

Written Testimony of James R. Park
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Examination Council
Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs

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Chairman Brown, Ranking Member Toomey, and members of the Committee, I am honored to address the Committee on Banking, Housing, and Urban Affairs on the important work of the Property Appraisal and Valuation Equity Task Force which was set up by President Biden with Secretary Fudge and Ambassador Rice leading a first-of-its-kind interagency initiative to address inequity in home appraisals. I have had the distinct honor, as the Executive Director of the ASC, of participating on the PAVE Task Force.

For millions of Americans, building intergenerational wealth has meant one thing: homeownership. Appraisals and appraisers play a vital role in the multi-trillion-dollar financial services market by providing key risk management tools that protect financial institutions and consumers. Numerous public accounts of appraisal bias, coupled with a lack of appraiser diversity and recent studies, raise serious concerns about appraisals and lending practices, and appraisal governance – shining a light on an industry that needs reform to promote equity.

As background, our current appraisal regulatory system was established in 1989. Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) established this unique appraisal regulatory system consisting of the State appraiser regulatory programs, the Appraisal Foundation (Foundation), a private non-profit, and the Appraisal Subcommittee, or ASC, as the federal oversight body. In short:

- the Foundation issues the appraisal standards and appraiser qualifications;
- the States are required by federal law to implement those requirements; and
- the ASC enforces that implementation by the States.

The ASC also houses the National Registries of appraisers and appraisal management companies.

In addition to the PAVE Task Force initiative, in January 2022, the ASC released its independent study that focused on the Foundation’s appraisal standards and appraiser qualification criteria. The goal of this study was to ensure these standards or qualifications do not facilitate or systematize racial or ethnic bias. The PAVE Action Plan and the independent report commissioned by the ASC identify serious shortcomings and opportunities for reform.

Some of the pressing challenges with our current system I would like to highlight today include:

- inadequate accountability in our current governance structure;
- a shortage of appraisers; and finally,
- a lack of diversity in the appraisal profession.

On governance, the PAVE Report notes that “the existing governance structure needs to be fundamentally reassessed to meaningfully advance equity in the industry.” Per Title XI of FIRREA, the ASC is required to “monitor and review” the Foundation; however, the agency has neither the enforcement authority, nor an effective mechanism, for holding the Foundation accountable.

The appraisal profession also faces other challenges. Since 2009, the number of credentials on the ASC’s Appraiser Registry has declined by nearly 25 percent. Furthermore, the real property appraiser occupation is among the least diverse in the country. An extensive and typically unpaid “trainee” model, along with burdensome education and experience requirements, present barriers to entry that disproportionately impact people of color and rural residents.

Trainees are often unable to find a supervisor, as qualified appraisers are often unwilling to take on the responsibility and liability of training them or may have reservations about training their own future competition, resulting in a shortage of appraisers, particularly in rural markets. This

has driven up service times and appraisal fees to unacceptable levels causing loans to be delayed or even lost. Appraiser qualification requirements should have the appropriate rigor but not pose unreasonable barriers to enter the profession.

These longstanding, unaddressed issues have serious implications for everyday Americans. An improved governance structure would advance equity by ensuring greater fairness and transparency in the appraisal standards and appraiser qualifications setting process. It would also advance a more stable and reliable appraisal industry to serve financial services and consumers alike. The ASC stands ready to be part of the solutions to the challenges to bring about meaningful long-term change that will only come from partnerships with other stakeholders, including lenders, GSEs, regulators and legislators.

Thank you Chairman Brown and Ranking Member Toomey and members of the Committee. I appreciate the opportunity to appear before you today and I am happy to take your questions.