



# The Appraisal **FOUNDATION**

Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications



# Updates from Washington DC Colorado Association of Real Estate Appraisers

**January 18, 2023**

# Agenda

**What, exactly, do I do?**

**Who is the Appraisal Foundation and What is Our Role**

**Current Issues Impacting the Profession**

**Actions of the Appraisal Standards Board (ASB)**

**Actions of the Appraiser Qualifications Board (AQB)**

**Actions of The Appraisal Foundation**

**Q & A**



# What, exactly, do I do?

Lisa Desmarais, SRA  
Vice President of Appraisal Issues

[www.appraisalfoundation.org](http://www.appraisalfoundation.org)

# Job Tasks

## Appraisal Standards Board (USPAP)

- Publications (USPAP, Q & A's, Reference Manual)

## Appraiser Qualifications Board (Criteria)

- Degree Review Program
- Course Approval Program
- National Exam
- USPAP Instructor Training
- USPAP Classes (15 different versions)

## General

- Remedial Education Courses (8)
- Engage with stakeholders (states, task forces, resource panels, outside entities)
- Speaking Engagements
- Writing, Editing, Proofing
- Generally: Be the staff Appraisal Technical Expert

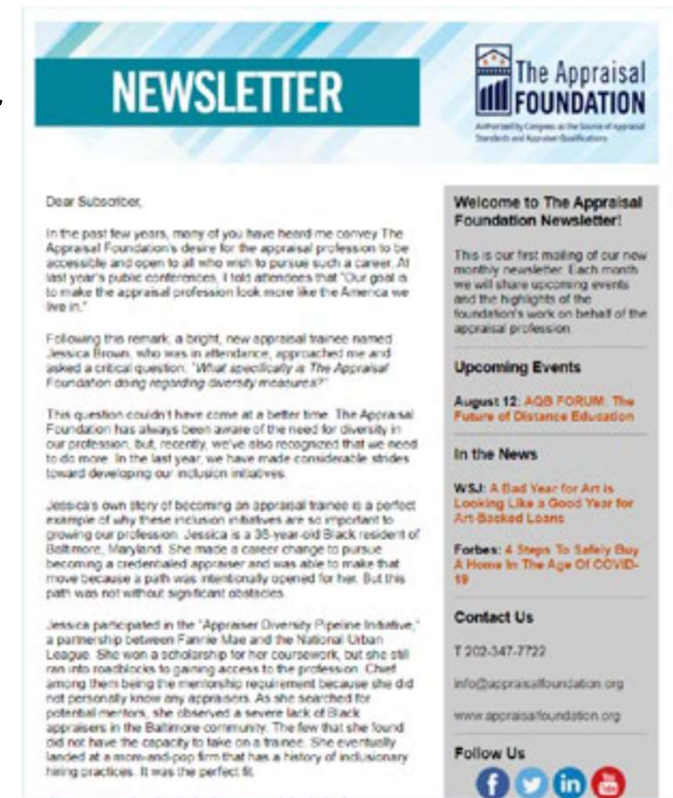
# Appraiser Talk - Podcast

- Weekly podcast to answer questions from every corner of the appraisal profession from consumers to appraisers and real estate to business valuation.
- Listen on whenever you get your podcasts, or on the Foundation website.
  - You can also explore past episodes.
  - Just passed our 75<sup>th</sup> episode!
- Sign up to be notified when new episodes are published.
  - If you have a question you'd like to ask Lisa and Amy, email [amy@appraisalfoundation.org](mailto:amy@appraisalfoundation.org)







# Monthly Newsletters

- The Foundation's general monthly newsletter continues to be well received.
- Newsletter is e-mailed to more than 60,000 readers of all appraisal disciplines.
- Better platform to communicate.
- Two Newsletters: General and State
  - WANT TO SEE THIS IN YOUR INBOX?
  - [Amy@appraisalfoundation.org](mailto:Amy@appraisalfoundation.org)




# Website


The Appraisal FOUNDATION  
Authorized by Congress as the Source of Appraisal Standards and Appraiser Qualifications

Sign In Cart    


ABOUT US STANDARDS & QUALIFICATIONS RESOURCES EVENTS STORE NEWS

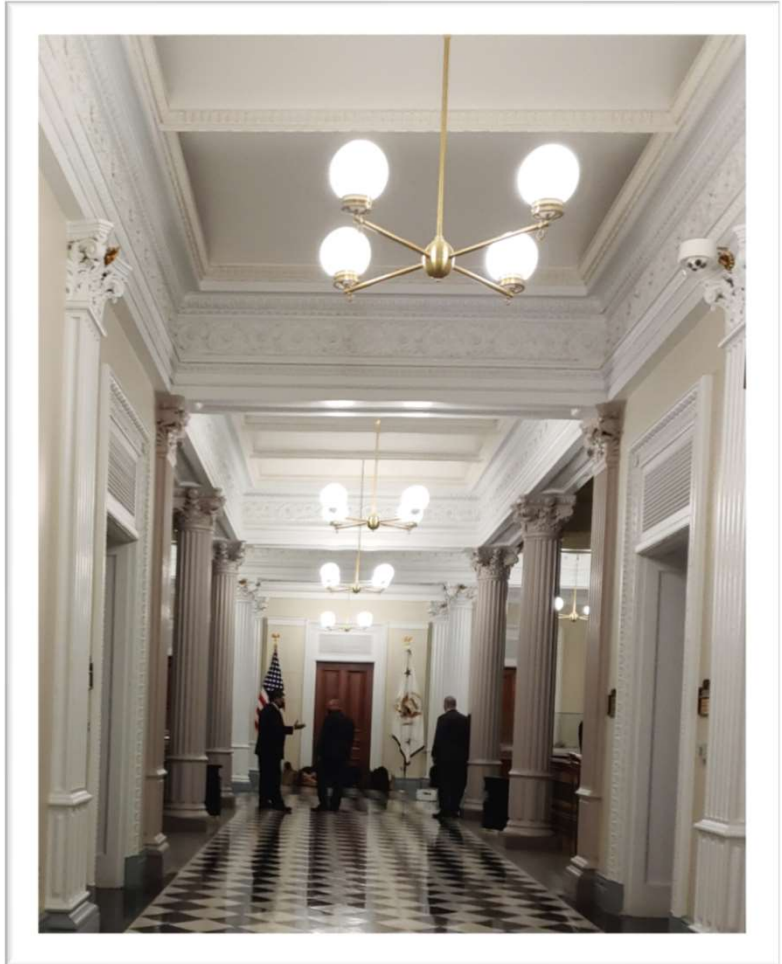
## Promoting Diversity, Equity and Inclusion

Learn more 

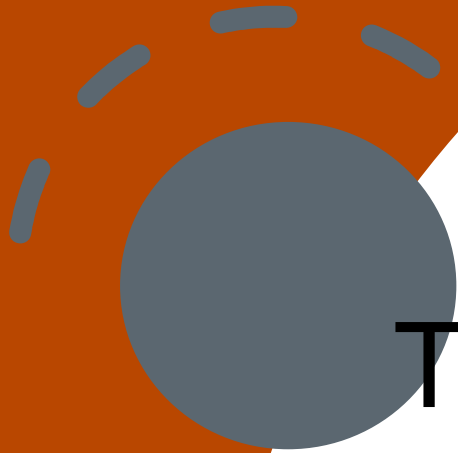




  
**ROOM 226**  
THIS OFFICE HOUSED ONE OF TWO ASSISTANT SECRETARIES OF WAR FROM 1888 UNTIL THE WAR DEPARTMENT MOVED FROM THE OBOD IN 1938. DESIGNED AS PART OF THE SECRETARY'S SUITE BY PROMINENT NEW YORK ARCHITECT STEPHEN DECATUR HATCH, IT WAS DECORATED WITH ELABORATE PLASTERWORK ON THE WALLS AND CEILING, A GILDED CARTOUCHE WITH MILITARY INSIGNIA, AND A MARBLE FIREPLACE MANTEL.







# Who is The Appraisal Foundation and What is Our Role

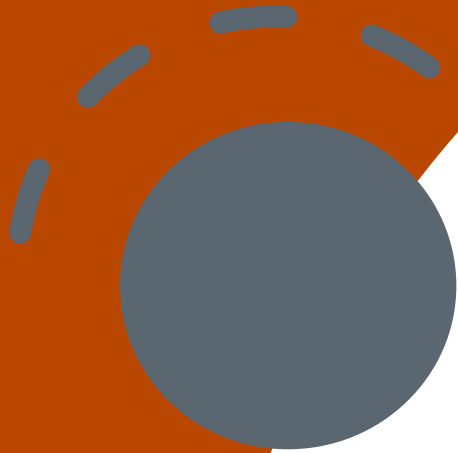
# The Appraisal Foundation

The Foundation is **NOT**:

- A government agency or regulatory board;
- Created by Congress;
- An appraisal trade organization that offers designations;
- An advocacy group.

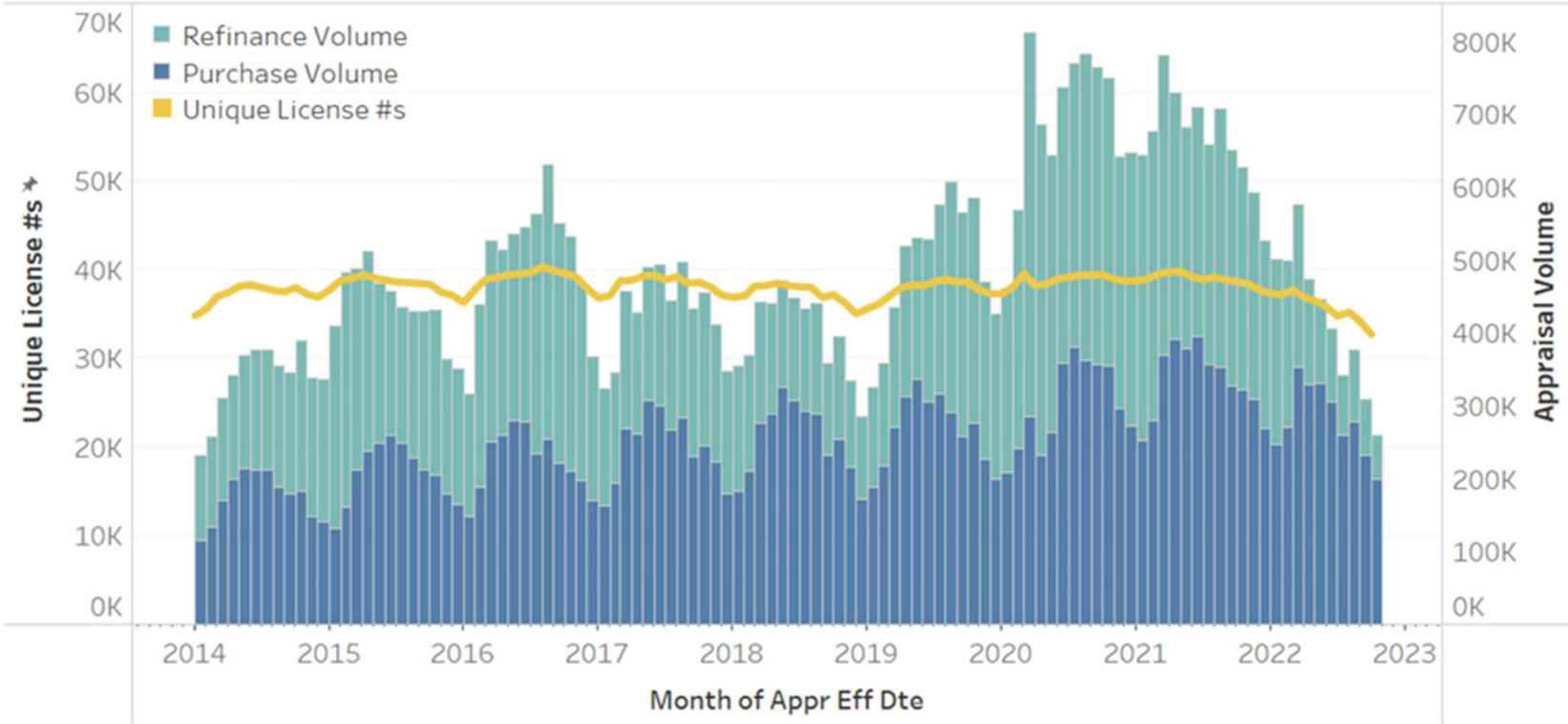
The Foundation:

- Is a non-profit educational organization;
- Has no powers of enforcement.
- Is committed to protecting the public trust.



# Current Issues Impacting our Profession

# Chart from Freddie Mac



Unique appraiser license numbers in UCDP, per month. Volume includes all form types (not limited to 1004/70). January 2014 to October 2022.

# Credential Trends

**1993 to 2004:**

Average 88,000

**2003:**

Total of 92,000

**2001:**

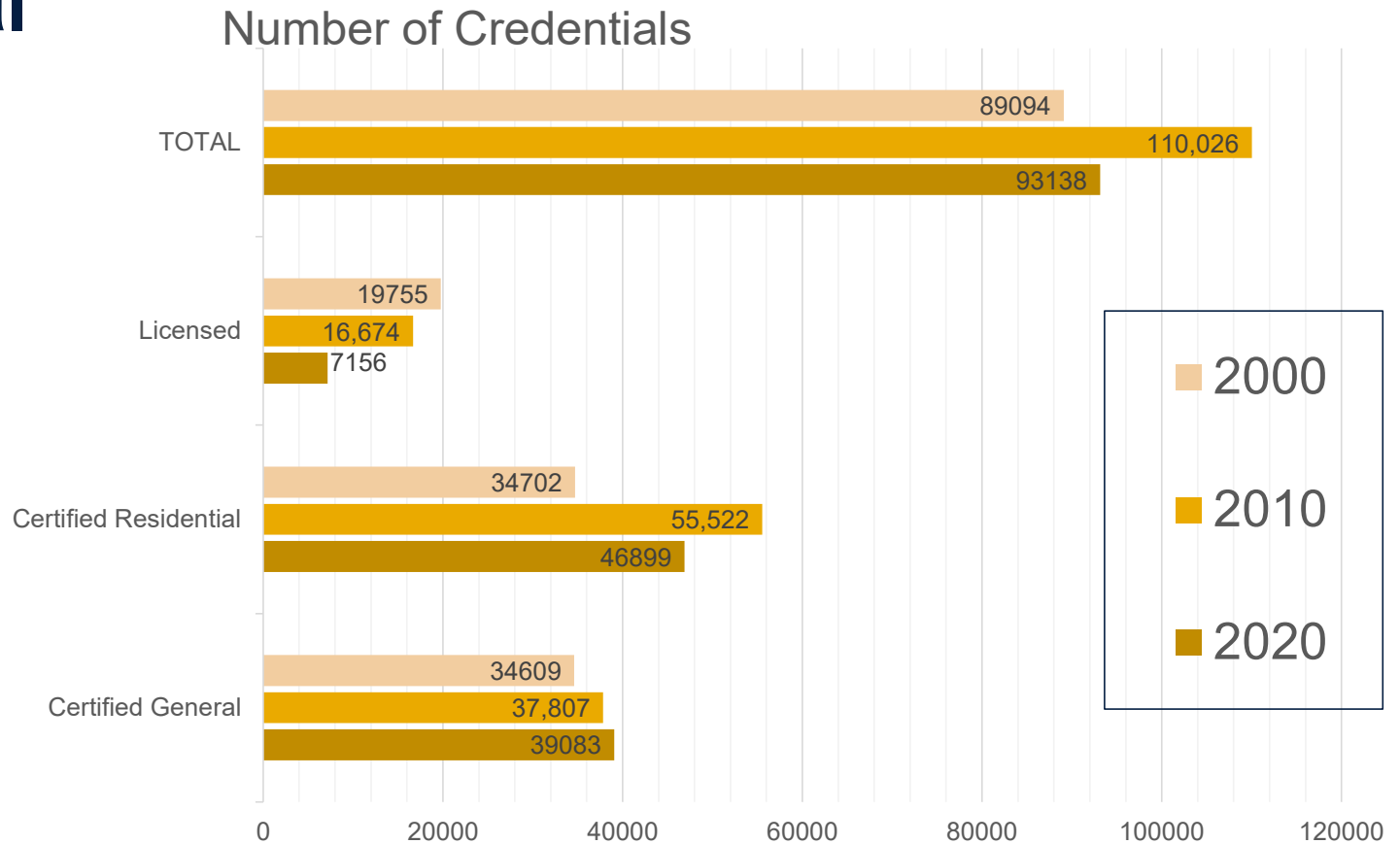
Low of 87,000

**2008:**

High of 120,000\*

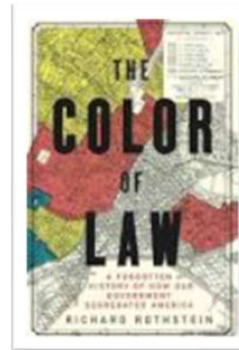
**2021:**

Total of 93,000



# Building up to the Current Environment<sup>†</sup>

- 2017 “*The Color of Law*” – contemporary (and bestselling) book discussing housing and racism
- 2018 “Devaluation of Assets in Black Neighborhoods” by Andre Perry
- 2018 “Neighborhoods, Race and the Twenty-first-century Housing Appraisal Industry” by Junia Howell and Elizabeth Korver Glenn



# 2020: The Year of Change

**Black homeowners routinely discriminated against by appraisers**

**What Does Racism Have to Do With Real Estate Appraisals?**

The owner thinks her lower home appraisal was skewed by her race and her neighborhood

(Continued on Page 4)

Mapes, head of the Drama De-

(Continued on Page 4)

ly in Arizona.

Are appraisals subjective?

**Black Homeowners Face Discrimination in Appraisals**

**For Black Homeowners, Unfair Appraisals Are All Too Common**

# Campaign Promise

- **Tackle racial bias that leads to homes in communities of color being assessed by appraisers below their fair value.** Housing in communities primarily comprised of people of color is valued at tens of thousands of dollars below majority-white communities even when all other factors are the same, contributing to the racial wealth gap.
- **To counteract this racial bias,** Biden will establish a national standard for housing appraisals that ensures appraisers have adequate training and a full appreciation for neighborhoods and do not hold implicit biases because of a lack of community understanding. An objective national standard for appraisals will also make it harder for financial institutions to put pressure on appraisers to their benefit.

**BIDEN  
HARRIS**



# Studies



Economic & Housing Research **Note**

SEPTEMBER 2021

## Racial and Ethnic Valuation Gaps in Home Purchase Appraisals<sup>1</sup>

To follow up on several stories of potential appraisal bias in various news outlets,<sup>2</sup> Freddie Mac kicked off a study of whether minorities are more likely to receive an appraisal value that is lower than the contract price during purchase transactions.<sup>3</sup>

First, we examine the raw differences in the percentage of properties that receive an appraisal value lower than the contract price in minority tracts compared to those in White tracts.<sup>4</sup> We find substantial appraisal valuation gaps<sup>5</sup> for minority versus White tracts. Second, we examine the raw differences in the percentage of applicants that receive an appraisal value lower than the contract price and find that minority applicants are more likely to receive an appraisal value lower than the contract price.

After observing these gaps, we conduct exploratory research to begin to understand what causes the valuation gaps for minority versus White tracts. In the third section, we test whether the observed gaps are driven by only a few appraisers. Our analysis shows gaps for a large fraction of appraisers who provide valuations in both minority and White tracts. In the fourth section, we explore several possible explanations for the observed appraisal gaps in minority neighborhoods. Our research shows that differences in comparable sale (or comp)<sup>6</sup> distances, comp reconciliation,<sup>7</sup> variances in sale prices of comps, and possible systematic overpayment for properties by minorities cannot explain the appraisal gaps for minority tracts observed in our data. Finally, in the fifth section we build models to test whether the minority tract flag based on the minority concentration in the tract explains appraisal gaps beyond structural and neighborhood characteristics. Our preliminary modeling results suggest that a property is more likely to receive an appraisal lower than the contract price if it is in a minority tract.

1 A purchase appraisal is one where the "assignment type" on the appraisal form is for a purchase transaction.

2 "Black Homeowners Face Discrimination in Appraisals," August 25, 2020, *The New York Times*.

3 "An Unconscious Bias? Racial Denver Couple Says They Faced Discrimination on Home Appraisal," November 18, 2020, *Denver7*.

4 "Appraisal Industry Leaders Acknowledge Bias in Home Valuations," March 3, 2021, Bloomberg Government.

5 This study focuses on two minority groups, Black and Latino, with the White non-Latino group as the reference. The term "minority" refers to Black or Latino and the term "White" refers to White non-Latino throughout this Research Note.


6 Tracts refer to census tracts. They are small subdivisions within a county typically containing between 1,200 and 8,000 people. In this Research Note, the word "neighborhood" and "tract" are interchangeable.

7 For the purposes of this Research Note, an "appraisal gap" means the percent difference between minority and White groups in the share of properties or applicants receiving "appraisal value lower than contract price."

8 In a residential appraisal, the value is developed primarily by examining other competitive homes that have been sold recently. Those sales are called "comparable sales," commonly called "comps."


9 "Reconciliation" refers to the process used by the appraiser to weight the conclusions of the individual comparable sales and derive a final opinion on the home value.

# Studies



## Appraising the Appraisal

A closer look at divergent appraisal values for Black and white borrowers refinancing their home



Jake Williamson  
Mark Palm  
January 2022

### Does Appraiser and Borrower Race Affect Valuation?

Brent W. Ambrose,<sup>a</sup> James N. Conklin,<sup>b</sup> N. Edward Coulson,<sup>c</sup> Moussa Diop,<sup>d</sup> and Luis A. Lopez,<sup>e</sup>

October 27, 2021

**Abstract**

Following concerns about undervaluation of minority-owned homes, we examine the incidence of racial appraisal bias using a nationwide sample of refinanced mortgages from 2000 to 2007. A unique feature of our data is that they allow us to observe the race of the both the homeowner and the appraiser. We do not observe large, systematic differences in the ratio of appraised values to automated valuation model (AVM) estimates between Black- and White-owned homes. Moreover, the appraiser's race and its interaction with the owner's race are not related to valuations. Our findings suggest that racial appraisal bias is either uncommon in the mortgage refinance market or has a relatively minor effect on valuations, on average.

<sup>a</sup>Stout College of Business, University Park, PA  
<sup>b</sup>Berry College of Business, University of Georgia, Athens, GA  
<sup>c</sup>Levi Paul Morgan School of Business, University of California, Irvine, Irvine, CA  
<sup>d</sup>Sol Price School of Public Policy, University of Southern California, Los Angeles, CA  
<sup>e</sup>College of Business Administration, University of Illinois at Chicago, Chicago, IL



### How Common is Appraiser Racial Bias - An Update

Edward Pinto - Director, AEI Housing Center (PintoEdward1@gmail.com)  
Tobias Peter - Assistant Director, AEI Housing Center (Tobias.Peter@AEI.org)  
May 2022

**Introduction**

Multiple stories in the news over the last several years have reported on assertions of racial bias by appraisers on home refinance or home equity loan appraisals. The stories unfold as follows: After getting a seemingly low first appraisal, a Black borrower requests and receives a significantly higher second appraisal- by our estimate from the stories an average of around \$126,000 or 25% higher than the first one. The stories generally note that the second appraisal took place after removing all traces of race and having a White friend stand in during the appraisal. The implication is that intentional and perhaps unintentional appraiser bias is commonplace, pervasive, or systemic and this results in large valuation gaps for Black borrowers relative to White borrowers.<sup>1</sup>

We undertook the first study, which we released in January 2021, to statistically examine the level of racial bias in human performed appraisals using a large dataset. We found that contrary to media allegations, racial bias by appraisers on refinance loans is uncommon and not systemic.<sup>2</sup>

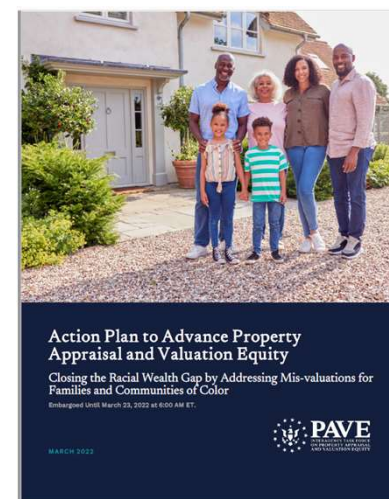
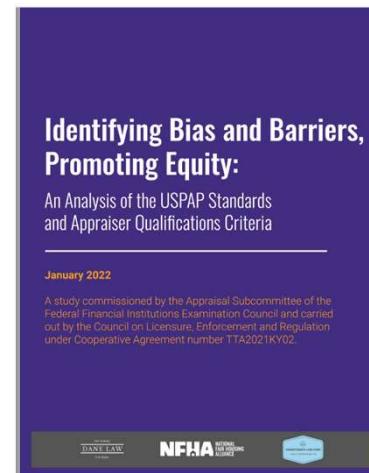
In the meantime, a lot has occurred. The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE), which was created to investigate claims of racial inequities in housing, recently made its recommendations.<sup>3</sup> Freddie Mac explored appraiser bias on purchase loans and FHFA released a blog post citing a few instances of racially charged language in the appraisal form's free-form text fields (more on these studies below). The above-mentioned studies and proposals are neither based on sound research nor provide appropriate policy solutions. On the other hand, rigorous statistical analyses by Fannie Mae and Ambrose et al., which rebuffed the narrative and conclusions of PAVE and Freddie Mac, were largely ignored.

<sup>1</sup> Media coverage uses the terms "pervasive", "systematic", and "widespread" to describe bias in the home appraisal industry. (i) Study finds 'pervasive' bias in home appraisal industry; (ii) The lesson in these stories is that if you want to get a fair appraisal and maximum selling price potential for your home, you might need to pretend to be white. That kind of individual bias is just one part of a broader, systemic problem, called "appraisal discrimination"; (iii) "The 'race appraisal gap'"; and (iv) These reports show home appraisal bias is widespread. Systemic is an "adjective that means 'of or relating to a system.'" It is especially used to describe some phenomenon—an illness, a social problem—that affects every part of an entire system. Some near synonyms to systemic are structural, comprehensive, inherent, pervasive, ingrained, and extensive." And another word for systemic is widespread. For the purposes of the below thought experiments, we posit that for an occurrence to be systemic, pervasive, or widespread, it needs to have an incidence of at least 20%.  
<sup>2</sup> See <https://www.aei.org/economic-research/health-and-appraisals/bias/>.  
<sup>3</sup> See <https://www.aei.org/research-products/testimony/fairty-evidence-and-misdiagnosed-solutions/>.

1

# Bias and Discrimination

- Perhaps the biggest challenge the profession has faced in decades
- 2020: Press reports & Public Trust
- January 2022: ASC and NHFA
- March 2022: **PAVE**: Property Appraisal and Valuation Equity



# PAVE



# U.S. House of Representatives Committee on Financial Services

Testimony of  
David S. Bunton, President  
The Appraisal Foundation

## Devalued, Denied, and Disrespected: How Home Appraisal Bias and Discrimination Are Hurting Homeowners and Communities of Color

U.S. House of Representatives  
Committee on Financial Services

March 29, 2022



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Suite 1111  
Washington, DC 20005  
202-347-7722

[www.appraisalfoundation.org](http://www.appraisalfoundation.org)

[DISCUSSION DRAFT]

117<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

H. R. \_\_\_\_

To establish an independent agency to be known as the Federal Residential Valuation Agency and a streamlined Federal procedure for reporting discrimination and misconduct in the provision of real estate valuations, including appraisals, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_ introduced the following bill; which was referred to the Committee on \_\_\_\_

### A BILL

To establish an independent agency to be known as the Federal Residential Valuation Agency and a streamlined Federal procedure for reporting discrimination and misconduct in the provision of real estate valuations, including appraisals, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may be cited as the "Ending Appraisal Discrimination Act of 2022".

#### SEC. 2. FEDERAL RESIDENTIAL VALUATION AGENCY.

(a) ESTABLISHMENT—There is established an independent agency to be known as the "Federal Residential Valuation Agency", in this section referred to as

# Federal Agencies; Lawsuits

- FHFA
  - 12/14/2021 “Reducing Valuation Bias by Addressing Appraiser and Property Valuation Commentary”
  - 08/2022 Releases UAD Data (47 million appraisals from between 2013 and June 2022)
  - 11/2/2022 “Exploring Appraisal Bias Using UAD Aggregate Statistics”
- LAWSUITS
  - Marion County- DOJ issued a letter of interest
  - HUD has “hundreds” of investigations/complaints
  - Maryland (August of 2022)
  - NFHA
- APPRAISAL SUBCOMMITTEE
  - Board members represent CFPB, HUD, Federal Reserve, OCC, FDIC, NCUA, FHFA

# Legislation: FAIR

- FHA Appraisers: revert a 2008 law Fair Appraisal and Inequity Reform Act of 2022
  - Noticed but not yet introduced by House Financial Services Committee
  - 18 pages in length, but two paragraphs illustrate the vision of a greater federal role in appraisal regulation:

# Legislation: FAIR

- (1) referral of any complaint regarding appraiser misconduct or discrimination in the provision of a real estate appraisal received by any State appraiser regulatory agency, including any State appraiser certifying and licensing agency, within 48 hours, to the new Federal agency.
- (2) that investigation of any such complaint shall include a full review of the appraisals conducted within the preceding 24 months by the appraiser involved;



# 16 Year Trend: Active Appraiser Credentials

	<u>2006</u>	<u>Today</u>
<b>Certified General</b>	<b>34,812</b>	<b>39,612</b>
<b>Certified Residential</b>	<b>46,701</b>	<b>47,165</b>
<b>Licensed Residential</b>	<b>29,921</b>	<b>7,475</b>
<b>Total</b>	<b>111,434</b>	<b>94,252</b>

Appraisal Subcommittee, September 22, 2022

# Legislation: Allow Licensed Appraisers to Perform FHA Appraisals

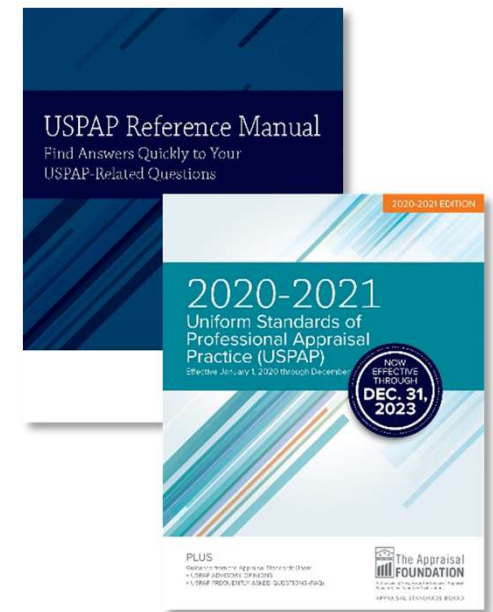
- This bill has passed the House of Representatives twice but there has been no action to date in the Senate.
- Enactment of this legislation would bring 7,500 appraisers back into the system and would significantly benefit rural markets.



# Appraisal Standards Board

# Appraisal Standards Board (ASB)

- Writes and interprets the generally recognized standards for the appraisal profession, the Uniform Standards of Professional Appraisal Practice (USPAP)
- **Congressional Authority of the ASB:** Title XI of FIRREA requires that all appraisals performed in conjunction with federally related transactions comply with the generally accepted standards (USPAP) promulgated by the ASB.



Michelle Czekański Bradley  
Chair  
Appraisal Standards Board

Submitted Electronically on February 4, 2022

Dear Ms. Czekański Bradley:

Thank you for the opportunity to provide comments on the Proposed Changes for the 2023 Edition of the Uniform Standards of Professional Appraisal Practice (USPAP). We are federal agencies charged with enforcing nondiscrimination standards under the Fair Housing Act (FHAAct) and the Equal Credit Opportunity Act (ECOA).

Our comments relate to the Appraisal Standards Board Ethics Rule (Ethics Rule) and Advisory Opinion 16. These provisions state that an appraiser may not rely on “unsupported conclusions relating to characteristics such as race, color, religion, national origin, sex, sexual orientation, gender, marital status, familial status, age, receipt of public assistance income, disability, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.” However, these provisions do not prohibit an appraiser from relying on “supported conclusions” based on such characteristics and, therefore, suggest that such reliance may be permissible.

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Please note that this response does not constitute approval of any specific content contained in the Ethics Rule or Advisory Opinion 16. We would welcome the opportunity to discuss these requirements and provide whatever further assistance may be appropriate. We believe that a full presentation of these requirements is an essential part of any guidance provided in the Ethics Rule or Advisory Opinion 16 to ensure compliance with fair housing and fair lending laws.

Sincerely,

Patrice Alexander Ficklin  
Fair Lending Director  
Consumer Financial Protection Bureau

Amy Frisk  
Acting Special Policy Advisor  
U.S. Department of Housing and Urban Development

Arthur Lindo  
Deputy Director, Division of Supervision and Regulation  
Federal Reserve Board

Sameena Shina Majed  
Chief, Housing and Civil Enforcement Section  
Civil Rights Division  
U.S. Department of Justice

Donna Murphy  
Deputy Comptroller for Compliance Risk Policy  
Office of the Comptroller of the Currency

Mark Pearce  
Director, Division of Depositor and Consumer Protection  
Federal Deposit Insurance Corporation

Timothy Segerson  
Deputy Director, Office of Examination and Insurance  
National Credit Union Administration

James Wylie  
Associate Director of Fair Lending  
Federal Housing Finance Agency

## Federal Agencies Letter

CFPB (Consumer Financial Protection Bureau)

HUD (U.S. Department of Housing and Urban Development)

FRB (Federal Reserve Board)

OCC (Office of the Comptroller of the Currency)

FDIC (Federal Deposit Insurance Corporation)

NCUA (National Credit Union Administration)

FHFA (Federal Housing Finance Agency)

DOJ (U.S. Department of Justice)

# Background

- Stakeholders felts the ETHICS RULE did not make it abundantly clear that USPAP prohibits discrimination
- Comprehensive review of the ETHICS RULE
- Third ED - Feedback in favor of including a new Nondiscrimination section
- Fourth ED - Maintains the previous draft's focus on applicable legal concepts from key U.S. antidiscrimination laws.

## Slide 30

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**LD0** This should read "Stakeholders felts the ETHICS RULE did not make it abundantly clear that USPAP prohibits discrimination.

Lisa Desmarais, 2023-01-10T21:05:16.210

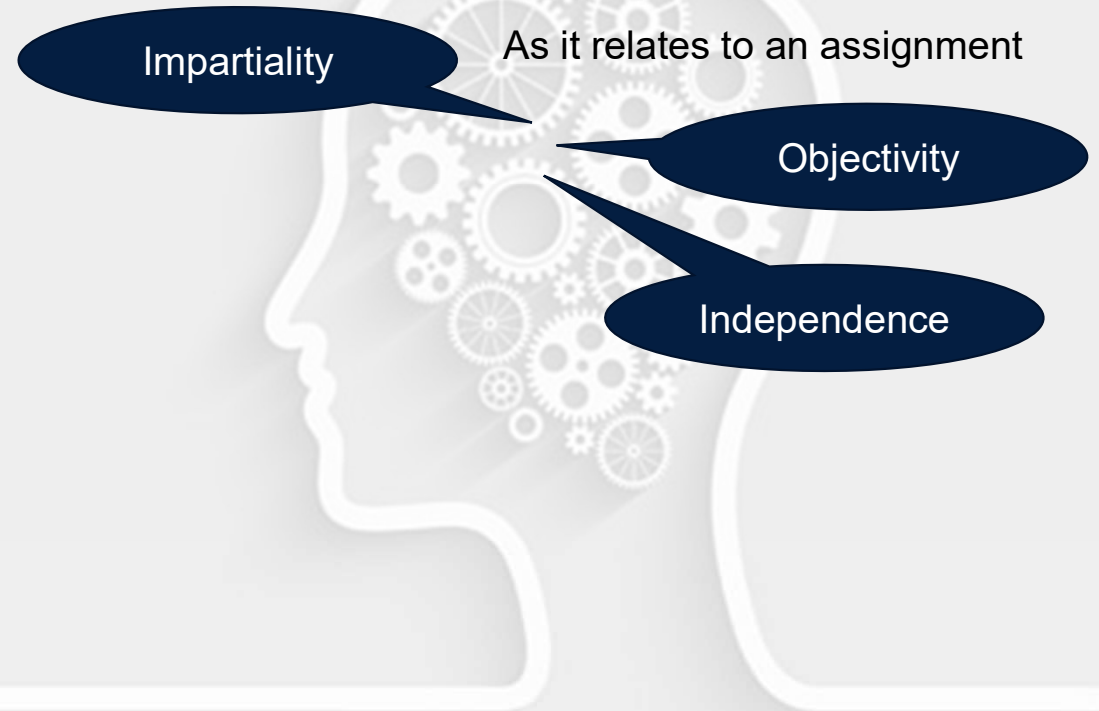
**LD0 0** I also deleted a few words from the third bullet

Lisa Desmarais, 2023-01-10T21:05:56.038

**NP0 1** Yes, please edit the first bullet accourdingly.

N. Pitz, 2023-01-10T21:32:06.082

# Bias and the Appraiser



**BIAS:** a preference or inclination that precludes an appraiser's impartiality, independence, or objectivity in an assignment.



# Bias and the Appraiser

- The affirmations relating to development require the mental and emotional predispositions of being impartial, objective, and independent. Impartial, objective and independent signify different mental and emotional conditions.
  - *Impartial* describes a mental state that does not favor one side over another at the outset of an investigation.
  - *Objective* describes a mental condition that is opposed to the subjective. An objective opinion is based on what exists and what is known rather than on preconceived or personal views. Preserving objectivity is the best way to achieve impartiality.
  - *Independence* signifies freedom from outside influences or controls. Independence both mentally and emotionally enables an appraiser to be objective and impartial.
- All three of these together ensure that the appraiser's judgment and service is developed without bias or accommodation of personal interest.

**APPRAISER:** one who is expected to perform valuation services competently and in a manner that is independent, impartial, and objective.<sup>2</sup>

# Does USPAP address discrimination?

- Yes.....but lets dig deeper
- What is “discrimination”?
  - A type of “bias”
  - “Types” of Discrimination
    - Illegal discrimination
    - Unethical discrimination
    - Discrimination (as meaning to recognize a difference)
  - ASB discussed topic for months
- USPAP =
  - ETHICAL PERFORMANCE
  - COMPETENT BEHAVIOR

# USPAP prohibits illegal discrimination

## ETHICS RULE

An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser must not perform an assignment with bias.

An appraiser must not use or rely on **unsupported** conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value.

# USPAP prohibits illegal discrimination

## COMPETENCY RULE

**Competency requires recognition of, and compliance with, laws and regulations that apply to the appraiser or to the assignment.**

Comment: Competency may apply to factors such as, but not limited to, an appraiser's familiarity with a specific type of property or asset, a market, a geographic area, an intended use, **specific laws and regulations**, or an analytical method. If such a factor is necessary for an appraiser to develop credible assignment results, the appraiser is responsible for having the competency to address that factor.....

**In all cases, the appraiser must perform competently when completing an assignment.**

# Why doesn't USPAP state “An appraiser must not discriminate in appraising”?

- **ETHICS RULE = APPLIES TO ALL OF APPRAISAL PRACTICE**
  - The ETHICS RULE sets forth requirements for integrity, impartiality, objectivity, independent judgement, and ethical conduct
- **APPRAISING = IS A SUBSET OF APPRAISAL PRACTICE**
  - To have a requirement that discrimination is only in appraising implies it is allowed in other parts of appraisal practice.
- **APPRAISAL PRACTICE = INCLUDES DATA CRUNCHING**
  - Example: Freddie Mac study. Thus, there are times when it is acceptable and necessary to base conclusions on the protected characteristics of individuals (or groups).
- **The word “DISCRIMINATE” = NEEDS CONTEXT**
  - There is legal and illegal discrimination, there is discrimination that is unethical but not illegal and there is benign discrimination (i.e. defined as “distinguishing between things”)

# Fourth Exposure Draft

- Comment deadline is Feb 3<sup>rd</sup>
- Where do you get a copy?



- Do you have a video that explains the draft?



# Conduct Section - Delete supported/unsupported

## CONDUCT:

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- must not agree to perform an assignment that includes the reporting of predetermined opinions and conclusions;
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent;
- ~~must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;~~
- must not engage in criminal conduct;
- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and
- must not perform an assignment in a grossly negligent manner.

# ETHICS RULE – Nondiscrimination Section

## ETHICS RULE

**An appraiser must promote and preserve the public trust inherent in appraisal practice by observing the highest standards of professional ethics.**

**An appraiser must comply with USPAP when obligated by law or regulation, or by agreement with the client or intended users. In addition to these requirements, an individual should comply any time that individual represents that he or she is performing the service as an appraiser.**

Comment: This Rule specifies the personal obligations and responsibilities of the individual appraiser. An individual appraiser employed by a group or organization that conducts itself in a manner that does not conform to USPAP should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

This ETHICS RULE is divided into four sections: **Nondiscrimination**, **Conduct**, **Management**, and **Confidentiality**, which apply to all appraisal practice.



# General Comments on the Nondiscrimination Section

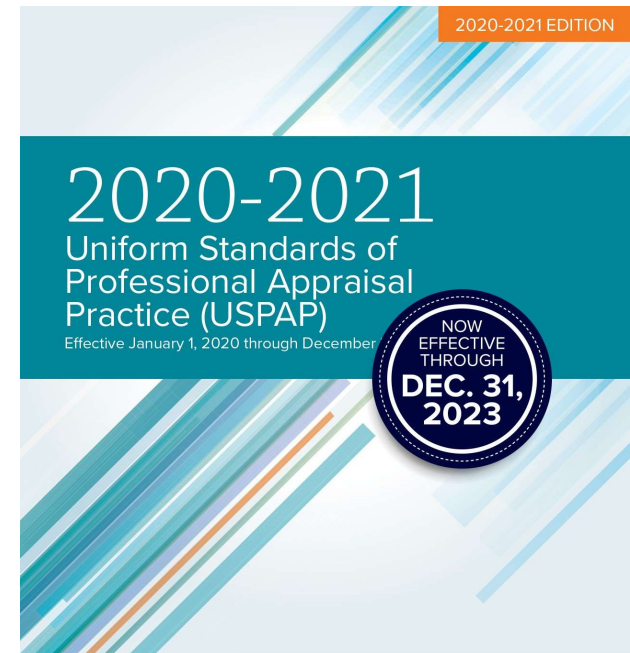
- Maintain and further the ASB's steadfast commitment to the highest professional standards in appraisal practice
- Sets two broad prohibitions:
  - a prohibition against unethical discrimination and
  - a prohibition against illegal discrimination.
- Adds limited permissive language
- The ASB plans to issue new guidance (new AOs)

# Unethical Discrimination and Illegal Discrimination

- Proposed section uses two separate terms - “unethical discrimination” and “illegal discrimination”
- An appraiser’s ethical duties are broader than the law’s prohibitions.
  - Unethical discrimination, regardless of which laws apply to a particular appraiser or a particular assignment.
- If an act constitutes illegal discrimination, it also will constitute unethical discrimination

# USPAP Publication Cycle

- The effective date of the 2020-2021 edition of USPAP has been extended through December 31, 2023.
- Future editions of USPAP will only have a beginning effective date and not an ending date.

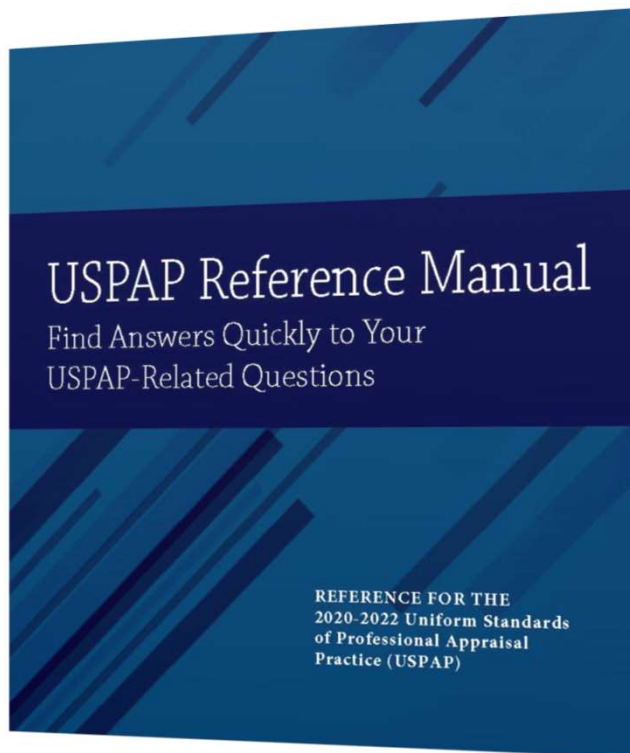


PLUS  
Guidance from the Appraisal Standards Board  
+ USPAP ADVISORY OPINIONS  
+ USPAP FREQUENTLY ASKED QUESTIONS (FAQ)

 The Appraisal  
FOUNDATION  
Authorized by Congress as the Source of Appraisal  
Standards and Appraiser Qualifications  
APPRAISAL STANDARDS BOARD

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# Answer Your USPAP Questions



<b>TOPICS RELATED TO AN ASSIGNMENT</b> .....
<b>ASSIGNMENT CONDITIONS</b> .....
General Examples of Assignment Conditions .....
What They Are .....
What They Are Not .....
Hypothetical Condition .....
Extraordinary Assumption .....
Unacceptable Assignment Conditions .....
Recognize Applicable Assignment Conditions .....
<b>SCOPE OF WORK</b> .....
Defined .....
Who Determines the Scope of Work? .....
What Should the Scope of Work Include? .....
Who Performs the Scope of Work? .....
Who Can Specify the Scope of Work? .....
Judging the Acceptability of the Scope of Work .....
Same Scope of Work, Different Client .....
Examples of Scope of Work .....
Limiting the Scope of Work .....
The SCOPE OF WORK RULE .....

A stylized sun icon consisting of a solid grey circle with five dashed grey arcs above it, set against a dark orange background. The background features a large white semi-circle on the right side.

# Appraiser Qualifications Board

# PAREA - Overview

- Available for Licensed Residential and Certified Residential
- Participants are required to complete all Q.E. prior to beginning program
- Can provide up to 100% of experience credit

Certification Type	Education	Experience	Exam
Licensed Residential	150 hours	1000 hours under a Supervisor in 6 months <b>OR</b> PAREA can replace up to 100% of the required experience hours	Yes
Certified Residential	200 hours	1500 Hours under a Supervisor in 12 months <b>OR</b> PAREA can replace up to 100% of the required experience hours	Yes
Certified General	300 hours	3000 Hours under a Supervisor in 18 months <b>OR</b> PAREA can replace up to 50% of the required experience hours	Yes

# PAREA: State Adoption



By our informal count, **35** states that have, one way or another, indicated that completion of PAREA will be an acceptable alternative to the current experience hour requirements.



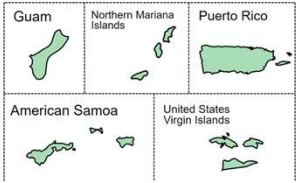
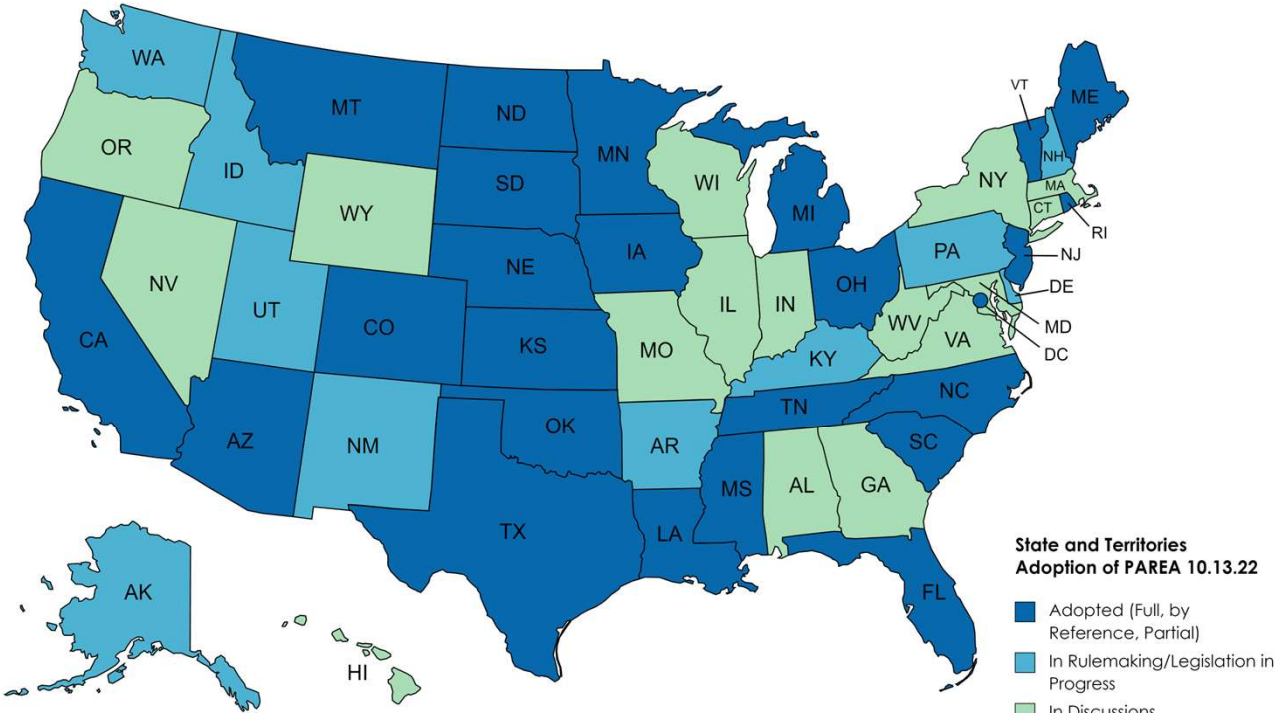
Seven *preliminary* PAREA programs have been submitted to the AQB for review.

More are in development.



Internal tracking list: Over 2,600 interested in PAREA

# States Adoption of PAREA



Created with mapchart.net



# PAREA: Keep informed and up to date!

- Various resources posted on [PAREA webpage](#)
- Want to stay informed, or have questions? Please contact Aida Dedajic

[aida@appraisalfoundation.org](mailto:aida@appraisalfoundation.org)

# AQB Approved Degrees in Real Estate

## **Undergraduate Degrees**

[Baruch College \(CUNY\)](#)  
[Colorado State University](#)  
[Fort Valley State University](#)  
[Indiana University](#)  
[Indiana University-Purdue](#)  
[Lehigh University](#)  
[Oklahoma State University](#)  
[Old Dominion University](#)  
[Penn State University](#)  
[Roosevelt University](#)  
[South Dakota State University](#)  
[Temple University](#)  
[Texas A&M University](#)  
[Texas Christian University](#)  
[Texas Tech University](#)  
[University of Central Florida](#)  
[University of Denver](#)  
[University of Memphis](#)

[University of Mississippi](#)  
[University of Missouri Kansas City](#)  
[University of Nebraska - Omaha](#)  
[University of Northern Iowa](#)  
[University of Texas Arlington](#)  
[University of Wisconsin - Madison](#)  
[Virginia Commonwealth University](#)

## **Graduate Degrees**

[Baruch College \(CUNY\)](#)  
[Florida International University](#)  
[John Hopkins University](#)  
[New York University \(2\)](#)  
[Penn State University](#)  
[Roosevelt University](#)  
[Texas A&M University](#)  
[University of Denver](#)  
[University of Florida](#)  
[University of Missouri – Kansas City](#)  
[University of Wisconsin - Madison](#)  
[Virginia Commonwealth University](#)

## **Associate Degrees**

[Hondros College of Business](#)

# Forum to Explore Education Requirements: Fair Housing Laws and Valuation Bias Education

- The AQB held a public forum to explore education requirements for Fair Housing laws and valuation bias on September 12, 2022
- Panels consisted of federal regulators, state appraiser regulatory agencies, professional appraiser organizations, education providers, and consumer, civil rights, and fair housing advocacy groups
- Focus Groups met shortly thereafter to discuss details of what proposed changes should look like

# Other Activities and Upcoming

## APPRAISER QUALIFICATIONS BOARD UPDATE

- First Exposure Draft Proposing to Require Fair Housing Education
  - Requirements for QE for all new appraisers
  - Requirements for CE for all appraisers (two step process)
  - Outline of course topics
    - Advice from fair housing experts

# Other Activities and Upcoming

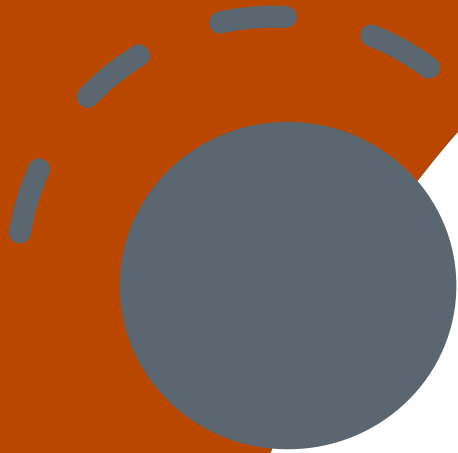
## APPRAISER QUALIFICATIONS BOARD UPDATE

- National Exam
  - Screened for any biased questions
  - Professional psychometrician to help in all steps of the exam

# Other Activities and Upcoming

## APPRAISER QUALIFICATIONS BOARD UPDATE

- First Exposure Draft Proposing to Require Fair Housing Education
- Course Approval Program (CAP)
  - 323 Approved Course
  - 16 USPAP Courses
  - New Delivery Mechanism Approval for asynchronous courses
- National Uniform Licensing & Certification Examination
  - Recently completed exam site audits
  - SMEs reviewing fixed form exams
- Certified USPAP Instructor Program
  - 405 Instructors
  - Next Instructor Certification Course will be posted on the Foundation website
- Public Meeting – Virtual, March 22, 2023 at 1:00 PM ET



# The Appraisal Foundation

THE APPRAISAL FOUNDATION'S ACTIONS

# Current Events

- January 12: NFHA screening of “Our America: Lowballed”
  - <https://www.youtube.com/watch?v=Hi-2fQXkIG4>
- January 18: Webinar today
  - “State of the Profession” with ASC and TAF
- January 24: ASC hearing on “Appraisal Bias” next week (first in a four-part series) through the CFPB offices
- Year anniversary of PAVE report coming up in March

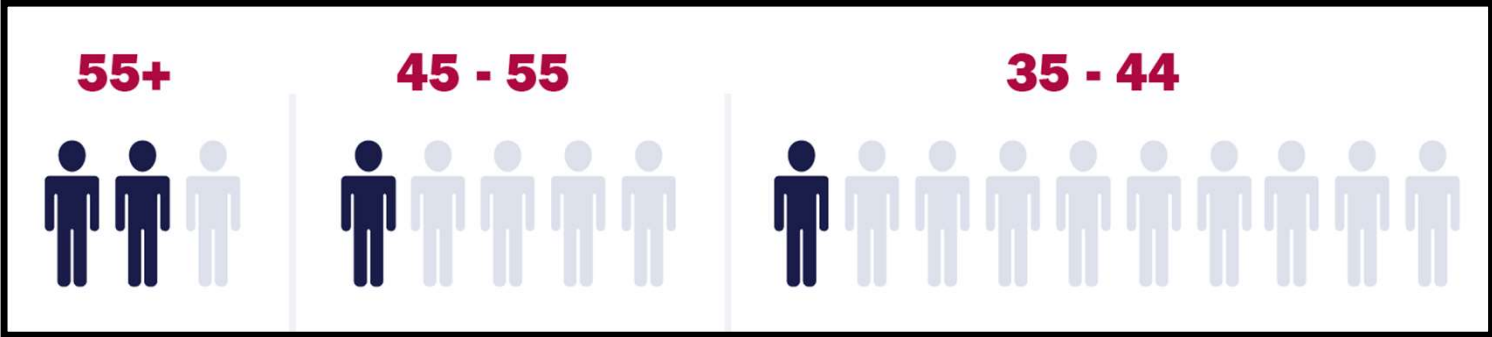
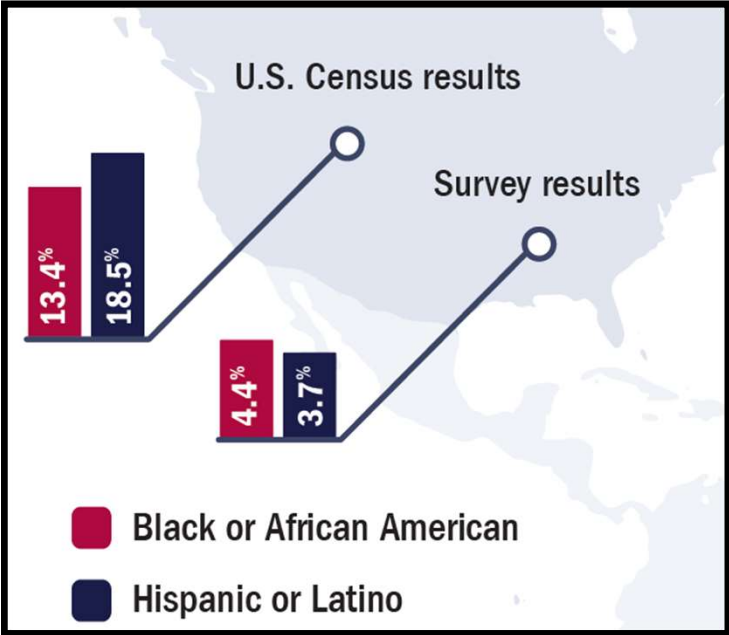
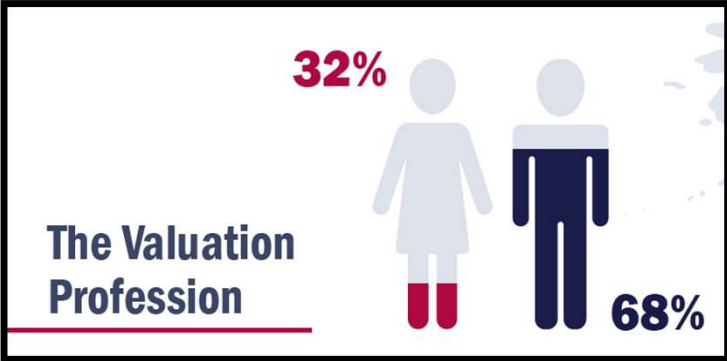


# Keep Informed

- Email Newsletters and podcast
  - Email me and I will add you! [LisaD@appraisalfoundation.org](mailto:LisaD@appraisalfoundation.org)
- YouTube, LinkedIn, Twitter
- Events
  - BOT, TAFAC, IAC AQB, ASB
  - BOT May 18-20 Cape Coral, Florida
- Publications
  - Exposure Drafts, Discussion Drafts, White Papers, Brochures, etc.
- Resources
  - Exam states, Approved Courses, Veterans outreach, DEI initiatives, etc.

# May 2021 Demographic Survey

Establishes a baseline, will be repeated in coming years.  
 5,000 respondents



# Veterans Committee

- To assist veterans interested in becoming an appraiser.

## Veterans Resource Page



Welcome to The Appraisal Foundation's Veterans Resource page. A career transition can be both a challenge and an opportunity. The Appraisal Foundation, the nation's foremost authority on the appraisal and valuation profession, believes that a career in appraising and valuation is an excellent next step for our nation's veterans. We believe this not only because of the skills you have gained serving our nation, but also because of the independence the appraisal profession provides.

To learn more about a career in appraising click [here](#). Also, we have a list of appraisers who are veterans in the "Resources" section below that you can speak with directly about the appraisal profession and how they transitioned into it after their military service.

The Appraisal Foundation is proud that appraisal organizations, such as the [American Society of Farm Managers and Rural Appraisers](#) (ASFMRA), are already stepping up to help veterans. ASFMRA's core appraisal courses have been approved by the Veteran's Administration for inclusion in the GI Bill.

# CARE

- New Advisory Council
- Council to Advance Residential Equity
- First meeting January 24th



# Action: Immediate Bias and Discrimination

- The ASB and AQB are fully engaged in addressing the bias and discrimination issue. Often **changes** to the *Criteria* or USPAP **take** a considerable amount of **time** to have a measurable impact, and take time to create, adopt and become effective.
- **QUICK ACTION:** The 7-hour USPAP Update contains 90 minutes on bias related topics, and illustrates the applicability of USPAP as it relates to fair housing laws.

# Action: Forward Steps

## Bias and Discrimination

- DEI Committee formed February of 2020 (3 year anniversary!)
- Strengthening guardrails against unlawful discrimination
  - Comprehensive review of Ethics Rule (more on this in a bit!)
  - Retaining Relman-Colfax
  - Adding Advisory *Council to Advocate for Residential Equity* “CARE”
- Building a well-trained (AQB goal), accessible, and more diverse(BOT goal) appraiser workforce
  - PAREA modules in development (more on this in a bit!)
  - 35 states now accept PAREA for experience requirement
  - Currently considering Offering Scholarships

# Recommending Standards for AVMs

- The Foundation's Industry Advisory Council formed a task force to address standards for AVMs. Composed of academics, users of AVMs, developers of AVMs and evaluators of AVMs.
- The Industry Advisory Council (IAC) issued a report.
- The report examines the current generation of Automated Valuation Models used in housing and makes recommendations on potential standards for AVMs going forward.
- AVMs need standards to allow them to reach their full potential and establish safeguards for users. At the current time, there is no shared set of terms and understanding among the various AVM models and users.



# The Appraisal Foundation PAVE/NFHA Report Update

- Strengthening guardrails against unlawful discrimination
  - Comprehensive review of Ethics Rule
  - Retaining law firm of Relman Colfax
  - Council to Advocate for Residential Equity
  - Board of Trustees Structure Working Group
- Building a well-trained, accessible, and diverse appraiser workforce
  - PAREA modules in development; 35 states now accept PAREA for experience requirement



# NEW Foundation “Suggestion Box”

- Located on the exposure draft section of our website.
- We welcome any suggestions regarding standards or qualifications.
- You can include your contact information or make an anonymous suggestion.



# THANK YOU

Communicating with the Foundation and its Boards is easy

[www.appraisalfoundation.org](http://www.appraisalfoundation.org)

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202.347.7722

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[AQB@appraisalfoundation.org](mailto:AQB@appraisalfoundation.org)

[ASB@appraisalfoundation.org](mailto:ASB@appraisalfoundation.org)

Q&A Forum: [www.appraisal.answerbase.com](http://www.appraisal.answerbase.com)



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