

March 13, 2023

Brad Swinney
Chair, Appraiser Qualifications Board
The Appraisal Foundation
1155 15th Street, NW
Washington, DC 20005
Via: <https://www.surveymonkey.com/r/AQBComments>
AQB@appraisalfoundation.org.

Re: Appraiser Qualifications Criteria First Exposure Draft: Fair Housing Training

Dear Mr. Swinney,

The National Fair Housing Alliance (“NFHA”) and the undersigned civil rights and consumer advocacy organizations are writing in response to the Appraiser Qualifications Board’s (“AQB”) request for comment on the proposed changes to the Real Property Appraiser Qualifications Criteria (“Criteria”), which would require fair housing training for appraisers as a condition of obtaining and maintaining appraiser credentials (see [Appendix](#)).¹ Accurate home appraisals are essential to American communities. The appraisal has the power to determine the value of a borrower’s most important financial asset, which can hold the key to determining whether that family can purchase a permanent home rather than rent, access credit on reasonable terms, and build wealth for generations to come. For this reason, it is critically important that all current and future appraisers receive accurate, comprehensive, and practical fair housing training as soon as possible to ensure consistent outcomes for all consumers and communities.

Overall, we applaud the AQB for both its procedural and substantive approach to the proposal.

Procedurally, the AQB held two thoughtful and comprehensive discussions with key stakeholders, including civil rights and consumer advocates. On September 12, 2022, the AQB held a public forum for comment by key stakeholders and took the initiative to invite NFHA, the NAACP Legal Defense and Education Fund (“LDF”), and the National Consumer Law Center (“NCLC”). Also, on November 16, 2022, the AQB held a confidential, pre-release discussion of a draft with key stakeholders, again inviting NFHA, LDF, and NCLC. Most importantly, it is clear that the AQB listened carefully and incorporated feedback from civil rights and consumer advocates in the first exposure draft that was released on February 10, 2023.

Substantively, we believe that the hours, cadence, and content requirements are appropriate and reflect the thoughtful approach to this proposal; we have three suggestions for improvement.

¹ AQB, Appraiser Qualification Criteria First Exposure Draft (Feb. 10, 2023), <https://appraisalfoundation.sharefile.com/share/view/sa01ea48649cd432daf3c83e87ebac774>.

First, we recommend that current appraisers be required to pass a comprehension exam as part of the retroactive training. The proposal would require currently licensed or certified appraisers to take an in-depth seven-hour course as part of Continuing Education, while aspiring appraisers would take the in-depth seven-hour course plus a one-hour exam as part of Qualifying Education. It's our understanding that it may be challenging for some states to require an exam as part of Continuing Education. Therefore, we recommend that the AQB insert the retroactive training requirement for current appraisers under Qualifying Education and require that the current appraisers pass a one-hour comprehension exam. Many of these concepts are new and complex; a comprehension exam can ensure that appraisers understand and retain the information.

Second, we have concerns with the content topic entitled, "Public Conversation Regarding Valuation Bias." It is not clear what this topic covers, but we would have concerns if the tone of the content implies that valuation bias is mainly a question of "perception" rather than a violation of law that causes real harm for consumers and communities. We urge the AQB to carefully consider whether this topic is necessary and whether it would detract from what is otherwise a thoughtful and comprehensive content outline.

Finally, we urge The Appraisal Foundation ("TAF") to immediately issue accurate, comprehensive, and practical fair housing training. At this point, TAF has yet to release robust and comprehensive fair housing training for appraisers. Recently, TAF released a replacement for the inaccurate fair housing training it had previously required appraisers to pay for and take as part of the 7-Hour National USPAP Update Course. While the new material is accurate, it cannot be framed as "training" because it is not written in a format that appraisers can understand. Instead, it is crafted in legal and regulatory jargon that is not accessible to trainees and appraisers new to these important civil rights principles. We strongly recommend that the new material be framed in a manner that enables all participants to understand how these concepts apply to their practices. Moreover, for those who already took the course, there is no additional online learning or webinar to help appraisers understand this critical and complex area. TAF should be concerned that appraisers that previously received inaccurate information need special additional training to ensure that they are not misinformed about the law. The current approach leaves appraisers open to liability and does little to prevent harm to consumers and communities.

If the AQB's proposed changes are adopted at the public meeting on March 22, 2023, the current and aspiring appraisers in some states would not be required to take the initial in-depth fair housing training until about December 31, 2025. If additional exposure drafts are needed, the timeline could be even longer. In the interim, appraisers will be required to take fair housing training through the module provided by TAF in the 7-Hour National USPAP Update, which is impractical and ineffective.

To understand the urgency of deploying meaningful fair housing training, it is important to understand the history. Up through the 1970s, appraisers were trained to place the highest value on properties in White, homogeneous neighborhoods. For example, one training course provided the following instruction:

As a general rule, homogeneity of the population contributes to stability of real estate values. Information on the percentage of native-born whites, foreign whites, and non-white population is important and the changes in this composition have a significance.

-American Institute of Real Estate Appraisers (“AIREA”)

In fact, this training remained in place even after this type of activity was prohibited under the Fair Housing Act in 1968. It was not until the U.S. Department of Justice sued AIREA that AIREA agreed to remove the racially-explicit language in 1977.² Because meaningful fair housing training has yet to be required for appraisers, some appraisers have never received proper instruction to override the principles learned in the 1970s. Moreover, researchers have found that some appraisers still adhere to the notion that the highest value should be reserved for properties in White, homogeneous areas.³

Given the importance of fair housing training in ensuring fair and accurate outcomes for all consumers and communities, we commend the AQB for the work conducted thus far and we urge the AQB and TAF to adopt the improvements contained in this comment letter. Thank you for the opportunity to comment.

Sincerely,

National Fair Housing Alliance
Americans for Financial Reform
California Reinvestment Coalition
Center for Responsible Lending
Consumer Action
Long Island Housing Services, Inc.
National CAPACD-National Coalition for Asian Pacific American Community Development
National Community Stabilization Trust (NCST)
National Consumer Law Center (on behalf of our low-income clients)
National Urban League
New Jersey Institute for Social Justice
Partnership for Financial Equity
UnidosUS

² *United States v. American Institute of Real Estate Appraisers*, 442 F. Supp. 1072 (N.D. Ill. 1977).

³ See Elizabeth Korver-Glenn, *Race Brokers: Housing Markets and Segregation in 21st Century Urban America* at 141 (2021) (finding that many of the appraisers in the study “assumed that White buyers were the standard for determining an area’s desirability, with White areas meeting this standard and receiving the highest values and non-White areas falling below the standard”).

APPENDIX - SUMMARY OF THE FIRST EXPOSURE DRAFT

The first exposure draft includes the following proposed requirements (with concerns in bold font):

Qualifying Education

- After passage of the rule and going forward, all aspiring appraisers would need to complete an in-depth seven-hour course in valuation bias and fair housing laws and regulations as well as take a one-hour exam.

Continuing Education

- Within a certain time period after passage of the rule, all currently licensed and certified appraisers would need to complete an in-depth seven-hour course in valuation bias and fair housing laws and regulations, **but with no comprehension exam**.
- After the initial seven-hour course, all licensed and certified appraisers would need to complete a four-hour refresher course in valuation bias and fair housing laws and regulations during each two-year continuing education period.

Valuation Bias and Fair Housing Training Outline

Under the proposal, the course would need to contain information to ensure the appraiser understands valuation bias and fair housing laws and regulations related issues. The same outline would be required for the initial seven-hour course for current appraisers, the eight-hour course (which is the seven-hour course plus a one-hour exam) for aspiring appraisers, and the four-hour refresher course. However, the four-hour course would have less content on the topics of “Understanding Real Estate Bias” and “Federal Fair Housing Laws and Regulations”, and more content on “Valuation Bias” and “Case Studies.”

Under the proposal, education developers would be required to include the topics contained in the following outline when creating course content:

A. Understanding Real Estate Bias

1. Historical Context

- a. Role of the following: real estate agents, insurance, appraisers, lenders, Government Sponsored Enterprises, federal, state, and local agencies, legislation
- b. Redlining
- c. Restrictive Covenants
- d. Court Rulings

2. Contemporary Context

- a. Economic Impact of Property Value Disparities for Protected Classes
- b. **Public Conversation Regarding Valuation Bias**
- c. Recent Cases and Developments

B. Federal Fair Housing and Antidiscrimination Laws and Regulations

1. Civil Rights Act of 1866 (Section 1981 and Section 1982)
2. Fair Housing Act
3. Equal Credit Opportunity Act (ECOA)
4. Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA)
5. Unfair and Deceptive Acts and Practices (UDAP)
6. Unfair, Deceptive or Abusive Acts and Practices (UDAAP)

C. Valuation Bias

1. Components of Valuation Bias
 - a. Explicit
 - b. Implicit
 - c. Structural
2. Recognizing and Avoiding Valuation Bias

D. Case Studies

1. Current Valuation Bias Topics
2. Best Practices for Avoiding Valuation