfront fee and annual donations for the right to appoint board trustees.

ASC MEMBER ROHIT CHOPRA (CFPB): And those boards of trustees essentially have the ability

also—directly, indirectly—to make law that sets standards for the entire profession?

MORGAN WILLIAMS (NFHA): That's correct, and there are no conflict of interest rules for trustees. And sponsorship fees are actually the second source of revenue for The Appraisal Foundation.

ASC MEMBER ROHIT CHOPRA (CFPB): And, Mr. Miller, do appraisers in any way get to vote or otherwise participate? Do you know how we make sure that the board of trustees is actually one that reflects the public interest rather than paying sponsors?

JONATHAN MILLER (NYC Real Estate Appraiser): Generally, we have no idea what internally goes—you know, what the process is. We do have access to activities of the standards boards and the AQB, but not the board of trustees, to my knowledge.

ASC MEMBER ROHIT CHOPRA (CFPB): And you mentioned in your testimony about the diversity of those boards that were selected. I guess I want to ask, what do you think is the best way for the Appraisal Subcommittee, which has a legal duty to monitor the activities of The Appraisal Foundation and its boards—what more can we do to make sure that it is in the public interest and not in the interest of sponsors or pay-to-play?

JONATHAN MILLER (NYC Real Estate Appraiser): Right. I think there's a lack of the ability for the ASC to provide oversight, which is what I think really needs to happen, and that probably comes from Congress, because monitor and review doesn't give you the ability to—at least in my take of it, to have influence over the breakout of the board itself. And there hasn't been any diversity for the most part in decades since its existence.

ASC MEMBER ROHIT CHOPRA (CFPB): And, Mr. Swinney, in your board, has there ever been any participation by Appraisal Subcommittee staff? These are government employees.

BRAD SWINNEY (AQB): Yes.

ASC MEMBER ROHIT CHOPRA (CFPB): So they are able to observe all meetings and activities of your board?

BRAD SWINNEY (AQB): They had done so during my early time on the board from 2018, I believe, to 2021. Now they attend all of our public meetings.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. And what led to that change?

BRAD SWINNEY (AQB): To my knowledge, that was an ASC decision, but I don't know what led to the change. They still provide comment and feedback to us.

ASC MEMBER ROHIT CHOPRA (CFPB): So you're saying—

BRAD SWINNEY (AQB): We're still very—we're still—

ASC MEMBER ROHIT CHOPRA (CFPB): —there was a change made by this board that prevented—

BRAD SWINNEY (AQB): We're still very responsive to the ASC's questions. I'm not—

ASC MEMBER ROHIT CHOPRA (CFPB): I don't think it's accurate to say that the Appraisal Subcommittee prevented the staff—

BRAD SWINNEY (AQB): I'm not aware of what led to that not occurring.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. Ms. Czekalski Bradley, are all meetings available for attendance by the Appraisal Subcommittee staff?

MICHELLE CZEKALSKI BRADLEY (ASB): All public meetings are available to the Appraisal Subcommittee staff, and we are always very responsive to any comments or questions that come in.

ASC MEMBER ROHIT CHOPRA (CFPB): So is it also fair to say that Appraisal Subcommittee staff attended all of them, but—

MICHELLE CZEKALSKI BRADLEY (ASB): They have in the past.

ASC MEMBER ROHIT CHOPRA (CFPB): And are no longer doing so?

MICHELLE CZEKALSKI BRADLEY (ASB): That is correct.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. Well, I think we have some interesting information here about whether these boards which are exercising governmental power and essentially taxation power and how the governance structure of The Appraisal Foundation and the board's work. It's not so clear to me that it is so independent and that it is in the public interest, and we will have to continue exploring that.

I also just want to make a comment about something Director Thompson said and others about PAREA. I think we have not gotten a lot of details exactly of how this is going to work, and given the enormous power that the foundation and the boards wield, I think that's a big problem. That's all I have.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you. We will now take a break and reconvene at noon.

[Break taken.]

ASC CHAIR ZIXTA MARTINEZ (CFPB): We'll now move to a second round of questions. In this round, each ASC representative has eight minutes to ask questions, and we will begin with Director Thompson. Director Thompson, the floor is yours.

ASC MEMBER SANDRA THOMPSON (FHFA): Great. Thank you. Just one quick question for Mr. Swinney. TAF, I guess, approves PAREA; is that right?

BRAD SWINNEY (AQB): The AQB approves PAREA.

ASC MEMBER SANDRA THOMPSON (FHFA): Yeah. TAF AQB approves PAREA. And I guess, does TAF and—you said AQB—assess the terms of the agreement on—or the contract with the provider of PAREA? Like, when somebody wants to develop PAREA, do you all kind of go over the contract and say, "Here's what we want. Here are the things it needs to do"? So do you guys look at kind of the terms and conditions?

BRAD SWINNEY (AQB): We have—there are—so our procedures require them to have certain things built into the—

ASC MEMBER SANDRA THOMPSON (FHFA): Into the contract?

BRAD SWINNEY (AQB): Well, I'm not going to—

ASC MEMBER SANDRA THOMPSON (FHFA): Agreement?

BRAD SWINNEY (AQB): Right. For instance, the point I brought up is that, you know, for instance, they do have to make sure any potential participant knows the full cost up front. They have to have in place the ability for complaints to be handled, and they report back to us on how their programs are performing and the complaint process. And then they also have to inform the participants, you know, how to complain directly to AQB if they're not getting satisfied internally. So there are those kind of things built in, but we're not, you know, drawing up their contracts with their participants for them, if that's your question.

ASC MEMBER SANDRA THOMPSON (FHFA): Can I ask if any of the PAREA providers or people pursuing PAREA are paid sponsors of TAF? Do you know? The Appraisal Foundation?

BRAD SWINNEY (AQB): We have sponsors of TAF that are—like, for instance, the Appraisal Institute is a sponsor of TAF, and they are a PAREA provider.

The three that have announced publicly are the Appraisal Institute, McKissock, and Opteon.

ASC MEMBER SANDRA THOMPSON (FHFA): Okay.

BRAD SWINNEY (AQB): And again, we have eight programs still actively under development, which, you know, once that many come to market, we should, I would hope, see costs reduced

as well.

ASC MEMBER SANDRA THOMPSON (FHFA): Do you know how far away the other two are from coming to market by chance?

BRAD SWINNEY (AQB): McKissock has announced they'd like to be running betas by the first quarter of 2024 or during the first quarter of 2024. Opteon has not announced.

ASC MEMBER SANDRA THOMPSON (FHFA): Okay. Do you know if The Appraisal Foundation has given any grants to any of these sponsors for PAREA?

BRAD SWINNEY (AQB): Yes. Yes, ma'am. The Pathways to Success grant, again, a competitive grant, and it ended up—it was won by the Appraisal Institute and the National Society of Real Estate Appraisers working together, and it was a \$500,000 grant. And within that, again, the grant had performance measures that included reaching out to minorities, veterans, those willing to—those practicing—

ASC MEMBER SANDRA THOMPSON (FHFA): In rural areas.

BRAD SWINNEY (AQB): —in rural areas, and then having the program completed by date certain.

ASC MEMBER SANDRA THOMPSON (FHFA): So I just want to understand. So The Appraisal Foundation, you get paid sponsorships from PAREA providers, provide grants to some of them. You approve the agreements or programs, but you guys can't control the costs that applicants will pay for the resultant modules or PAREA. Is that fair?

BRAD SWINNEY (AQB): We cannot control the cost that participants would pay. What we control is the fact that they know what those costs are up front, and that was just built into our policies and procedures and the way we want to do it.

ASC MEMBER SANDRA THOMPSON (FHFA): Great. Thank you so much.

MORGAN WILLIAMS (NFHA): If I may add a word on PAREA?

ASC MEMBER SANDRA THOMPSON (FHFA): Please.

MORGAN WILLIAMS (NFHA): Thank you, Director Thompson.

ASC MEMBER SANDRA THOMPSON (FHFA): Mm-hmm.

MORGAN WILLIAMS (NFHA): I think if we were asked if we thought PAREA would be a game changer, we would say no. We're not opposed to PAREA, but the feedback we've received is that PAREA will be of marginal value.

First, as has been laid clear, the logistics of the course are unclear. The timeline for deploying the course, the cost to potential appraisers, and the number of potential appraisers that can use PAREA are unknown.

And second—and this is, I think, something bears underscoring and hasn't been noted yet—each state must adopt these new criteria, which may take years in some cases. Moreover, some states who have adopted the criteria have retained some of the experience hour requirements, meaning that the individual would still need to find a supervisory appraiser.

ASC MEMBER SANDRA THOMPSON (FHFA): That's interesting, because I was thinking that when Mr. Miller testified that this would kind of be an answer to your training issue, because it was online and covered a wider scope, and sounds like there could be some improvements.

MORGAN WILLIAMS (NFHA): That's correct. Some of the states that have adopted the criteria, again, have retained the experience hours.

ASC MEMBER SANDRA THOMPSON (FHFA): Okay. Mr. Swinney, did you want to respond?

BRAD SWINNEY (AQB): We are aware of one state that did that, Kansas, and then California had initially, and they reconsidered.

And so that—and as far as—so we are 43 states at present, and some that haven't wanted to see a PAREA program working before they made a final decision, so—

ASC MEMBER SANDRA THOMPSON (FHFA): Why do you think that is? I'm just curious, because it seems like the two-year requirement can be onerous, especially given compensation issues and time, and this seems like a shorter time and an easier way to reach more people and do more. And so what's the challenge? I'm just curious.

BRAD SWINNEY (AQB): You mean from the state perspective?

ASC MEMBER SANDRA THOMPSON (FHFA): Yeah.

BRAD SWINNEY (AQB): Well, each state has the ability to exceed our minimum. I suppose it's understandable, the point of view that "I'd like to see it before I approve it." But we have—they can see what's in the criteria. We have visited many states virtually and in person as a board at their request to answer their questions about PAREA, and I believe that in large measure is why we're up to 43 to date.

Concerning the traditional time requirements, again, our minimums are, for the licensed residential, 6 months; certified residential, 1 year; certified general, 18 months. Two years could be a thing in a state if they wish to exceed our requirement.

ASC MEMBER SANDRA THOMPSON (FHFA): Understood. Thank you. Ms.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Ms. Jemmott wanted to add something.

ANGELA JEMMOTT (ARRO): Yes. Thank you for acknowledging that. I just wanted just to note the foremost important aspect as a state regulator is that we are protecting the public. We were concerned about if the persons or individuals coming from the program was indeed qualified to be able to serve the public once they complete the program. That's what we would hear from different states that they were concerned, "Can we confirm that?" Because we look at enforcement side and seeing folks who are coming away not well trained, and so we wanted to make sure. And so we've asked a lot of questions of this program from that perspective, and that's probably where some of the hesitation came from.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you. Next, we have Vice Chair Brown.

ASC VICE CHAIR LUKE BROWN (FDIC): Hello again, everybody. I'm going to bounce around a bit here.

First of all, I'm hearing testimony from virtually everybody here that training is a barrier at this stage into entry, so that's a really important issue.

I'd like to follow up on Director Thompson's questions regarding costs. Mr. Swinney, you mentioned earlier that as you develop the pilot program and you engage contractors, there are certain specifications that you can set out, parameters of the program, including requiring that they inform the consumer about the costs. Why can't you add other specifications regarding costs; for example, guardrails around costs or recommended cost levels? Because cost, obviously, is a barrier, as opposed to saying we can't control costs.

BRAD SWINNEY (AQB): They're not our contractor. They are—so—

ASC VICE CHAIR LUKE BROWN (FDIC): Whoever is downstream. You're establishing a program up front with various parameters, and why can't costs be incorporated into that?

BRAD SWINNEY (AQB): I don't think we have that authority to go in. We establish the minimum criteria for obtaining an appraisal credential that—and then we introduce PAREA so that they would have the—so that aspiring appraisers would have the opportunity to get into the profession without the supervisor requirement, because we saw that as a real need.

And then the terms that I laid out are just for our ability to be able to ensure that—or monitor how the programs are doing, and they're reporting back to us on how they're performing, because it is a new concept. We want to know, well, once they complete your program, how are they doing on the exam?

And as far as the requirement to make them inform them of the cost up front, that is just to make certain that we don't launch a program where people then get into it and experience a bunch of, you know, hidden cost. But we—

ASC VICE CHAIR LUKE BROWN (FDIC): So—

BRAD SWINNEY (AQB): We don't feel like we have the authority to.

ASC VICE CHAIR LUKE BROWN (FDIC): It would be helpful if you would look into that, because, you know, if you're transparent with a consumer and the cost is whatever, \$10,000, that's not really helpful if you're transparent and that's the cost.

Also, I would like to incorporate by reference, Mr. Williams' questions about the PAREA program in general in terms of my questioning. As I read through many materials on PAREA, I have many, many questions in terms of understanding the components and the specific sort of recommendations and provisions of whatever it would ultimately look like and how all those pieces fit together, and so I'm incorporating Mr. Williams' questions. And I'm requesting that you provide that information to the Appraisal Subcommittee so that we have a—so I'm—on the front end of PAREA, understanding very specifically, because this is being set up as something that is an alternative to the current—what I would call mentorship program. If this is a significant alternative, we should understand what that is on the front end.

And then, secondly, on the back end, I assume that some sort of testing, some sort of work is going to be done on the back end to validate the success of the program at some point. Once it entirely rolls out, I think it would be helpful for the Appraisal Subcommittee to have some data and specific information on whatever success there is within a reasonable period of time, and we can coordinate with the Chair on what that timing would be. But this is being offered up as a program that's an alternative that would essentially bring a range of people back into the industry as appropriate. So it seems that there should be more transparency about what we're talking about here, and then ultimately, some assurances on the back end that it's something that will be successful and has been successful. So to report that kind of information to the Appraisal Subcommittee would be extremely helpful going forward.

And I have a question for Ms. Jemmott related to PAREA, and I know you're in a challenging position here. You're representing a range of states. Are you all at the state level doing evaluations of what the PAREA programs look like to get a confidence level that these are programs you'd endorse and then incorporate in the law?

ANGELA JEMMOTT (ARRO): We have been in a number of cases investigating and questioning the program through the vendors as well as our regulatory meetings, ARRO meetings we've talked, and they provide information. The details exactly—the questions you're asking is the same questions we've been asking as well. So we're totally in line with the thoughts, because it's difficult for us to be able to market it ourselves. And I have shared with them, I want to put it on our website exactly. And we have—the most current information we have, we put on our website, but the details of that, of what you're saying, costs is one of our questions as well.

We have standardized approval process in terms of if the AQB has reviewed. Then that is part of our standard of which we also know that has been a process which we go forward with as

well.

ASC VICE CHAIR LUKE BROWN (FDIC): Thank you very much.

Another question I have—and I think it's for you, but anybody that wants to jump in on this—we've talked a little bit about training. We've talked about investigating and preparing appraisers for understanding the issues around appraisal bias. There's costs associated with all these things, and I wonder if there are ways that the Appraisal Subcommittee maybe can grant funding or support of such, some sort of programs that could support getting at the training and the investigating, particularly. Maybe, Ms. Jemmott, you could respond to that.

ANGELA JEMMOTT (ARRO): Well, one of the things that we have been trying to echo in our communications, that we want this topic of bias to be embedded in every aspect of the topics on everything that is presented in the USPAP training, anything. We don't want it to be a side topic, but it's embedded in our discussion points. That will help change the mythology of thinking that this is some extra point that we're trying to make. It is not. It's our standard of which we are asking all appraisers to govern themselves.

The training that additionally we want to see occur is within the education providers. They have that opportunity to train. We have a number of information that we've seen, especially from HUD. There's so much training that they can reach out to. There's a lot of free classes, and which we know is out there. This is not a new topic. This is new that we should be embedding it fully, and that's what I'm believing can make it so there's not such a costly effort.

ASC VICE CHAIR LUKE BROWN (FDIC): Thank you. I just want to throw in one more question, Mr. Swinney and Ms. Bradley, and this requires, I think, a yes or no answer.

So I learned a long time ago that nothing focuses the mind like a deadline. It would be really helpful—you all have gone through a series of recommendations in both of your testimony to address appraisal bias, and I would think from the Appraisal Subcommittee's perspective—I'm only one voice here at the table—it would be really helpful to have some specificity around what your deadlines are for those various proposals. What are the deliverables? What's the timeline? I note that the whole PAREA initiative started in 2015, and I'm a bank regulator who focuses on public policy initiatives. And many of them are complex. I don't recall anything we've ever worked on where there's not a deadline. So I wonder what your deadlines are.

You don't have to answer that here, but I wonder if you would be willing to report to the ASC in writing the particular deadlines, what your deliverables are on those projects so that we can have a follow-up and discussions about where we are on those various initiatives.

With that, I'll conclude my questions.

ASC MEMBER SANDRA THOMPSON (FHFA): Can I just—

ASC VICE CHAIR LUKE BROWN (FDIC): I'll yield to the—I don't know.

ASC MEMBER SANDRA THOMPSON (FHFA): No, no, no, I just want to amend to your request—

ASC VICE CHAIR LUKE BROWN (FDIC): Yes, ma'am.

ASC MEMBER SANDRA THOMPSON (FHFA): —because I want to know how much this PAREA costs.

ASC VICE CHAIR LUKE BROWN (FDIC): Yes.

ASC MEMBER SANDRA THOMPSON (FHFA): I have no idea. It could be different costs, different states, different vendors. So if there's some way to append your request to get some due diligence or more information on the cost of PAREA—I just have no—just the \$5,000, which even you said was kind of a guess. So if they could do some outreach to get costs.

ASC VICE CHAIR LUKE BROWN (FDIC): I agree with that entirely. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): We'll turn to the witnesses now.

MICHELLE CZEKALSKI BRADLEY (ASB): If I may jump in, so thank you. Yes. We always want to be accountable. We're always happy to provide you with any information certainly that you're looking for.

I wanted to throw in that our deliverable, the new nondiscrimination section within the ethics rule, will be in effect on January 1st of 2024. The reason it's not in effect right now is because we need to have time for states to adopt.

And also, I'd just like to throw in as we're talking about all the investigator training, boy, The Appraisal Foundation, I'm sure, would welcome the opportunity to work with the ASC again on doing the investigator training for the states, because that's really critically important.

MORGAN WILLIAMS (NFHA): And just one brief comment on that, and this is a bit—in part of a follow up on Mr. Lindo's question from the prior section about assistance that could be provided to the states.

I mean, I think we really do perceive appraisal skills and civil rights analytics as two really different skill sets, and so in order to bring those civil rights analytics to the appraisal industry, there really needs to be concrete training on how that's done.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Mr. Williams. At this point, we will move on to the next questioner, and that is Assistant Secretary Gordon.

ASC MEMBER JULIA GORDON (HUD): Thank you. Ms. Czekalski Bradley, I want to talk about

the paywall for some of the materials. I understand that standards one through four are available to the public, not behind a paywall, but the appraisers on my team tell me that there are 30 active advisory opinions and 367 FAQs which are behind the paywall. Is that accurate?

MICHELLE CZEKALSKI BRADLEY (ASB): That is correct. So standards one through four and the definitions and the rules, including the new ethics rule that will be out on January 1st, is open and available, accessible for all. And importantly, that is what the state regulators use for enforcement.

ASC MEMBER JULIA GORDON (HUD): Okay. Well, I'm told that actually the advisory opinions and the FAQs are quite bound up with the USPAP. You know, my own agency does FAQs that relate to our policies, and if you just have the policies and don't have the FAQs, you don't have all the information.

ASC MEMBER ROHIT CHOPRA (CFPB): And there's no paywall.

ASC MEMBER JULIA GORDON (HUD): There's no paywall.

And we also looked at the forewords before the advisory opinions and the FAQs, which both say that they are, you know, reference guidance for the public. Would you commit to taking those out from behind the paywall?

MICHELLE CZEKALSKI BRADLEY (ASB): Okay. So just the best way to give a little bit of background—and boy, this was before my time, and I'm chair of ASB. I'm not involved in the board of trustees or foundation. I'm going to take my ASB hat off here a little bit and just give the background.

As I understand it, when Congress granted The Appraisal Foundation authority over the standards, the foundation was already charging for these standards. I believe it was \$25, but please don't quote me on that. So Congress, as I understand it, already knew that the foundation used this as a source of revenue. Beyond that, I really can't speak to that. The rest is intellectual property. So the advisory opinions and the frequently asked questions are the intellectual property, and that is part of the USPAP publication overall.

I want to just emphasize, Commissioner, if I may, that what the states need for enforcement is not behind a paywall, because guidance is not enforceable. The FAQs and the advisory opinions are not enforceable material.

ASC MEMBER JULIA GORDON (HUD): So these are materials that are taught at the USPAP trainings and that are put on the website saying they are for the assistance of the public, and while all you say is also technically true for all of what we up here do in our day jobs, I would suggest that if there are advisory opinions and FAQs, those are a core part of the entire system.

And if this is the system of record governing this industry, it is critical that all of that be public. Let us all look further into whether those can be made public, not be behind a paywall. And I believe that that's critically important.

Let me move on to another question for you. You have said in your written testimony that USPAP does not cover methods and techniques. Those are outside the scope of the Appraisal Standards Board's purview, right?

MICHELLE CZEKALSKI BRADLEY (ASB): Mm-hmm. That's correct.

ASC MEMBER JULIA GORDON (HUD): And so, again, when I've spoken to our appraisers, they've told me that the methods and techniques actually lie at the heart of the craft of appraising, and that whoever sets those is effectively governing how appraisers do their work. And so my understanding is that currently, the way the methods and techniques are governed is by the organizations that are actually members of The Appraisal Foundation, and that's done sort of individually. Is that true?

MICHELLE CZEKALSKI BRADLEY (ASB): Well, USPAP is open to all recognized methods and techniques. USPAP doesn't limit an appraiser to one particular method over another.

Importantly, if an appraiser is following USPAP requirements, they will produce an appraisal that is nonbiased and without any discrimination. Not sure if that answers your question.

ASC MEMBER JULIA GORDON (HUD): Well, it just seems—I mean, it's hard for me to understand the difference between—you know, these are all just different words, but from what I understand our appraisers do in their work, the methods and techniques are—you know, that's what they're doing every day. And the organizations that maintain, develop, and train people on the appraisal methods and techniques are not really—there's not like another oversight layer over that. And I'm just wondering how we are overseeing what methods and techniques are being taught out there to make sure that they are not in some way intentionally or unintentionally perpetuating bias.

MICHELLE CZEKALSKI BRADLEY (ASB): Okay, great questions. Let me—I want to make sure I can get all that in.

Methods and techniques that have been recognized in the appraisal profession, there are not new ones that come up every week. I mean, these are longstanding recognized methods and techniques. USPAP doesn't get into methodology because USPAP sets the overarching goals, the competency and the ethical standards to which an appraiser must adhere. And again, if you don't have the competency and ethical standards, you can't continue in the profession. You're not going to have the competency to know what the recognized methods and techniques are.

We can't put training wheels or straps around an appraiser and say, "No, no, no. You can only use certain techniques." USPAP has to be flexible because there's all kinds of different

appraisers. It's not just real property valuation. So we can't stop an appraiser or limit an appraiser from using any different types of techniques because there's so many different types of appraisals that need done. It's not just real property. It's personal property appraisals, business valuation appraisals. So we need that flexibility. Therefore, USPAP can't get into methodology because it would limit it just far too much.

ASC MEMBER JULIA GORDON (HUD): Right. I'm just saying that it is important to have oversight of each piece of this process so that we can ensure there aren't sources of bias in each piece. There can be bias within methods and techniques. I'm not saying that the answer is necessarily to include it in USPAP, but right now there is no oversight of this. And I'm suggesting that we look at that.

So my time is up, but I would like to add, now that we are all requesting things back to us, that we get a report on what is and is not behind the paywall and get some more information about revenue on that so we can understand what's standing between the current system and having a more transparent and public open system. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Assistant Secretary Gordon, and I would add that the Chair takes note of my member's comments.

Next, we have Deputy Comptroller Thomas.

ASC MEMBER ENICE THOMAS (OCC): All right. So, Mr. Miller, I want to circle back to the barrier to entry discussion and the impediments to become a licensed appraiser. You've been involved in the industry for 37 years. You've lived it for 37 years and still living it now. In your opinion, what would be the optimal structure to lower the barriers for entries and more specifics? Because we've talked about the two-year time frame, but in your opinion—and this will also—I would like to hear everyone else's comments too, but start with you. What would be the optimal structure, in your opinion and knowing that we still want to make sure we have qualified appraisers?

JONATHAN MILLER (NYC Real Estate Appraiser): Right, exactly. Right. Yeah, I don't think it's about reducing the quality of the appraiser. I think it's just getting to the root of the amount of time it takes to become one, number one. I can't emphasize enough as a private small business owner how nearly impossible it is to get an appraiser onto your staff.

And not only that, once they have their license, because it was such a long, drawn-out effort, that they'll stay. They're valuable. They go on and do their own thing. Our industry, after the financial crisis, was reduced to basically sole practitioners working out of their houses. So the math doesn't work.

And so one of the recurring themes that I keep in my questions is, what are the economics? What makes it just to an appraiser? What's the incentive? And the incentive is simply to reduce the time it takes to get into their profession. I'd like to see research done on how long—

because basically the timing, this mentoring system, whatever the time frame is, there's no research behind it. It's just a bunch of people in a room that picked a number of hours, and because that has such an impact on our lives, in terms of getting into the profession, I'd like to see that quantified in a legitimate way. I don't know if that answers your question.

ASC MEMBER ENICE THOMAS (OCC): Yes, sir, that does.

MORGAN WILLIAMS (NFHA): I'd like to follow up on that, if I could.

ASC MEMBER ENICE THOMAS (OCC): Sure, yes.

MORGAN WILLIAMS (NFHA): I think it's a very important question, and I think that in order to really assess the optimal structure, you have to really dissect the current structure.

And I noted in my opening remarks that the appraisal industry is subject to Federal, state, and local civil rights laws, and under civil rights jurisprudence, there's a basic doctrine to establish whether a policy or practice may be discriminatory. In order to do that, you identify whether the policy has a discriminatory effect. You identify the basis for the policy, and you assess whether there's any less discriminatory means for achieving that basis.

Here, we have heard that the basis is arbitrary, that nothing is verified, and that there was no research that went into some of these criteria. So what we are calling on the Appraisal Subcommittee to do is to work with the Appraisal Qualifications Board to engage in a public, data-driven, transparent collaboration with civil rights experts to review each barrier to entry by analyzing the burden on potential appraisers of color and women, the business justification for the barrier, which I think we've heard today, may be subject to real scrutiny, and whether there's a less discriminatory alternative that can achieve the justifications for what are some very stringent barriers to entry that have manifest an industry devoid of diversity.

ASC MEMBER ENICE THOMAS (OCC): Thank you. Any others?

ANGELA JEMMOTT (ARRO): Well—

ASC MEMBER ENICE THOMAS (OCC): Mr. Jemmott, go ahead.

ANGELA JEMMOTT (ARRO): Thanks. So for me, this is, of course, the two parts that I've been really investigating myself.

And I want to shift the gear a little bit, because we've been talking about PAREA, but I've been looking at practicums and the concept of practicums in California. And so I've been working in communication with community colleges and universities, because I have looked at a model. The assessors—and I'll just share. In Los Angeles, they have assessors. They have a training program that was bringing on training processes, and they would bring them in under their accessory—now, assessors, they have lots of jobs awaiting them. So it was a little bit of

difference, but the reality is that they would train them and then bring them under their program, and they were being paid to be trained. And through that assessor training, it's the practicum model of education and work experience. I fell in love with it, and so I've been exploring it myself. And I've had positive responses from the community colleges and the universities to work with us to explore this idea of bringing that similar model to a practicum.

So I've been talking not just to universities, but I've been talking to a lot of folks who are interested in practicums. I see that we have more lanes that we need to fill: practicum, PAREA, and supervisory. We fill those lanes up fully, completely, we can see ourselves organically creating more opportunity for more people.

When we think about price, we don't question if someone wants to go to Harvard. It costs a lot of money to go to Harvard, but if you can, you do. And if you go to a state college—I personally know that I got a good education from a state college. So the same way that someone said they went to Harvard, probably did as well. But the reality is that we have lots of models that have—bringing people into the industry. So there's no problem, I think, in the aspect of bringing in a variety of methodologies. We just got to do it and find lots of lanes to bring people in, and I believe with that concept, we'll see more people diversity coming into this profession.

ASC MEMBER ENICE THOMAS (OCC): I've got one follow-up to that. Do you know of other states that are looking at practicums?

ANGELA JEMMOTT (ARRO): Absolutely. There are other states looking at it. South Dakota has actually started this similar—Mississippi has already created one. Many have heard of that. But I, honestly, am looking at populating the state with this model. I'm not interested in just one small. I want it to be—when we hit it, we hit it hard and wide across the state. And I know that ASC has funding opportunities, and so I'm looking forward to taking advantage of that opportunity with you, partnering with you to make this happen.

ASC MEMBER ENICE THOMAS (OCC): Thank you. I've got about a minute left if someone else wants to comment.

MORGAN WILLIAMS (NFHA): Well, I just would add one more comment. Oh, yeah. Would someone else want to speak? Sorry.

ASC MEMBER ENICE THOMAS (OCC): Mr. Swinney, did you want to go ahead?

BRAD SWINNEY (AQB): I just wanted to add a couple of notes. One, so the PAREA programs, our criteria, in general, we do go through a public comment process. We do release exposure drafts.

We are interested in input from ASC, stakeholders, the public in general, civil rights organizations, fair housing organizations. We crave that input. So these numbers don't get just put together by people in the back of a dark room without having the benefit of that feedback,

and we often go through multiple exposure drafts, meaning that we are open to changing what our initial concepts were. And we try to get it right. So I just wanted to mention that.

ASC MEMBER ENICE THOMAS (OCC): All right. Thank you. I think I am out of time now.

MORGAN WILLIAMS (NFHA): I just wanted to very briefly note—

ASC CHAIR ZIXTA MARTINEZ (CFPB): I'll allow it.

ASC MEMBER ENICE THOMAS (OCC): Okay.

MORGAN WILLIAMS (NFHA): Thank you so much, Chair.

I just wanted to note that I think your question about structural—optimal structure is apt, because addressing barriers to entry are not going to happen through marketing or scholarships. They're going to require real structural change.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Deputy Comptroller Thomas. Deputy Director Lindo, you're up next.

ASC MEMBER ARTHUR LINDO (FRS): Thank you, Madam Chair. And during the break, I'd like to thank Mr. Swinney for pulling me aside and trying to get me comfortable on that educational component there. I still think that's the barrier that we need to address.

So Mr. Williams brought it up, so maybe I'll just ask you, Mr. Swinney, to help me understand this. How are the training and experience requirements set? If maybe we could clear the room on that. And then what data is used, if I can, in making that kind of decision, the number of hours and all of that? Is there some structure behind that that we should know about?

BRAD SWINNEY (AQB): So how the training—

ASC MEMBER ARTHUR LINDO (FRS): The experience requirement that we were talking about, number of hours and the like.

BRAD SWINNEY (AQB): Right.

ASC MEMBER ENICE THOMAS (OCC): I, again, thank you for helping me during the break. But I'm now stuck on what data is behind it, if you can give me a couple of minutes on that, your thoughts.

BRAD SWINNEY (AQB): Sure. I can tell you that for the traditional experience model, the last time we changed the hours, which I believe have been 2015 or '18—I believe that was 2018.

But in looking at that, how were the numbers picked, again, we went through an exposure process. Where we started, we were pulling back on hours that were in place because education requirements had increased since those hours were put into place. How those hours that were originally that were come up with, I am not aware.

But in deciding how far to pull back, we, again, solicited comment as far as public comment through exposure, and we landed on the 1,000 hours, 1,500 hours, and 3,000 hours of traditional experience required for the credentials based in large measure—or based on the exposure process that we'd gone through to get there.

Data driven, you know, we don't—that's the appraisal. You know, that we didn't—that's a piece where we were working with what we began with and deciding how we're going to pull back.

ASC MEMBER ARTHUR LINDO (FRS): And then got back?

BRAD SWINNEY (AQB): So then on the PAREA side, we stepped back and we looked at the appraisal process and what would be required to gain experience in the appraisal process, and it was a new concept. And that's the reason that it did take so long. It was a brand-new concept in appraisal training. It's how are we going to get this training to people virtually in a virtual environment and it still remained meaningful experience, bringing them to a meaningfully qualified level.

So, in that process, there was a lot of research and analysis that went into place before we even got to the board deliberation in order to then expose the first exposure draft. And then once we exposed it, it was an iterative process because we went through multiple exposure drafts. And then it did eventually get into the criteria January 1 of 2021. And at that point, we were able to set in the criteria, so that from 2015 to '21 is how long that process actually took. But it was because it was a very new concept, and it was a needed new concept that we had identified in order to give people the opportunity to get a credential without a supervisor.

Practicum had been in place in the criteria at 50 percent, and then we realized, well, we need to bump that to 100 percent. Practicum is like college labs to a college class, and that's how the participants in a practicum program gain experience. It doesn't require a supervisor, but it does require someone running the practicum program that can take them as a cohort through the process.

ASC MEMBER ARTHUR LINDO (FRS): All right. So, Mr. Miller, I'm going to ask you more directly. Does that process work? I mean, you're trying to run a business and get qualified applicants through the process.

JONATHAN MILLER (NYC Real Estate Appraiser): So I think the foundation is doing their best, but essentially, as you just heard, the hours are crowdsourced to the industry, as opposed to something more research intensive that has substance behind it. And that's why I find USPAP just in general, the management of it, very confusing, because, as was said, they're giving their

best effort, but then like three years later, they were changing the hours. And then two years later, they're changing it. There's just this constant back-and-forth where as an appraiser on the ground, it's really hard to keep track, even though you buy the new books and you take the classes.

And I'd just like to see something more substantive behind something that has a massive impact on the industry, the sort of—you know, the hour requirements, the number of hours for continuing ed, for all that. I like to see it be substantiated so that the appraisal community understands why they're being required to do this, because it just—at least in my years of experience, it feels completely over the top and unnecessary, because as was said earlier, this profession does not change very much. What is being done now is largely what was being done 10, 20 years ago. The technology is better, and access to information might be better, but things haven't changed that much.

ASC MEMBER ARTHUR LINDO (FRS): What would you suggest we do differently?

JONATHAN MILLER (NYC Real Estate Appraiser): I would suggest that USPAP is not changed on a recurring cycle. Maybe it's a 5- or 10-year window, and then when something comes up like PAREA, then that's—you know, there's an amendment to USPAP or an update to USPAP. This sort of exercise of having drafts four or five times and things going back and forth—I brought up a few years ago that they defined the definition of misleading, which is—like should be done in a court of law and should not be done as part of USPAP, because you can violate USPAP by intentionally misleading or unintentionally misleading. And on a Fannie Mae form or a government appraisal form, there's 800 fields. We're human beings. We're going to make them check the wrong box on occasion, and bank reviewers will check it, but it doesn't mean we violated USPAP. I just think there's just way too much bureaucracy in what is a relatively simple profession.

Sorry, I went on a little long.

ASC MEMBER ARTHUR LINDO (FRS): Go ahead. Ms. Czekalski?

MICHELLE CZEKALSKI BRADLEY (ASB): If I may, the current edition of USPAP has been in effect for four years, and on January 1st, 2024, the USPAP that is coming out will have no end date.

ASC MEMBER ARTHUR LINDO (FRS): No end date?

MICHELLE CZEKALSKI BRADLEY (ASB): Yes, sir, no end date.

[Laughter.]

ASC MEMBER ARTHUR LINDO (FRS): Okay. Thank you for that.

Mr. Miller, it looks like—Williams, you're chomping to get in, but I'm going to ask you a

question for once and not the other way around. The idea of— NHFA works with a lot of folks, 170 organizations. You work with ARRO?

MORGAN WILLIAMS (NFHA): With which organization? I'm sorry?

ASC MEMBER ARTHUR LINDO (FRS): Do you work with ARRO?

MORGAN WILLIAMS (NFHA): We have actually. In the study that we did for the Appraisal Subcommittee, we spoke with a number of different industry representatives.

ASC MEMBER ARTHUR LINDO (FRS): Okay. So what we've been talking about today, is the working relationship you have with ARRO, with the foundation, with us, are there elements out of that that we could use to maybe strengthen a bit in order to move forward in this dialogue? And I guess that will be the question that I'll end on. Anything you want to give us before we wrap up?

MORGAN WILLIAMS (NFHA): I want to go—yes/ I mean, I think that what we can look at is— just to pick up on the reference to the USPAP standards, they've been referred to as fair and objective. However, study after study recently, we've seen biased outcomes. And I think that one thing we can all do is work to ensure that there is a baseline standard for fair and equitable outcomes that's instituted into USPAP.

ASC MEMBER ARTHUR LINDO (FRS): I'm out of time. Sorry. Thank you.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Deputy Director Lindo. Next, we have Associate Director Nahrwold.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Good afternoon. So I want to start—make sure I get the other end of the table this time. Ms. Jemmott, could you describe how your state approves PAREA vendors and providers of fair housing training?

ANGELA JEMMOTT (ARRO): So the question of how we approve PAREA providers? So we have—at this point, as by law, that if the AQB has approved, then we would jointly approve the vendor that they have reviewed. That is currently our standard.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Okay. And does that pose any challenges for your organization, or—I guess—and another way to ask that is, you know, do other states have the same process, or do they do something different?

ANGELA JEMMOTT (ARRO): So as [unclear] mentioned, that we have been watching the process, and as he mentioned, there's certain levels of communication and how we've been slowly been improving. So we are in our regulatory process right now to approve 100 percent, the PAREA program, along with 100 percent with practicums, because that too was in our regulatory language to saying 50 percent.

PAREA was never even a concept. It was before our regulatory language specifically. So that's where we're actually labeling it that way. So we're in the process currently to do so.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Okay, thank you.

Mr. Miller, I'm curious. There's been a lot of discussion about licensed versus certified and then in between, the certified general and the certified real estate, right? Do you—since you're an appraiser and you own a business that, you know, staffs appraisers, I'm curious what your experience is with the proportion of appraisers that are used. Is it higher or lower for licensed versus certified? Do you see significant difference there?

JONATHAN MILLER (NYC Real Estate Appraiser): We have—thank you for the question. We have no one that is licensed, and what we find is there's almost no point. If you're going to get licensed, you really just need to get certified. It's basically just a little bit more education, and it's a universally accepted—licensing is not—it's not that it's not accepted, but, you know, we're in a high-cost housing market. And certification is sort of the expectation of our client-based banking and non-banking as well.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Okay. Just to follow up on that thread, what reasons do you think are behind an entity's willingness to accept a licensed appraiser versus a certified appraiser? Do you think it's that they have a lack of confidence in a licensed appraiser or some concern about regulatory oversight? I mean, I'm just curious if you have any insight into your thoughts.

JONATHAN MILLER (NYC Real Estate Appraiser): I don't think it's that. I just think it's, you know, in a competitive market where you have two appraisers and one's certified and one's licensed, the certified is more likely, in my opinion, to get the assignment. There's an inference that they're just that much more qualified, whether it's true or not, but it's—I think it's as simple as that.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Okay, thank you. Yeah, sure.

MICHELLE CZEKALSKI BRADLEY (ASB): May I jump in on that? Thank you for that question. In my experience as a certified appraiser, I hear instances that a lot of appraisal management companies simply do not want to engage a licensed appraiser, because if that conventional loan would flip to FHA, they can't use that same appraisal. So they have to go out and have—start the process over and have a new appraisal done, and it just lengthens the time. And another appraiser has to be engaged, so it's more cost for the consumer.

So what I see from my perspective is—because FHA does not permit certified—

ANGELA JEMMOTT (ARRO): Licensed.

MICHELLE CZEKALSKI BRADLEY (ASB): I'm sorry. Licensed. Thank you. FHA does not permit the

license. So many of the AMCs want to automatically engage the certified up front.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Okay. So there is a true potential regulatory or government—

MICHELLE CZEKALSKI BRADLEY (ASB): Yes, yes.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): —burden or failure. Thank you.

Okay. How am I doing on time here? Mr. Williams, I'm going to ask you first, but really the question I think is open to anyone. We've talked a little bit about what changes we think are necessary. If you were to think outside the box and come up with something truly innovative and radical that would prevent appraisal bias, what would that be?

MORGAN WILLIAMS (NFHA): It's a good question, and I think that the answer has to start with data. I think we can only answer that question after there's release of the UAD, the Uniform Appraisal Dataset, at loan-level data, because then we can really understand the market. Without access to that data, we cannot fully answer that question.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Thank you. And I did want to give kudos to Ms. Jemmott for the fact that you mentioned you were considering practicums, and so you are exploring other options, so appreciate that.

Anybody else have thoughts?

ANGELA JEMMOTT (ARRO): I did want just to mention that was mentioned earlier about not even being aware of it. We're actually looking through our marketing strategy of going to the high school levels and reaching out educationally-wise to expand the knowledge base, because if what you don't know exists, you won't pursue it. So diversifying that at the high school level is one of our strategies as well in terms of the side of just marketing.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Great. And that's a—go ahead.

JONATHAN MILLER (NYC Real Estate Appraiser): I just had a minor point adding onto what Angela said was that the—you know, in terms of bringing new people in, I think there's been a sole emphasis, new people means like fresh out of college or new. And I actually think that there's an equal or greater opportunity for sort of midlife job change, career change, like ex-military, or where they already sort of have some real, you know, working skills. I just—I'm bringing it up because I think it's an important addition if we're trying to get a lot more people into the industry to not just think about, you know, the younger people as well.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Great, thank you. And so just real quick, particularly for you, Mr. Miller, because you're the one who talked about the economics of the profession, do you believe that appraisers or the appraisal industry as a whole or appraisal

profession is still viable?

JONATHAN MILLER (NYC Real Estate Appraiser): It's approaching—if you're a bank appraiser, meaning that you—you know, like in New York, we appraise crazy things like the smell of the Starbucks, you know, below your apartment, and the dumb waiter air shafts, like crazy stuff that's not the sort of generic, but we do the regular stuff as well. And I—actually, I don't have a good point for that.

[Laughter.]

ASC MEMBER VICTORIA NAHRWOLD (NCUA): No, it's fair. Mr. Williams, real quick. I'm out of time.

MORGAN WILLIAMS (NFHA): I was just going to talk about the importance of governance in getting to that radical solution, but I'll stop. I can speak more to that, if that'd be helpful.

ASC MEMBER VICTORIA NAHRWOLD (NCUA): Thank you, Associate Director Narwal. Director Chopra, you have the floor.

ASC MEMBER ROHIT CHOPRA (CFPB): So, as we discussed in the last session, The Appraisal Foundation and its two boards essentially wield big regulatory and taxation powers. Mr. Swinney, you mentioned that your board's meetings, that perhaps it was a decision of The Appraisal Subcommittee and its staff to not attend. I did confirm during the break that it was not this board's or the subcommittee's decision. Will you be able to invite, notify, and allow to observe the Appraisal Subcommittee staff all meetings, including non-public meetings of your board?

BRAD SWINNEY (AQB): That is a governance issue for the board of trustees, and thank you for clarifying that.

ASC MEMBER ROHIT CHOPRA (CFPB): Ms. Czekalski Bradley?

MICHELLE CZEKALSKI BRADLEY (ASB): I would also say that's a governance issue.

ASC MEMBER ROHIT CHOPRA (CFPB): Would you have a recommendation for the board of trustees?

MICHELLE CZEKALSKI BRADLEY (ASB): I would have a recommendation that the Appraisal Subcommittee and The Appraisal Foundation discuss it.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. So you don't think actually it would be good for the subcommittee staff who are required under the statute to monitor the foundation and its boards—you basically have no opinion then?

MICHELLE CZEKALSKI BRADLEY (ASB): I'm not here to give my own personal opinion, but it's very important for boards to have the independence. Just as appraisers must be independent, impartial, and objective, so should the independent board.

ASC MEMBER ROHIT CHOPRA (CFPB): Well, I'm glad you mentioned independence. Federal officials may not personally participate in a matter where they have a financial interest or where there might be an appearance of a conflict of interest.

Ms. Jemmott, is that basically true for state officials too who are appraisal regulators?

ANGELA JEMMOTT (ARRO): Your question for state regulators?

ASC MEMBER ROHIT CHOPRA (CFPB): Yeah, they can't have conflicts of interest.

ANGELA JEMMOTT (ARRO): Oh, absolutely.

ASC MEMBER ROHIT CHOPRA (CFPB): Yeah. Okay, good. Appraisers shouldn't have conflicts of interest. I think we want to know too, does The Appraisal Foundation have processes for stopping conflicts of interest? Mr. Miller, you and other appraisers have raised concerns about conflicts of interest, and The Appraisal Foundation responded to you. I just wonder, how would you characterize The Appraisal Foundation's approach to guard against conflicts of interest?

JONATHAN MILLER (NYC Real Estate Appraiser): At least from my take, there is no approach. It's sort of a—it's just not something that happens. I'm outside the organization, so I don't see everything, but that's been one of my concerns.

ASC MEMBER ROHIT CHOPRA (CFPB): And, Mr. Swinney and Ms. Czekalski Bradley, does The Appraisal Foundation's legal staff provide guidance to you and your board members about how to avoid conflicts of interest?

BRAD SWINNEY (AQB): I note that when I joined the board, we—that was part of our onboarding or orientation process, and then we signed agreements to avoid such.

MICHELLE CZEKALSKI BRADLEY (ASB): Yes, we signed conflict of interest statements.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. Well, I think the subcommittee's staff and us have learned about certain conflicts of interest. I think it's important, given the huge powers that are wielded, that no board member of either of your boards or The Appraisal Foundation has conflicts of interest.

Ms. Czekalski Bradley, appraisers have raised concerns about financial conflicts you may have. I have no doubt that you are exercising your duties faithfully. I just want to ask, though, how should The Appraisal Foundation and its boards—if it doesn't have real processes to guard against even appearances of conflicts of interest, how is that supposed to promote what you

said is independence and trust?

MICHELLE CZEKALSKI BRADLEY (ASB): I'm not quite sure of your question. Are you saying that I have a conflict?

ASC MEMBER ROHIT CHOPRA (CFPB): Well, appraisers have raised that, and I'm not saying you do, but how do we know if there is not the same standards as Federal officials, state officials, given government powers that all of you on these boards wield? Shouldn't you all be subjected to the same standards that state employees and Federal employees are?

ASC MEMBER ROHIT CHOPRA (CFPB): So yes, I would say that we are subject to the conflict of interest, similar to you as well.

Mr. Miller believes, apparently, there is a conflict of interest in my role due to my husband's employment. I would like to say that if there were a conflict, we would absolutely recuse ourselves. The fact is, my participation and my husband's participation in this profession, they do not cross. The Appraisal Standards Board does not require education.

ASC MEMBER ROHIT CHOPRA (CFPB): Okay. And that's fine, and I think all of us have the same issues too, but we have legal processes and standards. Why by each of us are vetted, we are provided guidance and counsel under Federal law, and I think that is a big difference.

Mr. Williams, you have mentioned a lot about conflicts of interest, pay to play. What do you think are some of the core issues that we need to get through to make sure that The Appraisal Foundation and its boards are held to the same standards that other public interest bodies are?

MORGAN WILLIAMS (NFHA): Thank you, Director Chopra. The Appraisal Foundation's business model appears to use the public power of rulemaking for private benefit. There was questions about the fact that the USPAP and advisory opinions are largely, currently, today behind a paywall. I do want to note that these and other publications are the largest source of revenue for The Appraisal Foundation. It's hard to imagine a similar structure for any other agency, such as the CFPB, with non-professional rulemaking staff picked by dues-paying creditors, and that the rules, such as Reg B, are hidden behind a paywall.

While some standard-setting organizations may take donations, we're not aware of any that allow industry to pay for a seat on the board or to select the rule writers. In this way, The Appraisal Foundation is a radical outlier. The Appraisal Subcommittee should work with The Appraisal Foundation to set public goals and timelines to reform the pay-for-access process.

ASC MEMBER ROHIT CHOPRA (CFPB): Well, I would just say, last hearing, we talked a lot about The Appraisal Foundation, and it has a lot of features that look pretty weird. I think we also have a lot of features of The Appraisal Foundation and boards that really raise questions about independence and conflicts of interest.

That's all.

ASC CHAIR ZIXTA MARTINEZ (CFPB): Thank you, Director Chopra. That concludes our hearing, but before releasing you all, I have some thanks to impart.

First, I want to thank the ASC staff and ASC member agency staff who helped plan and facilitate this hearing, all of the ASC representatives and the witnesses here today. Thank you to the ASC board members and agencies for the integrity, commitment, and dedication you've brought to our work. And a special thank-you to Director Thompson and our FHFA colleagues for hosting this event.

As a reminder, we will be accepting public comments on the topics discussed through June 5th, 2023. You could submit a comment by emailing AppraisalBiasHearing@ASC.gov. You can also find a recording of today's hearing next week by visiting FHFA's YouTube channel.

That concludes today's appraisal bias hearing. Thanks to everyone who attended in person or tuned in via live stream. Have a great afternoon.

[Applause.]

[End of recorded session.]