

March 31, 2022

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

Ambassador Susan Rice  
Assistant to the President for Domestic Policy  
Director  
White House Domestic Policy Council  
1600 Pennsylvania Avenue, NW  
Washington, DC 20500

Dear Secretary Fudge and Ambassador Rice:

On behalf of the 1.5 million members of the National Association of REALTORS® (NAR), I write to share comments on the *Action Plan to Advance Property Appraisal and Valuation Equity* (PAVE Action Plan) created by the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE Task Force). Combating racial discrimination in the real estate industry is essential to having a fair and accessible housing market that allows all Americans the opportunity to build wealth through homeownership. Appraisals are a vital part of the homebuying process and NAR welcomes this opportunity to work with the Biden Administration to ensure the appraisal profession is free of bias and working efficiently for all parties involved.

As noted in our August 10, 2021 letter to Secretary Marcia Fudge, NAR supports the Biden Administration's focus on addressing the racial wealth gap. NAR appreciated the PAVE Task Force taking our comments into consideration and inviting NAR appraiser and fair housing leaders to provide feedback and information related to the role of appraisers and appraisal reports in the current housing market. NAR members provided in-person consultation on ways to remove bias in the appraisal industry while also upholding the safety and soundness the appraisal process provides to the housing market. The PAVE Action Plan contains many proposals REALTORS® support and we will continue to work with the Biden Administration to help formulate ways to protect consumers. We would also like to take this opportunity to highlight a few areas of potential concern to NAR members that require further discussion and revision in order to safeguard the housing market.

**1. Strengthening Guardrails Against Unlawful Discrimination in All Stages of Residential Valuation**

NAR supports the Action Plan recommendations to clarify application of the Fair Housing Act and ECOA to appraisals and to update federal agencies' and the Government Sponsored Enterprises' appraisal-specific policies and non-discrimination guidance. Clarification of existing laws and rules will be beneficial to all parties involved. In addition, NAR agrees that quality control standards are sorely needed to address potential bias in automated valuation models (AVMs).

The creation of a standardized process for reconsideration of value (ROV) is long overdue. NAR supports the Department of Veteran's Affairs Tidewater process and has worked with the Appraisal Foundation and other Appraisal Foundation Sponsoring Organizations on past attempts to develop a ROV guidance for lenders.

Reconsideration of value should be available not only when there is a concern for discrimination, but in any situation where there is a legitimate concern that an appraisal was inaccurate, not credible, or unreliable. Moving forward, federal regulatory agencies, in their development of proposed ROV parameters, will need to ensure consistency and clarity in the process and in the definitions used. For example, agencies should clearly present how and when communication between interested parties should occur during the real estate transaction.

REALTORS®, like many in the housing world, were horrified to learn from Federal Housing Finance Agency (FHFA) research that some appraisals contained references to race, ethnicity, and other prohibited characteristics in the commentary sections. Better guidance on terms related to describing the market area is welcome, and increasing data collection will be helpful. But while the goal of reducing subjective commentary by appraisers is admirable, limiting the ability of an appraiser to use freeform text areas for an individual appraisal could lead to unforeseen consequences. REALTORS® involved in listings and sales tell us that many times the freeform commentary section has allowed the appraiser to fully describe the factual characteristics of the subject property or its market and explain why a subject property meets the selling price when the limited fields or checkboxes would not provide the opportunity. Removing or reducing the ability for an appraiser to provide more information on a property is not the answer to reducing discrimination.

At this time NAR does not support a legislative proposal to change the current governance structure of the appraisal industry. Improving transparency and public participation in development of appraisal standards and appraiser criteria should happen, but the current governance structure of the appraisal industry does allow for meaningful changes. The Appraisal Foundation, which oversees the Appraiser Qualifications Board and Appraisal Standards Board, uses a system of draft proposals, comment periods, and public hearings to develop their standards and qualifications and welcomes public comment at all times, not limited to exposure draft comment periods. Before taking the drastic step of upending the current system and the potential uncertainty and risk that could insert into the housing finance market, NAR suggests working with the Appraisal Foundation to codify new requirements for public input and increased participation from consumers and consumer focused groups. Increasing diversity in the profession, which is a long-overdue goal, should be continued through existing efforts such as the current diversity initiative being overseen by the Appraisal Foundation. The Foundation should also consider new initiatives and partnerships.

## **2. Enhancing Fair Housing/Fair Lending Enforcement and Driving Accountability in The Industry**

REALTORS® strongly support enhancing fair housing and fair lending enforcement and accountability in every part of the real estate industry, including among appraisers. NAR continues to stress to our membership that fairness in housing and lending benefits the communities NAR members live and work in across the country. NAR has zero tolerance for discrimination, and welcomes stepped-up fair housing enforcement—both to increase homeownership opportunities and to

safeguard the integrity and competency of our industry. For many years, NAR has advocated for increased funding for HUD's Fair Housing Initiatives and Fair Housing Assistance Programs, which fund fair housing enforcement efforts throughout the country. We have also launched a self-testing initiative for brokers who want to ensure their agents are held to the highest standard. Our appraiser leaders have recommended the same initiative be developed for their real estate specialty.

### **3. Building A Well-Trained, Accessible, And Diverse Appraiser Workforce**

NAR strives to provide consumers with qualified and trustworthy real estate professionals who are sworn to a code of ethics that stresses competency, honesty, and quality of service with a strong focus on supporting and improving diversity and inclusion among our members. NAR fully supports fair housing education for all our members and believes fair housing education and training geared toward appraisers and the appraisal process should be required as part of appraiser licensing and continuing education.

With respect to current hours and experience needed to become an appraiser, NAR has worked with the Appraisal Foundation to develop alternative methods to obtaining that experience. NAR officially voiced support for the Practical Applications of Real Estate Appraisal (PAREA) when the Appraisal Foundation first suggested PAREA to help alleviate the difficulty appraiser trainees were facing in obtaining experience hours. NAR has since worked with the Foundation and its partners in developing PAREA models and programs. However, NAR believes reducing the requirements for entry into the appraisal profession could impact the quality of appraisals going forward. It is possible to devise comparable alternatives to some of the education and experience requirements without sacrificing the quality of appraiser training. Stakeholders should also consider ways to alleviate the financial burden through development of scholarship programs. We will encourage recognition of reasonable alternative qualifying education and experience completed by aspiring appraisers.

### **4. Empowering Consumers to Take Action**

REALTORS® support increasing and improving consumer education and resources related to appraisal bias. Home buyers and sellers are the heart of any residential real estate transaction and the housing market. Empowering clients through education is a key focus of NAR and we welcome the opportunity to work with the Administration on developing and sharing materials that benefit both buyers and sellers. We suggest that HUD consider a fair housing education campaign focused on appraisals funded through the Fair Housing Initiatives Program, which NAR continues to strongly support.

### **5. Giving Researchers and Enforcement Agencies Better Data to Study and Monitor Valuation Bias**

NAR supports increased data collection and research for monitoring valuation bias. REALTORS® urge that any new or expanded research and enforcement actions and programs encompass all quality and credibility concerns related to appraisals.

Thank you for your consideration of these comments. We look forward to continued engagement on these matters.

Sincerely,

A handwritten signature in cursive script that reads "Leslie Rouda Smith".

Leslie Rouda Smith  
2022 President, National Association of REALTORS®