

February 3, 2023

David Bunton, President  
The Appraisal Foundation  
1155 15th Street, NW  
Washington, DC 20005  
[david@appraisalfoundation.org](mailto:david@appraisalfoundation.org)

Re: Declination of The Appraisal Foundation's Invitation to Join the Council to Advance Residential Equity

Dear Mr. Bunton,

We the undersigned civil rights and consumer advocacy organizations are writing to explain why we are at this time declining the invitation to join The Appraisal Foundation's (TAF's) Council to Advance Residential Equity ("Council"). Recent research and news stories highlight how appraisal bias impacts consumers and communities of color and exacerbates the racial wealth gap, which means that the need to reform the appraisal process and appraiser oversight is urgent and immediate. While we commend TAF for taking certain initial steps toward reform, we remain concerned about several aspects of TAF's structures and policies.

First, we want to commend TAF for taking the following initial steps toward reform:

- Governance - TAF's Board of Trustees voted to remove the stipulation that a majority of the trustees had to be appraisers. (March 2022)
- Appraiser Qualification Criteria - TAF's Appraiser Qualifications Board held a public meeting to discuss proposed amendments to the Appraiser Qualification Criteria that would require fair housing training at the initial credentialing and at renewal, and also held a non-public meeting to discuss an exposure draft. Civil rights and consumer advocates were invited to both meetings. (September and November 2022)
- Appraisal Standards - TAF's Appraisal Standards Board released for comment Third and Fourth Exposure Drafts to propose amendments to the Uniform Standards of Professional Appraisal Practice ("USPAP") Ethics Rule that would include more robust non-discrimination language. (July and December 2022)

While we commend TAF for taking these initial steps, as civil rights and consumer advocates we remain concerned about several aspects of TAF's structures and policies that may prevent TAF and the appraisal industry from making needed reforms, including the following:<sup>1</sup>

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<sup>1</sup> For a more complete description of the concerns, see National Fair Housing Alliance Consortium, "[Identifying Bias and Barriers, Promoting Equity: An Analysis of the USPAP Standards and Appraiser Qualifications Criteria](#)" (Jan. 2022).

- Governance - Among other governance aspects, we are deeply concerned that TAF has not yet reformed two critical aspects of its “pay-to-play” structure. First, industry sponsors pay an initial application fee and annual “donations” for the right to appoint a trustee to the Board of Trustees. (See the Appendix for details.) The trustees then select the individuals who will write the USPAP and the Appraiser Qualification Criteria. In effect, the industry pays for the right to write the standards and criteria. “Sponsorship Fees” and “Industry Advisory Council Fees” are TAF’s second largest source of revenue. This structure seems to create a conflict of interest that may make TAF more responsive to industry than to consumers. While some standard-setting organizations may take donations, we are not aware of any that allow industry to pay for a seat on the board or for the selection of the rule writers.

Second, TAF keeps USPAP and related guidance behind a paywall. That is, TAF claims a right to issue the standards, but then reserves these standards as only available for sale. In fact, “Publication Revenue” is TAF’s largest source of revenue. (See the Appendix for details.) TAF’s “pay-for-access” approach means that appraisers must spend their own funds to access the rules that govern them, and members of the public are denied transparency and insight into industry governance. We are not aware of any other standard-setting organization that keeps its standards behind a paywall.

- Appraiser Qualification Criteria - TAF’s Appraiser Qualification Criteria pose at least three major challenges. First, the appraiser profession suffers from an acute shortage and a unique lack of diversity (97% White, 70% male). Despite these longstanding issues, TAF has not begun a public, transparent collaboration with civil rights experts to review each barrier to entry for disparate impact by analyzing the burden on potential appraisers of color, the business justification for the requirement, and whether there is a less discriminatory alternative that can achieve the business interest.

Second, 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 and, 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 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 of color.

Finally, as various groups encourage women and people of color to enter the appraiser profession, TAF has yet to ensure that new entrants are joining a profession that is

viable, sustainable, and focused on the future. TAF should ensure that appraisers fully understand artificial intelligence, machine learning, automated valuation models, and other data-driven technologies. As various stakeholders move to more data-driven processes, TAF has yet to focus on preparing new entrants to succeed in an era of data, innovation, and technology.

- Appraisal Standards - TAF's USPAP standards allow appraisers broad discretion in the sale comparison approach, which can result in inconsistent and unfair results for consumers, particularly consumers of color. TAF has yet to propose an exposure draft or advisory opinion that would provide guidance to appraisers to limit discretion in order to provide more accurate appraisals and prevent harm to consumers and communities.

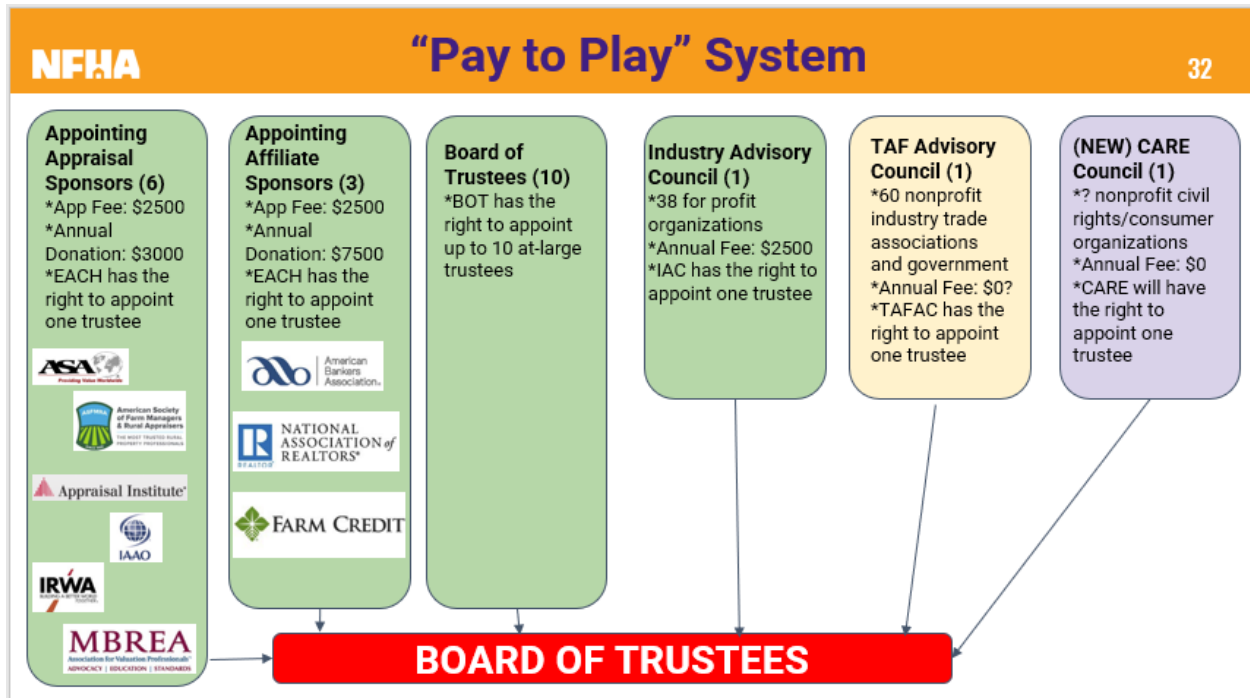
In addition to the above, we are also concerned about the impact of and role the Council will play as it relates to TAF's policies, programs, training, and other measures. It appears, based on the information we have received, that the Council will have extremely limited effect on TAF's work. We feel our efforts to achieve a fairer appraisal market will be better achieved through other means.

Because of these serious concerns, the undersigned civil rights and consumer advocates decline to join TAF's Council to Advance Residential Equity at this time. However, we remain committed to working in an independent capacity with TAF to provide feedback, advice, and the civil rights and consumer perspective. We will continue to attend meetings when invited and to comment on public exposure drafts. We look forward to continued collaboration as TAF works to develop more equitable, transparent, and democratic structures and policies.

Sincerely,

Americans for Financial Reform Education Fund  
Center for Responsible Lending  
Chicago Rehab Network  
Long Island Housing Services, Inc.  
NAACP Legal Defense and Educational Fund Inc.  
National Coalition for Asian Pacific American Community Development (National CAPACD)  
National Community Reinvestment Coalition  
National Consumer Law Center (on behalf of its low-income clients)  
National Fair Housing Alliance  
UnidosUS

**APPENDIX - The Appraisal Foundation's "Pay-to-Play" Structure**



**NFHA The Appraisal Foundation Revenue Sources** 33

### FINANCIAL STATEMENTS

**Statements of Activities and Changes in Net Assets**  
December 31, 2021

REVENUE	
Publication Revenue	\$ 3,460,567
Grants Revenue	-
Course Approval Program Fees	161,056
Instructor Certification Courses	93,535
Sponsorship Fees	86,532
Industry Advisory Council Fees	90,000
Other Revenue	-
Investment Income (loss)	1,136,627
<b>TOTAL REVENUE</b>	<b>\$5,028,317</b>

Unlike federal agencies, TAF can keep rules, advisory opinions, etc. behind a paywall to generate revenue.

TAF declined Appraisal Subcommittee grants and thus avoids ASC oversight.

Unlike federal agencies, TAF can charge to approve the courses it requires and to certify the course instructors.

Unlike federal agencies, TAF can charge fees for the right to appoint trustees, who then select the rulewriters.