

February 23, 2022

The Honorable Maxine Waters
Chairwoman
House Committee on Financial Services
2128 Rayburn House Office Building
Washington, DC 20515

Dear Chairwoman Waters:

Thank you for the letter of February 22, 2022, regarding appraisal bias and discrimination issues and concerns. Let me say at the outset that the comments made by an appraiser (a Designated Member of the Appraisal Institute) in the letter to Dr. Korver-Glenn are abhorrent and outrageous and do not reflect the views of the Appraisal Institute. Once we became aware of the appraiser's vile comments through social media, we immediately made our oppositional view known. Clearly, more work needs to be done, and we look forward to continuing to work with you to advance meaningful policy improvements and reforms.

Currently, Designated Members of the Appraisal Institute adhere to a Code of Professional Ethics that is enforced through Appraisal Institute regulations¹. Our Board of Directors approved amendments to this Code relating to protected classes last year, and our Board of Directors is considering other proposals. Complaints involving an appraisal report prepared by an Appraisal Institute Member, Candidate or Practicing Affiliate can be submitted to the Appraisal Institute Professional Practice Department for review. The comments expressed have raised serious concerns within the Appraisal Institute, and this example further reinforces the importance of these ongoing efforts. I have asked the Professional Practice and Guidance Committee to continue its focus in this area with the goal of establishing a zero-tolerance policy that would extend the realm of appraisal practice to public discourse when the appraiser utilizes or references the collective marks or designations of the Appraisal Institute.

Additionally, we have launched several initiatives intended to address concerns about bias and diversity within the appraisal profession. This includes direct outreach to the research team that was involved with the exchange above with our Bias Research Solutions Project Team. Those discussions have been very cordial, professional, and fruitful to identifying problems and solutions.

We have also focused attention on recruiting more appraisers of color and women through the Appraiser Diversity Initiative with Fannie Mae, Freddie Mac, and the National Urban League. The ADI has issued more than 100 education scholarships over the past year to aspiring diverse appraisers, and 14 individuals are now practicing trainees in the appraisal profession.

The Appraisal Institute supports more education of appraisers on valuation bias and fair housing. We know that bias, especially unconscious bias, is human and that it exists. And we know the potential for bias to have a negative effect on the ability for communities of color to achieve the dream of homeownership. In recent years, we have taken meaningful first steps to begin understanding our role in, and mechanisms for, addressing bias in housing and our profession specifically. As the new president of the Appraisal Institute, addressing potential bias in housing and appraisal is my top priority for 2022. We've begun, but there's clearly more listening and understanding we need to do and more actions to

¹ See Enforcement Procedures available at <https://www.appraisalinstitute.org/professional-practice/ethics-and-standards/enforcement-procedures-statistics-and-published-disciplinary-actions/#:~:text=Through%20referrals%2C%20the%20Appraisal%20Institute,disciplinary%20action%20will%20be%20imposed.>

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take. Specifically, we have spearheaded legislation at the state level to enact education requirements for appraisers on these topics. Four states now have education requirements for appraisers, serving as models in other states.

We have developed guidance for appraisers on consideration of personal characteristics by appraisers in appraisal reports. We have participated and engaged the Property Appraisal and Valuation Equity Task Force in a wide range of discussions on how appraisal and valuation processes and procedures can be improved through regulation and legislation. One topic that we hope the PAVE Task Force will highlight is greater consistency and revamping of reconsideration of value policies. We see great benefit from modeling the Veterans Administration's "Tidewater Initiative," which alerts consumers when an appraisal is lower than a contract price, creating an opportunity to provide appraisers with relevant market information.

There is no question that appraisers need to be part of the solution, alongside consumer groups, real estate brokers and agents, banks, government agencies and others. These are just some of the ways AI will be working to reduce potential bias and improve fair access to housing.

Other aspects of your letter may be better addressed by the Appraisal Subcommittee and/or The Appraisal Foundation. For instance, the Appraisal Subcommittee is likely in the best position to fully coordinate with State appraisal regulatory agencies and boards to conduct a full investigation into the incident. We have developed excellent relationships with both organizations, and we look forward to working with them to find common solutions that increase and protect the public trust. Further, other entities involved in the ecosystem of appraisals likely have additional outlets and insights into these issues that can be leveraged².

Thank you again for the request for information. We are happy to meet with any of your staff to discuss these issues and proposed legislation, including our continued support for H.R. 2553, the Real Estate Valuation Fairness and Improvement Act, in greater detail. Please contact Bill Garber, Director of Government and External Relations at bgarber@appraisalinstitute.org or Brian Rodgers, Manager of Federal Affairs at brodgers@appraisalinstitute.org to arrange additional conversations.

Sincerely,



Pledger M. Bishop, III, MAI, SRA, AI-GRS
President

CC: The Honorable Marcia Fudge, Secretary, U.S. Department of Housing and Urban Development
Timothy Segerson, Chairman, Appraisal Subcommittee
Jim Park, Executive Director, Appraisal Subcommittee
David Bunton, President, The Appraisal Foundation

² See Appraiser Update, Fannie Mae, June 2021. Available at <https://singlefamily.fanniemae.com/media/26126/display>