

Oral Statement of Pledger (Jody) Bishop, MAI, SRA, AI-GRS

President of the Appraisal Institute

House Committee on Financial Services

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The Appraisal Institute is deeply concerned about recent allegations of bias and discrimination in housing and appraisal. When just one individual conveys concern or uneasiness about bias or discrimination during an appraisal assignment, we must stop and listen, and seek to understand the consumer's experiences. Further, where issues or problems are identified, we must seek to understand the causes and work with stakeholders to resolve them.

To be an appraiser is to be independent and unbiased. It is our ethos and at the core of a professional appraiser. There is no benefit to an appraiser in violating this public trust. We firmly believe most appraisers uphold this high standard and strive to learn more and develop protocols to increase confidence and credibility in their work.

Discrimination exists and the appraisal profession is not immune. I believe communities of color face discrimination in appraisal. The same is true in other aspects in housing and real estate, as well as within other parts of society. It is an unfortunate part of our history as a nation. At the same time, we believe the appraisal process is sound and we do not believe appraiser bias is rampant, rather, isolated. Understand, one instance is unacceptable. No profession is immune. What is important is that we have meaningful enforcement when appraiser bias occurs and that we give our members the tools to recognize and interrupt it.

Systemic bias, when it exists, are present in sales transactions. Appraisers cannot control the actions of buyers and sellers or others involved in housing. Moving forward, this will require more study and creativity on the part of all participants including appraisers.

The appraisal process has come under study and review by several researchers, think tanks, and the government-sponsored enterprises. Although some of the results as to bias in appraisal are preliminary, and others have produced contradictory conclusions, these findings have educated all stakeholders to better understand the appraisal process and how it fits into a larger ecosystem of mortgage finance. We strongly believe that even one instance of appraisal bias is unacceptable.

We believe the Veterans' Administration's "Tidewater Initiative" would serve as a strong model for combating concerns over bias and discrimination. There is no other program like it in the industry in balancing consumer rights of appeal with appraiser independence. This kind of mitigation on the front end would clearly be helpful to address some of the concerns recently reported in the media.

There is a belief held by some that appraisers control or set the market with the appraiser "assigning" value to the property. Buyers, sellers, agents, and the rest of the market then responds to the appraisal. In actuality, the

market is driven by buyers and sellers, and their actions are reflected in purchase price, which includes the terms of the sale, any sales concessions or other considerations. Purchase price is a fact. Appraisers analyze the “facts” and apply unbiased local market knowledge and professional judgment as an independent professional to develop a credible and well-supported opinion of value for a specific property as of a single date. An opinion is not a “fact” that can be found. Opinions require support and should be logical and follow reasoning. Any formal appraisal review requires forensic analysis and understanding. These points are missing from today’s conversation.

We also strongly support the appraiser, lender and consumer education goals found in the PAVE Action Plan. Our organization has been active in developing education and supporting valuation bias and fair housing education requirements for appraisers at the federal and state levels. New state laws that have been enacted over the past two years can serve as models for other states looking to bolster education, awareness and understanding. We stand ready to assist in fostering greater understanding of the appraisal process for all stakeholders.

In closing, we must be careful to balance the proposals for increased regulatory requirements on appraisers and potentially significant additional work in the event value conclusions are challenged, with the efforts to make this an attractive, attainable and diverse profession. We see the difficulties of attracting new individuals to the profession under the current appraisal business and regulatory environment. Over-bearing regulation may make the profession unattractive and dissuade new entrants to the profession.

The proposed increased regulation, review and audit of appraiser files resulting from a complaint of undervaluation due to bias does not reference due process. Due process must remain a central part of any reform. We need better consumer appeals processes, but we also need to protect appraiser independence. This is a tough balance, but it is one that is necessary to protect the health of our banking and real estate markets.

We look forward to working with the committee to continue to collaboratively work towards fair and reasonable solutions.