



September 7, 2022

The Honorable Sherrod Brown
Chairman
U.S. Senate Committee on Banking, Housing,
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Patrick J. Toomey
Ranking Member
U.S. Senate Committee on Banking, Housing,
and Urban Affairs
534 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Maxine Waters
Chairwoman
U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

The Honorable Patrick McHenry
Ranking Member
U.S. House Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

Ambassador Susan Rice
Assistant to the President for Domestic
Policy
Director, White House Domestic Policy
Council
1600 Pennsylvania Avenue, NW
Washington, DC 20005

The Honorable Marcia Fudge
Secretary, U.S. Department of
Housing and Urban Development
451 7th Street, SW
Washington, DC 20210

Re: Priorities for Appraisal Reform Legislation

Dear Chairman Brown, Ranking Member Toomey, Chairwoman Waters, Ranking Member McHenry, Ambassador Rice, and Secretary Fudge:

We the undersigned civil rights and consumer organizations are writing to share our priorities for appraisal reform legislation, as attached to this letter in Appendix A. The enclosed recommendations will address the systemic failures of the nation's property valuation system, which continue to stifle wealth creation for too many people and communities and undermine our nation's economy. Most importantly, we urge legislators to transfer rulemaking authority for the Uniform Standards of Professional Appraisal Practice (USPAP) and the Real Property Appraiser Qualification Criteria from The Appraisal Foundation to the Appraisal Subcommittee. Any other approach would be cumbersome, ineffective, and fail to provide meaningful reform.

Evidence continues to mount that the property valuation system in this nation is broken. Earlier this year, the National Fair Housing Alliance (NFHA) was commissioned by the Appraisal Subcommittee to undertake a study about [Appraisal Criteria and Appraiser Standards including appraisal bias](#). In that study, NFHA documented systemic challenges that drive appraisal bias and highlighted a number of areas of concern. NFHA also provided recommendations to

overhaul the appraisal system to address discrimination and inequities. At the top of the list was the need for comprehensive, strong, and effective legislation to update the governance structure for the appraisal industry and provide a federal regulator with the accountability and authority to issue guidance and provide meaningful oversight for the appraisal system and industry. Similarly, the Biden Administration established the Property Appraisal and Valuation Equity (PAVE) Task Force, which issued an [Action Plan](#) that also calls for legislation to modernize the governance structure charged with setting and enforcing appraisal standards and appraiser criteria. Moreover, the [Philadelphia Home Appraisal Bias Task Force](#) has raised serious concerns about the Appraiser Qualification Criteria.

Appraisal reform is something our nation and communities desperately need as the lack of oversight has led to an acute shortage of qualified appraisers and decades of unfair and biased practices. The U.S. Department of Housing and Urban Development has been inundated with complaints of appraisal discrimination. Just recently, yet [another appraisal bias lawsuit](#) was filed involving two Black professors from Johns Hopkins University who had to White-wash their home to get a fair and accurate appraisal.

We ask that Congress and the Biden Administration move as quickly as possible to include the below recommendations in robust, comprehensive appraisal reform legislation.

Thank you for considering our views.

Sincerely,

National Fair Housing Alliance
Americans for Financial Reform
Consumer Action
Joint Center for Political and Economic Studies
The Leadership Conference on Civil and Human Rights
NAACP Legal Defense and Educational Fund, Inc. (LDF)
National Action Network
National Association of Real Estate Brokers, Inc.
National Coalition for Asian Pacific American Community Development (CAPACD)
National Consumer Law Center, on behalf of its low-income clients
National Urban League
UnidosUS

Encl.

APPENDIX A

PRIORITIES FOR APPRAISAL REFORM LEGISLATION

EXECUTIVE SUMMARY

**The current appraisal system isn't working for anyone. The time for reform is now.
The goal should be fair, transparent, data-driven home valuations.**

Appraisal reform legislation should:

- **Governance**. Provide the Appraisal Subcommittee with rulemaking authority for appraisal standards and appraiser qualification criteria (instead of The Appraisal Foundation) for all appraisals of real property in connection with a mortgage transaction. Ensure that the Appraisal Subcommittee has a dual mandate for both safety and soundness and civil rights/consumer protection, and has a well-staffed Office of Fair Lending.
- **Appraiser Profession**.
 - **Barriers to Entry**. Provide the Appraisal Subcommittee with the authority to promulgate rules to establish reasonable criteria for entry into the appraiser profession, and to establish a nationwide registry and a unique ID system. Provide HUD with the authority to establish an appraiser equity grant program for appraisers to ensure diversity and service to underserved areas, including rural areas.
 - **Fair Housing Training**. Provide the Appraisal Subcommittee with the authority to require appraisers to attend comprehensive fair housing training.
- **Appraisal Standards**. Provide the Appraisal Subcommittee with the authority to promulgate rules for appraisal standards to ensure that real property appraisals are fair, transparent, and data-driven.
- **Accountability and Enforcement**. Increase funding for HUD's Fair Housing Initiatives Programs ("FHIP") and Fair Housing Assistance Programs ("FHAP") to ensure private fair housing organizations are sufficiently resourced to provide support and services to all consumers who experience discrimination in the appraisal process. Increase funding for HUD to conduct a nationwide education campaign for consumers regarding appraisal discrimination and their rights. Provide a private right of action under FIRREA.
- **Home Valuation Data and Research**. Provide the CFPB with the rulemaking authority under HMDA to require mortgage lenders to provide valuation data, to develop a publicly-available database, and to create a Trusted Researcher Program. "Trusted Researchers" would have access to the fields where the availability to the general public is limited due to privacy concerns.

GOVERNANCE

Problem

- The Appraisal Foundation is an inefficient governance structure that is not responsive to small businesses, lenders, or consumers, particularly consumers of color.
- The Appraisal Foundation's legal authority to set the appraisal standards and appraiser criteria is not clear.
 - Congress has not provided The Appraisal Foundation with an enabling statute, rulemaking authority, rulemaking guidance on major questions, or oversight through the Administrative Procedures Act.
 - This presents a legal risk under *West Virginia v. EPA*, 597 U.S. __ (2022).
- The Appraisal Foundation's process for selecting individuals to write the appraisal standards and appraiser qualifications criteria requires the selecting entities to pay thousands of dollars in annual "donations." Also, the process focuses on recruiting volunteer industry insiders rather than professional rulewriting staff with specialized expertise in real property appraisals and rulewriting.
- Pivoting to a structure that simply adds oversight by the Appraisal Subcommittee without transferring rulewriting authority (similar to FASB or PCAOB) would be ineffective and not responsive to any of the stakeholders' concerns.

Legislative Recommendations

- These recommendations would be amendments to FIRREA.
- Congress should enhance the authority of the Appraisal Subcommittee to provide rulemaking authority for real property valuation standards and real property valuation professional criteria. ([HFSC Draft Bill](#), [NFHA Consortium Report](#), [NFHA Testimony](#) at 26)
 - This would ensure that rules for appraisal standards and appraiser criteria would be subject to procedural safeguards, such as the Administrative Procedures Act and conflict-of-interest rules; and would serve the public interest.
- Congress should provide the Appraisal Subcommittee with jurisdiction over all real estate valuations (both commercial and residential) in connection with mortgage transactions (not just federally related transactions), have a dual mandate for both safety and soundness and civil rights/consumer protection, and be composed of a highly specialized professional workforce with expertise in real estate valuation. (NFHA Testimony at 26)
- Congress should ensure that the Appraisal Subcommittee has a strong, well-staffed Office of Fair Lending that reports directly to the head of the agency. (HFSC Draft Bill, NFHA Testimony at 26)

APPRAISER PROFESSION

BARRIERS TO ENTRY

Problem

The current appraiser qualification criteria contain unreasonably high barriers to entry, which have resulted in an acute appraiser shortage and an extreme lack of diversity. (See, e.g., Sen. Rounds/Thune [Letter](#) to The Appraisal Foundation regarding the Decrease in Appraisers (2015))

Legislative Recommendations

- Congress should provide the Appraisal Subcommittee with the authority to issue rules with reasonable criteria for entry into the appraiser and valuation profession. (See the [SAFE Act \(Public Law 110-289 \(2008\)\)](#))
- Congress should provide the Appraisal Subcommittee with the authority to promulgate rules to establish a nationwide registry and a unique ID system. (See the SAFE Act, [Rep. Perlmutter/Kustoff bill](#))
- Congress should provide HUD with the authority to establish an appraiser equity grant program for appraisers to ensure diversity and service to underserved areas, including rural areas. (HFSC Draft Bill, [Rep. Cleaver bill](#))

FAIR HOUSING TRAINING

Problem

- Appraisers and other valuation professionals are not required to attend comprehensive fair housing training to identify, prevent, and remedy the risks of discrimination.
- The Appraisal Foundation currently requires appraisers to pay for and complete a bi-annual 7-hour USPAP Update training course that claims to include 2 hours of fair housing training. However, the current version of the fair housing section misleads appraisers as to their obligations and potential liabilities under fair housing law

Legislative Recommendations

- Congress should provide the Appraisal Subcommittee with the authority to require appraisers and other valuation professionals to attend comprehensive fair housing training to mitigate the risk of harm to consumers and communities and the litigation risk for appraisers. (HFSC Draft Bill, NFHA Consortium Report, NFHA Testimony at 31).

APPRAISAL STANDARDS

Problem

- The current appraisal standards contain only a vague and confusing discussion of discrimination instead of explicitly prohibiting discrimination.
- The current sales comparison approach provides appraisers with broad discretion, which can result in unfair and inconsistent results for consumers, particularly consumers of color.
- There are no standards to ensure fairness in appraisal alternatives, such as Automated Valuation Models (“AVMs”).

Legislative Recommendations

- Congress should provide the Appraisal Subcommittee with the authority to promulgate rules to ensure appraisers and other valuation professionals understand that valuation discrimination is prohibited and they are subject to the ECOA and the Fair Housing Act.
- Congress should provide the Appraisal Subcommittee with the authority to promulgate rules for valuation standards, including appraisals and appraisal alternatives, to ensure that real property valuations are fair, transparent, and data-driven. (NFHA Consortium Report, NFHA Testimony at 27)
- Congress should transfer FIRREA rulemaking authority for AVMs from the federal financial regulators to the Appraisal Subcommittee.

ACCOUNTABILITY AND ENFORCEMENT

Problem

When there is reason to believe that a discriminatory or negligent valuation has occurred, reasonable processes are not available to consumers to ensure access to their rights under federal and state law.

Legislative Recommendations

- Congress should increase funding for HUD’s Fair Housing Initiatives Programs (“FHIP”) and Fair Housing Assistance Programs (“FHAP”) to ensure private fair housing organizations are sufficiently resourced to provide support and services to all consumers who experience discrimination in the appraisal process. (HFSC Draft Bill, NFHA Testimony at 28)
- Congress should increase funding for HUD to conduct a nationwide education campaign for consumers regarding appraisal discrimination and their rights. (HFSC Draft Bill)
- Congress should provide a private right of action under FIRREA.

HOME VALUATION DATA AND RESEARCH

Problem

The GSEs maintain a comprehensive database of millions of appraisal reports, but that database is not available to government agencies or the public for research, supervision, enforcement, or compliance management.

Legislative Recommendations

- Congress should amend HMDA to provide the CFPB with the rulemaking authority to require mortgage lenders to provide valuation data, to develop a publicly-available database, and to create a Trusted Researcher Program. “Trusted Researchers” would have access to the fields where the availability to the general public is limited due to privacy concerns. (NFHA Consortium Report, NFHA Testimony at 33)