

**Devalued, Denied, and Disrespected: How Home Appraisal Bias and Discrimination Are
Hurting Homeowners and Communities of Color
House Financial Services Committee
March 29, 2022**

Opening Statements

Chair Waters (D-CA) stated that today, the committee will take a closer look at bias in the appraisal industry and discussed how she has engaged with the industry to address these inequities. However, she said that there is still much to be done and talked about the generational wealth wrapped up in a home. Waters continued that bias and discrimination in appraisals can contribute to systemic racism and talked about recent news reports that bias in the appraisal process continues to exist. She reported that the value of a home owned in a white neighborhood is on average appraised two times higher than a home in a black or Latino neighborhood.

Rep. Hill (R-AR) stated that accurate appraisals are a vital part of the homebuying process and knew the essential role appraisals play in providing market confidence to families. He emphasized honest and independent appraisals to keep the integrity of mortgage lending intact and said that it is wrong, immoral, and unlawful to discriminate. Hill wanted to understand all of the facts before acting and said that there should be equally serious concern in Congress for overvaluation in appraisals. He hoped any work on this would be bipartisan.

Rep. Cleaver (D-MO) appreciated that this committee hearing squarely calls out bias and discrimination throughout the appraisal process. He stated that studies from Fannie and Freddie as well as FHFA show that discrimination and bias is prevalent in the appraisal process.

Witness Testimony

Pledger M. Bishop, III, *President, Appraisal Institute*, stated that to be an appraiser is to be unbiased and independent and believed that most appraisals uphold this high standard. He believed that communities of color face discrimination in the appraisal process but believed that appraisal bias is isolated, not rampant. Bishop believed that just one instance of appraisal bias is unacceptable and supported appraiser, lender, and consumer education included in the PAVE Action Plan. He warned against over regulation in the appraisal business and emphasized balance to ensure that the appraisal industry does not become an unfavorable job.

David S. Bunton, *President, The Appraisal Foundation*, believed that more must be done to uphold trust in the appraisal process and discussed how the foundation will meet with Lisa Rice and the PAVE Task Force. He looked forward to collaborating with the Task Force and hearing their ideas. Bunton looked forward to discussing barriers to entry and was supportive of getting rid of the supervisory requirement. He advocated for simulating training modules as an alternative. He was deeply concerned about the draft of the Fair Appraisal and Inequity Reform

Act and was concerned that the existence of the legislation could hinder the progress of the training modules. Bunton warned against dismantling the appraisal system altogether.

Dean Kelker, *Senior Vice President and Chief Risk Officer, SingleSource Property Solutions, on behalf of the Real Estate Valuation Advocacy Association*, sought to provide insight into the appraisal industry from the perspective of AMCs, many of which also serve as a lender valuation provider beyond residential appraisals. He explained that AMCs benefit consumers by ensuring that the residential property they are purchasing, refinancing, or otherwise using as collateral is properly evaluated and that the lender, they are working with to secure their residential mortgage transaction will receive a quality, timely appraisal that is reasonably priced based on current market conditions, free from undue influence, and compliant with the Uniform Standards of Professional Appraisal Practice (USPAP). Kelker continued that AMCs play a critical role in developing and supporting innovation that allows non-traditional valuation services to augment traditional appraisals. He explained that under federal law and regulation, lender clients may be held responsible for the actions or inactions of their third-party vendors, including AMCs. Therefore, Kelker said that AMCs are under continuous, vigorous, and extensive scrutiny by their lender clients through the lender client third-party oversight programs. He supported a vibrant and diverse appraiser profession and believed that the process to become an appraiser is overburdensome and supported revising the process by removing barriers.

Lisa Rice, *President and CEO, National Fair Housing Alliance*, applauded the PAVE Action Plan and discussed the lengths minority families have to go through to “whitewash” their homes just to get a fair appraisal. She was disturbed by these stories and discussed how this shines light on the existing discrimination in the appraisal process. Rice stated that Congress must address bias in the evaluation process and act to reform it. She listed five recommendations including fair algorithms and other appraisal alternatives by providing the Federal Valuation Agency with rulemaking authority to ensure that all valuation methods (including AVMs) result in a fair, transparent, and consistent valuation process and setting a deadline for the rulemaking.

Tobias J. Peter, *Assistant Director, AEI Housing Center*, remarked that the case for centralizing appraisal standards and criteria under a new federal agency as proposed under the Fair Appraisal and Inequity Reform Act is not justified. He said that it is based on unsubstantiated claims of systemic bias and racism in the housing finance sector and represents an unwarranted power grab by the federal government and one giant step towards the federal government setting fiat home values. Peter continued that last week’s report by the Interagency Task Force on Property Appraisal and Valuation Equity (PAVE) alleged “inequities within current home lending and appraisal processes” for communities of color. He found it questionable how PAVE could arrive at its conclusions when its own report admits a lack of data. Furthermore, Peter said that this lack of data is the fault of the government. Two years ago, he said that AEI outlined a statistical approach using existing data that would have allowed

FHFA, Fannie Mae, and Freddie Mac to identify bad actors using existing data, but his offer was ignored. Peter said that instead, agencies should get to work using existing data. He said that this data should be anonymized and made available to independent researchers to verify as a bipartisan group of Senators agreed at last week's Senate Banking hearing. Peter said that this would allow bad actors, whether racially biased or incompetent, to be removed immediately from the profession, as they should be. Additionally, Peter said that since PAVE has misdiagnosed the problem, its proposed agency actions will not address racial and ethnic differences in homeownership rate, financial returns of owning a home, or median wealth. He thought that instead, it will likely make these differences worse or divert attention from finding effective solutions.

Member Questions

Chair Waters (D-CA) said that the committee requested ethics, racial, and gender information about the Appraisal Foundation's board from Bunton in preparation for this hearing and wanted to know more about their current compensation. Bunton said that the executive board is 50% minority and of the nine members, three are women. He added that the Board of Trustees is 9% minority and 40% women. Waters asked if there is an African American on the Board of Trustees. Bunton said yes. Waters asked if the lack of diversity has contributed to the bias and discrimination documented today and asked for a yes or no answer. Bunton replied no and explained the application and ranking process of candidates in efforts to recruit a more diverse workforce. Waters said that the Foundation has side-stepped federal oversight but not accepting federal funds. She asked if federal oversight is needed at a minimum. Bunton replied yes.

Rep. Hill (R-AR) inserted McHenry's opening statement into the record as he could not be here today. He turned to Bishop on the booming housing market over the past two years and understood the appraiser shortage in the industry. Hill asked if this is true and asked if it is especially true in rural areas. Bishop believed that to be true. Hill asked what Bishop is doing to increase diversity in the industry. Bishop replied that there are several things, including the Appraisal Diversity Initiative (ADI) which identifies minorities that want to enter the industry. Hill asked how many licensed appraisers exist. Bishop said 75,000. Hill asked if there are recruiters at HBCUs. Bishop replied yes. Hill asked how appraisals are harmed when they are not independent. Peter replied that if appraisals are not independent, the result could be overvaluation which is harmful. Hill asked if there is any data to support the integrity of an independence appraisal or in Title 8. Peter said that AEI is studying 240,000 loans and found that there has been no systemic appraisal bias. Hill asked how many ECOA or Title 8 complaints there are each year. Peter replied that the complaints are in the low double-digits.

Rep. Meeks (D-NY) agreed with Waters that diversity and inclusion is very important in the appraisal industry and asked what barriers there are to individuals getting into the industry. Bishop acknowledged that it is difficult and that most appraisal businesses are small and private

businesses, so it makes it difficult and expensive to train new people which is why the supervisor-trainee requirement is not working. Bishop discussed the PAREA program as another pathway for aspiring appraisers to fulfill their experience requirements by taking advantage of innovative technology. He explained that PAREA is designed to offer practical experience in a virtual environment combining appraisal theory and methodology in real-world simulations. Meeks turned to Rice on unconscious bias in the mortgage and lending process and was not sure if AVMs are best. Rice replied that the algorithm systems can be problematic because it has bias baked into the data.

Rep. Wagner (R-MO) referred to the PAVE Task Force report and its 21 recommended actions. She asked what the result would be of taking these actions if the result would be improper valuation of homes. Peter replied that this could be harmful to properties in rural and minority areas. Wagner asked who would be most impacted by improper valuation. Peter replied that low-income neighborhoods would be impacted and said that low-income and minority populations are most often hurt when the federal government gets involved. Wagner asked if past presidential task forces created meaningful results and asked what our takeaway should be when the federal government gets involved in the housing market. Peter warned about the danger of doing it wrong and outweighing any good that federal action could accomplish. Wagner asked about the impact of the Task Force actions on rural areas. Peter replied that the PAVE actions could misvalue homes in rural areas and was skeptical of improper analysis by PAVE.

Rep. Scott (D-GA) wanted Rice to shine a light on who has generational wealth and how this wealth can impact social mobility. Rice replied that there are grave racial wealth disparities in the US and said that for families with children, black families have one penny for every dollar held by a white family and Latino families have 8 cents to every white dollar. She continued that most wealth is held in home equity and emphasized that homeownership is the traditional path to generational wealth. Scott asked Rice to explain how lower appraisals limit equity in a home if the owner were to sell or refinance. Rice explained that when a home is undervalued, the owner will not see the appreciation of equity so the lower the equity, the less wealth the owner is able to transfer. Scott asked about the root cause of this undervaluation. Rice replied that one of the causes is a lack of diversity in the industry along with a long history of race conscious policies in the appraisal sector. She continued that a lot of the technology for appraisers is embedded with biased data. Scott asked Kelker if technology is the answer for ending discrimination in the appraisal industry. Kelker replied that it is not the only answer to dealing with discrimination, but did say that the technology can be helpful, especially to small businesses.

Rep. Sessions (R-TX) asked Bunton if he wanted to respond to anything that has been said so far. Bunton replied that we do not know how many complaints are truly out there and that we need to get our arms around the problem. He acknowledged that there are many concerning anecdotes but has not seen the data. Bunton agreed that awareness and education to avoid

unconscious bias is very important and said that while the Appraisal Subcommittee writes rules, there is no enforcement which is needed. Sessions wanted to be sympathetic to any bias or discrimination that exists but felt that he had not seen new data when Rice referred to embedded data. He wanted to see more.

Rep. Green (D-TX) thought that there should be a further appeal process for those who feel that the appraisal was unfair like through a third party. He asked Rice for her thoughts on this. Rice corrected that the anecdotes in her testimony are recent from the past couple of years. She turned to the reconsideration process which is very important and the first thing one would do is go to the lender. Rice said that if the lender does not grant the request for reconsideration, then the original appraisal does stand and agreed that there needed to be reform here. She suggested that the consumer be the intended user and that the consumer should have the right to request a second opinion, not the lender. Green continued on this third-party idea and asked for Rice's thoughts on having a third-party entity to perform revaluation. Rice agreed that the Appraisal Subcommittee should be elevated to a federal agency to provide oversight and pointed out that most of the overvaluations, talked about by Hill, happened in the unregulated subprime section which is why she believed in the need for oversight.

Rep. Posey (R-FL) asked how to improve the accuracy of appraisal methods. Peter believed that an appraisal is a great resource to borrowers. Posey asked who is harmed when an appraisal comes in low. Peter replied that this benefits the lender, but the consumer loses out on value. Peter thought that we really need to address some of the lending practices happening in minority neighborhoods.

Rep. Cleaver (D-MO) asked Rice if she is familiar with the term "robo-phobia". Rice had not. Cleaver continued that some people have apprehensions about technology and that the issue is that human beings tend to trust AI just as much as they trust human beings. He asked if bias can be programmed into AI. Rice replied yes and that AI systems are just a reflection of human performances and AI reflects what happens in the marketplace. She continued that AI would reflect the bias that is put in through data so any AI model that is going to value a property is going to repeat the undervaluation in an appraisal and said that AI models could even amplify the bias. Rice emphasized accurate appraisals, not undervaluation or overvaluation. Cleaver asked if Peter believed there are dangers in AI, especially in appraisals. Peter replied that there could be but said that the models can be tweaked as well. Cleaver said that LBJ pushed through the Fair Housing Act of 1968 and asked if there is a need to update the FHA. Bishop was not familiar enough with the 1968 legislation but was in favor of the PAVE action plan to educate appraisers about red-lining and recognizing and interrupting unconscious bias.

Rep. Luetkemeyer (R-MO) said that Bishop is the sole appraiser on the panel and discussed Luetkemeyer's past role where he has reviewed appraisals. He asked about the problems in the

appraisal education process and agreed with the need for enforcement in the industry to get rid of bad actors. Bishop replied that the Appraisal Diversity Initiative is one step along with the college recruitment programs which are both underway. He added that there are scholarships available to women and minorities who are interested in becoming appraisers. Luetkemeyer said that the amount of education and time to get your appraiser license is problematic along with the apprenticeship requirement and that this deters people from getting in. He thought that we need to start with ways to streamline the appraiser process. Bishop replied that he has been experiencing these problems for years. He continued that he does not set the policy for education which is the Foundation's job. Bunton replied that the time requirement for apprenticeship has been reduced along with getting rid of the requirement of having a bachelor's degree and just needing an associate degree. Bunton advocated for the module training as well.

Rep. Perlmutter (D-CO) highlighted the important roles appraisers play and the need for transparent, unbiased appraisals. He then asked about the suggestion that Congress limit discretion and provide more consistency in the appraisal process. Rice explained that they are advocating for more standardized procedures and policies for selecting comparables to make the process less subjective. She pointed to how they did this in the insurance industry, so they are more scientific when evaluating properties. Perlmutter said that at this point, you really have to trust the appraiser and asked if there is a way to get rid of potential bias and if Bunton or Bishop has worked with Fannie or the Urban Institute to get a more diverse appraiser workforce. Bishop replied that the industry should look like the country and referenced the diversity initiative and pointed to lender regulation that a trainee cannot do an appraisal alone which is part of the barrier issue.

Rep. Williams (R-TX) talked about the budget request released yesterday on unrealized gains and that the President wants the IRS to act as an appraiser. He was concerned with this potentially unconstitutional tax. Williams rejected that this tax will only impact the wealthy and asked Bunton to talk about the negatives of taxing unrealizing gains. Bunton did not have the expertise to answer. Peter said that he also did not have the expertise to answer but volunteered AEI as a potential third party going back to Green's questions. Williams moved on saying that accuracy is extremely important to lenders, especially in the appraisal industry, and that we should be working to increase the appraiser workforce as this is good for competition. He thought that a competitive marketplace would drive out bad actors and asked how to increase the number of appraisers. Peter replied that the appraiser industry should recruit at HBCUs to increase diversity but also warned against scapegoating the industry which makes it less desirable to enter.

Rep. Beatty (D-OH) thanked Waters for being a consistent champion for housing and funding and was pleased with the President's budget increasing the HUD budget by \$11 million. She turned to Rice about the anecdotes she shared from black families and their experience in

appraising their homes. Beatty empathized as she has also experienced whitewashing a home and asked if the basis for the valuation process should be reevaluated to incorporate potential bias. Rice replied yes. Beatty turned to Kelker and discussed the lack of consistent data cited in the PAVE report. She noted the D&I information collections on diversity from the insurance, asset management, and banking industries to promote transparency and diversity. She asked about the importance of data collection of residential property appraisals to promote equity in home valuation and asked what the primary area of focus would be when collecting data for the appraisal industry. Kelker replied that individual AMCs do not have the necessary amount of collected data and most of this data is accumulated and analyzed through Freddie, Fannie, and FHFA. Beatty asked how the appraisal industry can mitigate implicit and unconscious bias in the valuation of residential property. Rice replied that training on fair housing issues is critically important and updating the current training appraisers receive as there are gaps. She continued that we need to change the system so that standardization and more uniform appraisals occur.

Rep. Kustoff (R-TN) discussed his work with Perlmutter on authoring H.R. 5756, Portal for Appraisal Licensing (PAL) Act, and asked how this would help the industry. Bishop replied that this legislation would be very helpful and discussed the work he has to go through to get licensed in multiple states and how the process is duplicative. He supported the PAL Act as it would allow for all of his education papers and identity papers to be in one place. Kustoff asked if there are any reasons not to enact this legislation. Bishop replied no. Kustoff referred to a New York Times column that talked about Orange Mound, TN, and asked about the impact of the recession on minorities and low-income families who have had trouble recovering since. Peter replied that these areas took on a lot of leverage and the ensuing collapse was much worse as a result in these areas. Once prices are increased in these areas by the margin that occurred, Peter said that these people did not have much time to build up equity, so they were hurt once the market fell. He said that as a result the rate of foreclosures and abandoned homes were very high.

Rep. Pressley (D-MA) said that the systemic undervaluation of black homes and neighborhoods results in hundreds of billions of dollars lost and said that the widespread undervaluation of homes exposes the issues in the appraisal industry. Rice agreed that there is a systemic problem. Pressley asked Rice how discriminatory practices are already baked into these current property values in these neighborhoods even if appraisers used comparable sales. Rice replied that redlining, both lending and insurance redlining, causes a restriction of competition in the market, so you have a decreased number of players and transactions in these communities, and when you rob a community of competition, you automatically deflate valuations in those communities. Pressley then asked how these compounding effects of low appraisals dampen home values in that neighborhood, reducing the realized wealth of all homeowners who live there. Rice responded that due to the way appraisals are done, the sales comparison approach, you have to rely on the values of the surrounding homes so if the value of any of those houses are artificially deflated that is going to result in a deflation in the value of the subject property. Rice was

familiar with Orange Mound, TN, and said that the community has suffered from decades of discrimination and redlining and has always been subject to subprime mortgage lenders. She added that these lenders utilize abusive lending products that drive foreclosures and defended that this has nothing to do with any government practices.

Rep. Rose (R-TN) referred to the PAVE report and asked Peter if increasing training requirements lower barriers to entry. Peter replied that the government has not made the case that there is systemic bias going on and was concerned with the PAVE report data. He thought that the Freddie Mac report cited was contradicted by a Fannie study along with an AEI study. Peter thought that we should address socioeconomic status first. Bishop replied that if you increase requirements, it makes the process longer and more expensive and saw this as a negative. Rose continued that, according to the PAVE Report, HUD would require FHA lenders to track usage of outcomes and reconsiderations of value and report this to the FHA so HUD can evaluate the impact that reconsiderations of value might have on possible discrimination. He then asked Peter if the cost of reporting requirements would impact the cost of buying a home. Peter said yes and thought that this was unnecessary in the first place as Fannie and Freddie are already supposed to be doing this. He thought there was an ulterior motive so that the federal government could take over the appraisal process. Bishop added that this requirement could make the home closing process longer.

Rep. Foster (D-IL) pointed to the damages of overvaluing appraisals and asked if there were any mechanisms developed to look at what houses might be appraised at in the future. Peter said AEI has suggested this counter cyclical approach to FHFA in its request for comment on its capital rule, but it was unfortunately ignored. Foster agreed that it was a huge chain reaction in neighborhoods and said that part of the solution when a bubble is happening is to not buy the home which is a tough conversation to have. Foster encouraged finding ways to implement this piece. Rice reminded the audience that in the lead up to the foreclosure crisis, most of the abuses that we saw occurred in the unregulated, subprime space. She added that most of the loans in the subprime space were refinances, not home purchases.

Rep. Gonzalez (R-OH) said that it is important to promote homeownership and build equity through homeownership. He wanted to work in a bipartisan way to do this. Gonzalez asked Peter to comment on the quality of the data used in the PAVE report and what data was rejected. Peter stated that he was initially shocked about the reports of appraisal discrimination and then used existing data to find errors in the report. He continued that some of the data in the PAVE report was not released to the public, like a Freddie report, and when asked if the data could be released, Freddie said no. Gonzalez went back to wanting to close the racial wealth gap as the end goal and that we have not been able to crack it so far. He asked what policy Peter would advocate for to solve this. Peter replied that we need more housing supply and at the same time, said that this needs to be handled at the state and local level, not the federal level. Peter added

that we need better loan products as well. Gonzalez agreed that we need better mortgage products. Peter said that we need to subsidize wealth building and not debt. He proposed buying down the interest rate so that equity is built to protect against foreclosure.

Rep. Lawson (D-FL) asked what happens when a complaint is made surrounding discrimination and asked how the complaint is handled. Bishop replied that if someone feels discriminated against, they should question why and request a second appraisal. He would want to compare the two appraisals and see what the differences are but if it is due to discrimination, that is unacceptable. Bunton replied that he would suggest filing a report with the Florida Real Estate Appraiser board. Lawson then asked if appraisers sometimes form relationships with financial institutions where the institutions want the appraisers to come up with a certain amount when dealing with minorities. Bunton explained that Dodd Frank has a whole provision on appraisal independence and that kind of relationship is against the law. Bishop explained that there is an intermediary, so he does not directly talk to lenders.

Rep. Timmons (R-SC) said that the appraisal industry is subjective and asked if AVMs can be used to help eliminate some of this subjectivity. Peter replied yes and that Fannie and Freddie are already using appraisal waivers, but the problem with this is that there is evidence of gaming. He said once this becomes widespread knowledge in the marketplace, which it always does, gaming could become problematic just like automated underwriting became a problem. Timmons asked how gaming is occurring. Peter replied that there is a certain amount of bunching at LTV points and found that at an 80 LTV, the value is rewarded at a greater level for waivers than human appraisals. He was not sure how this happened but that it is occurring. Timmons asked if there are any common data standards for AVMs. Peter replied no and that this is all in a black box at Freddie and Fannie and that they do not have the capital to back it up. Timmons said that the CFPB has shown interest in AVMs and asked what impact of overreach by the CFPB would have. Peter replied that the danger is that this could be politicized down the line. Timmons asked if AVMs could be used effectively using appropriately transparent variables and algorithms. Peter replied that if a private lender is doing this and there is enough capital, there is no problem.

Rep. Adams (D-NC) said that we need to train, recruit, and retain more diverse talent and the need for companies to strengthen their talent pipeline through strengthening their relationship with HBCUs. She asked to what extent Bishop has tapped into HBCUs for talent and asked how Congress can further help. Bishop explained that their university relations committee has ambassadors that are being placed at HBCUs and community colleges to introduce the appraisal profession to students there and welcomed any help from Congress on this. Adams turned to Kelker on training and retaining a diverse appraisal workforce and asked if he had partnered with any HBCUs on this. Kelker replied that they have not partnered with college campuses yet due to application requirements and right now, the requirements make it difficult to work on a pipeline of people he cannot use. Rice commented that AEI is using socioeconomic factors to explain

away real issues in the marketplace by pointing to credit scores in the neighborhoods, but credit scores are not used by appraisers when assessing property value.

Rep. Davidson (R-OH) pointed to Rice's testimony on how there is a disparate impact on valuations, and he asked Rice to what extent she sees different valuations on comparable properties on the same block. Rice replied that FHFA found that in thousands of recent appraisals, there was inappropriate language commenting on the demographics of the neighborhood and also cited Fannie and Freddie reports. Peter replied that there were a lot of false positives and stated that credit scores are race blind. He said that location is very important and said that natural amenities were not accounted for in the Brookings study. Davidson thought that we could not disagree on legal recourse provided if there is discrimination. He shifted to where the housing market is headed and asked about the long-term implications. Peter replied that the main issue is housing supply and government regulation is a big part of why more supply has not been built.

Rep. Dean (D-PA) stated that for decades, government policies have encouraged white families to own homes but has not done the same for minority families. She asked Rice to speak to the impact of the chronic undervaluation and the compound effect. Rice replied that undervaluation can be devastating in terms of buying a home or if a family wanted to refinance. She said that undervaluation results in tens of thousands of dollars lost for a family that could be used to pay for education or other purchases. Dean asked how to make sure that appraisers understand the FHA and ECOA. Bishop emphasized education in this space. Dean stated that the demographics of the appraisal industry do not reflect our country and that the lack of diversity is impacting the value of appraisals. She asked how appraisal management companies are engaging in diversity. Kelker replied that there are very few candidates available and with the market being so hot, there have been a lot of recruiting problems so the solution would be to increase the amount of people coming into the industry. Bunton emphasized the module training.

Rep. Sherman (D-CA) thought that we are dealing with two issues here, the devaluation of neighborhoods and appraising a home based on race. He stated that a low appraisal does not do anyone good, but that we should not blame appraisers for racism that exists in the country. Sherman defended that the appraisal industry has to deal with racist decisions of where a neighborhood is located which affects how a property sells for less in one neighborhood as opposed to another. He wanted to talk about undervaluing a house based on the owner being someone of color and whitewashing a home. Sherman asked Peter about this. Peter believed that there are instances of bias in the appraisal business but in analyzing reports, this claim is not widespread and said that Fannie research has come to the same conclusion. Bishop added that he knows about the allegations and if the allegations are true due to bias, that is unacceptable.

Rep. Garcia (D-IL) stated that discrimination in the appraisal process is harmful and that we cannot shortchange minority families. He referred to qualitative research on appraisers actively

discriminating in Rice's testimony and asked her to speak to the impact of housing discrimination and how that has perpetuated gentrification. Rice replied that discrimination has debilitating impacts on the consumer involved and doing anything to deny someone the opportunity of homeownership is debilitating to both the individual and the community. Rice acknowledged that not every appraiser discriminates but that there is systemic discrimination. Garcia asked Bishop to speak toward the challenges of recruiting diverse appraisers. Bishop referred to the scholarships available and recruitment occurring at universities. He added that other obstacles are the time required and expense to get the appraisal license. Bishop said that PAREA will help with the time issue and that scholarships should help with the expense, but the recruitment is a big factor.

Rep. Garcia (D-TX) was perplexed why where we are today with this issue as it appears that this discrimination is not a new issue. She stated that this is about building generational wealth and found it unfortunate that the appraisal process has proved to be unreliable. Garcia repeated that out of 80,000 appraisers, 97% are white and said that she has not seen that number in any other sector. She questioned why the industry has not addressed this already. Garcia questioned why college recruitment is not happening when a problem exists. Kelker attempted to explain that while they can recruit at colleges, the people cannot be used until they get their license. Bishop discussed the scholarships available and said that ambassadors have been at colleges for two years now. Bunton replied that the module stimulating training is starting this year with the goal of increasing diversity of the industry.

Rep. Tlaib (D-MI) asked Bunton how the uniformed standards can mitigate fair lending risk and address discrimination. Bunton replied that they want people to understand that they can file a complaint if they feel that they have been discriminated against or given an unfair appraisal. Tlaib asked what the benefits would be to minimize discretion. Rice replied that minimizing discretion would remove subjectivity discretion which would help prevent discriminatory outcomes. Tlaib talked about the lack of home improvement loans available in her district and asked for recommendations of how the appraisal industry should address the gap in home improvement needs. Rice replied that it would be very difficult for the appraisal industry to deal with this as there are so many improvements to be made and voiced support for (Neighborhood Homes Investment Act) NHIA to help mend the gap of home repair needs. Tlaib asked if there were ways to better integrate home repair needs into the appraisal and home mortgage process. Rice talked about an acquisition rehab mortgage product which allows the appraisers to appraise the home after the repair is done and then the loan can go through at that price.

Rep. Williams (D-GA) asked Bishop how important it is for the appraisal industry to look like the neighborhoods they are working in. Bishop replied that diversity is incredibly important to them and mentioned the PAREA program which makes the path quicker to become an appraiser. Williams pointed to her draft legislation on expanding the appraiser workforce and asked how an

effort like this, to better integrate the training pipeline, helps recruit more diverse appraiser professionals. Bishop expected that as more diverse individuals enter the profession, they should be talking to their colleagues and peers about this which should create more interest and increase diversity. He added that it would be helpful for clients to allow trainees to do the appraisal to help with the experience hours. Williams asked Rice what other steps can be taken to ensure that efforts to resolve appraiser shortages also serve to increase diversity in the industry. Rice discussed how the increased use of technology can build more uniformity and accuracy into the process with a caveat of ensuring that the technology is de-biased.

Waters asked the qualifications for becoming an appraiser. Bunton replied 150 hours of evaluation education in the classroom, 1,000 hours of experience over six months and then an exam. He clarified that the 1,000 hours is working with a supervising appraiser. Waters asked how the experience of an experienced realtor counts. Bunton did not know. Waters said that it does not count and was thinking that there are a lot of experienced realtors and wanted to know why this experience does not count even if a realtor has been doing this for years. Bunton said yes. Waters said that this is going to be dealt with.

Rep. Auchincloss (D-MA) emphasized the need to build more housing and while Massachusetts is well behind housing stock, he said that the Housing Choice Act is working, but they need to deal with local land use issues as well. Auchincloss referred to a Fannie Mae study after the housing crisis on the accuracy of appraisals and how knowledge of the value of the contract prices can impact the valuation and that there is significant confirmation bias. He then asked Bunton if his organization has put standards in place to help reduce confirmation bias. Bunton said no. Auchincloss moved to AMCs and asked if this barrier has affected confirmation bias. Kelker was not sure that it affected confirmation bias and if the contract price is within range, the contract price is usually what the appraiser goes with. Auchincloss asked if there are tools at the appraiser's disposal to detect implicit bias in real time before it gets to the lender and asked if this technology would be helpful. Rice said no, but if the technology was built correctly, it would be helpful. Auchincloss asked if there were standards to help ensure that this technology was built correctly. Rice responded yes and mentioned that they just released a framework.

Rep. Ocasio-Cortez (D-NY) talked about black New York City areas facing a foreclosure crisis. She talked about how many of these same neighborhoods were the same ones targeted by subprime mortgages in the run up to the financial crisis. She asked if loan servicers should provide loan modifications to make monthly payments more doable to avoid foreclosure. Rice said yes. Ocasio-Cortez saw a blatant pattern with the pandemic and that when faced with the possibility of foreclosure, residents will rush to sell their homes only to be discriminated against when trying to sell their home. She referred to a Brookings study on black homes that are devalued compared to homes in white neighborhoods and believed this lays bare the history of

redlining. Ocasio-Cortez asked Rice about what we should be doing to right this wrong. Rice advocated for implementing the recommendations in the PAVE report.