

FINAL AGENCY EQUITY ACTION PLAN SUBMISSION

**APPRAISAL SUBCOMMITTEE OF THE FEDERAL FINANCIAL
INSTITUTIONS EXAMINATION COUNCIL (ASC)**

EXECUTIVE SUMMARY

The ASC's mission is to provide federal oversight of State appraiser and appraisal management company (AMC) regulatory programs and a monitoring framework for the Appraisal Foundation and the Federal financial institutions regulatory agencies in their roles to protect Federal financial and public policy interests in real estate appraisals utilized in federally related transactions.

2021 was a year of significant initiatives for the ASC, particularly focused on diversity, equity and inclusion (DEI). The ASC has included the following in its Equity Action Plan:

- Updating the Appraisal Complaint National Hotline
- Providing Grants
- Hosting Roundtables
- Conducting Independent and Comprehensive Review of Appraisal Standards and Appraiser Criteria

The Appraisal National Complaint Hotline went live in 2013 and was originally developed to assist complainants on where to file complaints of alleged violations of the *Uniform Standards of Professional Appraisal Practice* and/or appraisal independence requirements. The Hotline was updated this year to include information on filing complaints regarding alleged appraisal bias/discrimination. It is hoped that this information will provide a valuable resource to anyone who believes they have been discriminated against or believes they are a victim of appraisal bias.

The ASC has approved grants to support States initiatives to recruit participants from underserved areas of their States, including communities of color, to address significant appraiser workforce shortages. Grant funds are also being used to develop training for States regarding DEI and to provide support to State appraiser regulatory boards and personnel to attend training on DEI issues.

The ASC has hosted two Roundtables in a series entitled "Building a More Equitable Appraisal System," to address historical and contemporary factors that have contributed to the inequities challenging the appraisal system today. The Roundtables brought together leaders in government, finance, real-estate, nonprofits, and communities affected by the appraisal system. We plan to continue these Roundtables in 2022.

Finally, the independent and comprehensive review of appraisal standards and appraiser criteria was completed, and the report was made publicly available on the ASC's website (asc.gov). The views and opinions expressed in the report are those of the authors and do not reflect the official policy or position of the ASC or the agencies represented on its board.

SUMMARY OF EARLY ACCOMPLISHMENTS

Currently, the ASC can only provide grants to State appraiser and AMC regulatory programs and the Appraisal Foundation. The ASC started awarding grants to State Programs in Fiscal Year 2021. To date, 15 States have been awarded grants. Two States, Mississippi and South Dakota, are using grant funds to assist persons wishing to enter the appraisal profession due to appraiser shortages in those States. Outreach by those States will include minorities and Native Americans. In South Dakota, a training program is being created that will satisfy the Appraisal Foundation's Appraiser Qualifications Board experience requirements for trainees to become licensed or certified appraisers. In Mississippi, grant funds will be dedicated to developing a rigorous and accelerated practicum course for trainees. The practicum will allow trainees to get their qualifying courses and training hours in as little as six months. It is hoped that these programs will alleviate acute shortages of appraisers and address lack of diversity in the appraisal industry.

The ASC is a member of the Task Force on Property Appraisal and Valuation Equity (PAVE) co-chaired by the Secretary of the U.S. Department of Housing and Urban Development and the Domestic Policy Council (DPC) Director. PAVE was initiated at the request of President Biden to address inequity in home appraisals. Numerous cabinet-level and independent agencies are members of PAVE. Input has been requested from appraisal industry stakeholders, civil rights and fair housing organizations, community groups, and State, local and Tribal officials. PAVE is currently finalizing its findings and recommendations for submission to President Biden.

The ASC, under its cooperative agreement with the Council on Licensure, Enforcement & Regulation (CLEAR), conducted a review of the *Uniform Standards of Professional Appraisal Practice* (USPAP), the *Real Property Appraiser Qualification Criteria* (AQB Criteria) and training curricula as issued by the two independent boards of the Appraisal Foundation: the Appraisal Standards Board (ASB) and Appraiser Qualifications Board (AQB), respectively, focusing on fairness, equity, objectivity and diversity. CLEAR contracted with the National Fair Housing Alliance to conduct this independent review. This Review was published on January 19, 2022 and is available on the ASC website. The views and opinions expressed in this review are those of the authors and do not necessarily reflect the official policy or position of the ASC or the agencies represented on its board.

The ASC held two Roundtables in 2021 to address diversity, inclusion and equity in the appraisal profession. Approximately 350 persons attended each Roundtable. The goals of the Roundtables were to: (1) engage audiences around a variety of perspectives on the challenges and opportunities of building a more equitable appraisal system; (2) educate stakeholders on issues of bias and inequity in the appraisal process; and (3) collaborate with ASC's partners on potential strategies for achieving a more equitable appraisal system. The participants included representatives from federal agencies, lenders, lending regulators, consumer advocates, fair housing organizations, appraisal trade groups and individual appraisers. The ASC will continue these Roundtables into 2022.

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ACTION ITEM ONE: Update the Appraisal Complaint National Hotline

Under the Dodd-Frank Act, the ASC operates the Appraisal Complaint National Hotline to refer complainants to appropriate State and/or Federal agencies to handle complaints of alleged violations of the USPAP or appraiser independence standards from homebuyers, lenders, appraisers, and others. In instances of alleged appraisal bias, the Hotline now provides resource information on where one may seek relief at the Federal and State level. In the third quarter of 2021, the ASC added the resource information to provide users who believe they have been a victim of appraisal bias, with links on where to file a complaint. This included the U.S. Department of Housing and Urban Development's Fair Housing and Equal Opportunity Office, the Consumer Financial Protection Bureau, State Appraiser Regulatory Agencies and the U.S. Department of Justice's Housing and Civil Enforcement Section.

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ACTION ITEM TWO: Grants

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the ASC was given authority to make grants to State appraiser certifying and licensing agencies. In Fiscal Year 2021, the ASC authorized \$10M for State grants over three years. To date, 15 States have been awarded grants. Two States, Mississippi and South Dakota, are using grant funds to assist persons wishing to enter the appraisal profession due to appraiser shortages in those States. Outreach by those States will include minorities and Native Americans. If these programs are successful, we expect additional States may also request funding for similar projects that will include outreach to minorities to enter the appraisal profession. ASC staff will review the bi-annual Progress Reports for these grants to see how they are moving forward.

The ASC can award grants to support the efforts of eligible State Agencies to comply with Title XI. This includes the complaint process, complaint investigations, and appraiser enforcement activities of such agencies. Given recent media stories regarding appraiser bias, some States may start to receive complaints in this area. Grant funds could help those States hire investigators to handle these complaints.

The ASC can also use its authority to make grants that improve the State regulatory processes and advance the appraisal industry through grants that support high-quality, impact-oriented programming by State Agencies and partner organizations identified in their proposals. The ASC is currently:

1. Developing a course for State appraiser regulatory boards on DEI facing the appraisal profession.

We are currently working with our cooperative agreement partner, the Council on Licensure, Enforcement and Regulation, to develop this course. We hope to have it ready by Fall of 2022.

2. Providing grant funds to State appraiser regulatory boards to support DEI issues.

States can submit grant proposals to the ASC at any time. Proposals will be reviewed to ensure they adhere with federal grant policies. Once awarded, ASC staff will monitor States' progress. As the ASC just started offering grants to States in Fiscal Year 2021, we do not have enough information to determine the success of these courses.

3. Offering grant funds to the Appraisal Foundation (TAF) to address lack of underrepresented groups in the appraisal profession.

The ASC published a Notice of Funding Availability to TAF in November 2021 making funds available to TAF. One of the proposed activities eligible for funding was to help diversity in the appraisal profession.

4. Development of demonstration projects to break down barriers for underrepresented groups and women to get required experience needed to become a credentialed appraiser.

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ACTION ITEM THREE: ASC Roundtables on Building a More Equitable Appraisal System

As was done in 2021, the ASC will continue to hold Roundtables in 2022 and potentially beyond that. The goals of the Roundtables are to:

- Engage audiences around the challenges and opportunities of building a more equitable appraisal system;
- Educate stakeholders on issues of bias and inequity in the appraisal process; and
- Collaborate with ASC's partners on potential strategies for achieving a more equitable appraisal system.

The goal of the roundtable series is to contribute to a roadmap for implementing change in both near- and long-term at locally as well as systematically across the real estate appraiser industry.