



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

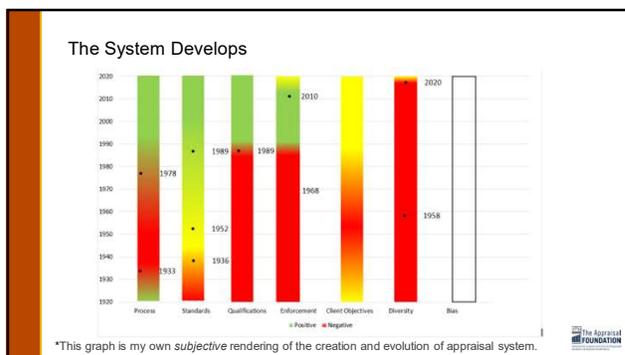
**Updates from The Appraisal Foundation on:
Diversity, Equity and Inclusion
PAREA
USPAP**

June 16, 2022

APPRAISERS- How did we get here?




The Appraisal Foundation Update
Lisa Desmarais, SRA
Vice President of Appraisal Issues
www.appraisalfoundation.org

- How did we get here?
 - Appraisers- Who are we now? How many are we?
 - The Criteria- Its brief history
 - Increasing our Numbers
 - Diversify the Profession
 - The Work of the Foundation
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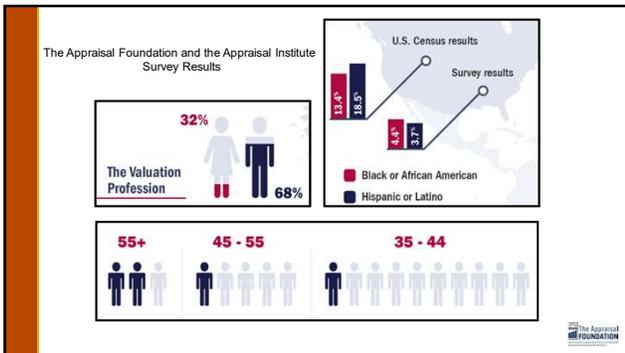
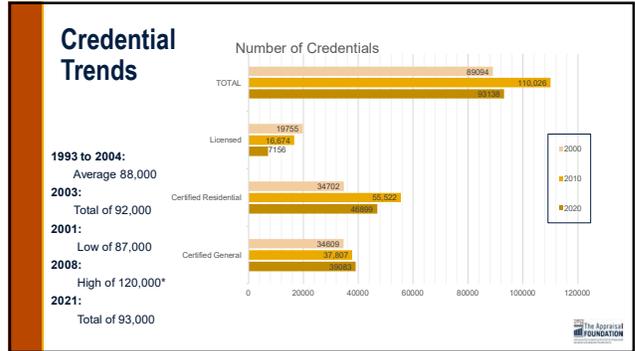
APPRAISERS- Who are we now?




The United States of America

330 Million People- 160 Million are Employed

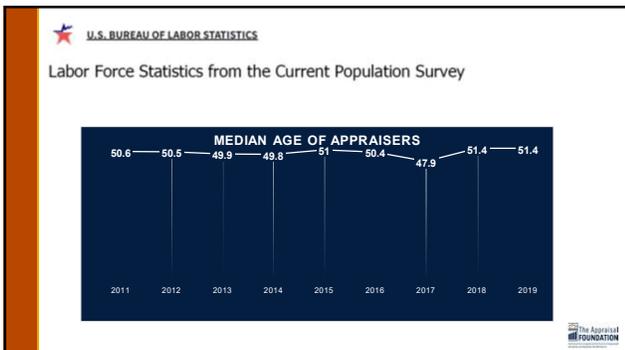
- 5 Million Salespeople
- 1.3 Million Real Estate Agents
- 781,000 Property Managers
- 400,000 Loan Officers
- 116,000 Building Inspectors
- 80,000 Appraisers (.02% of the US)**
- 47,000 Urban Planners



15 Year Trend: Active Appraiser Credentials

	2006	Today
Certified General	34,812	39,067
Certified Residential	46,701	46,845
Licensed Residential	29,921	7,233
Total	111,434	93,145

Appraisal Subcommittee, November 5, 2021



Credential Trends

- Since the end of 2018 to the present the total number has varied by no more than 1,580.
- Less than a 2% variance.

YEAR	TOTAL NUMBER
2017 (December)	95,731
2018 (December)	94,524
2019 (December)	94,703
2020 (July)	93,138
2020 (October)	94,209
2021 (November)	93,145
2022 (June)	93,619

Appraisal Credentials by State

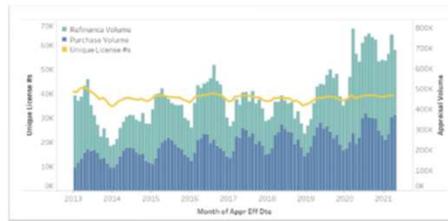
Organized by the number of states with these percentage levels

	Licensed Res	Certified Res	Certified Gen
0%	9	0	0
0.1% to 5.9%	14	0	0
6.0% to 9.9%	18	0	0
10.0% to 19.9%	13	0	0
20.0% to 29.9%	1	4	0
30.0% to 39.9%	1	5	14
40.0% to 49.9%	0	28	29
50.0% to 59.9%	0	18	9
60.0% to 69.6%	0	1**	3
100%	0	0	1



Appraisers who work for the GSE's

Chart from Freddie Mac



Fun Facts: Northern Mariana Islands



Appraiser Capacity for GSE work

GSE Appraisal Volume Against Capacity (2012-2019)

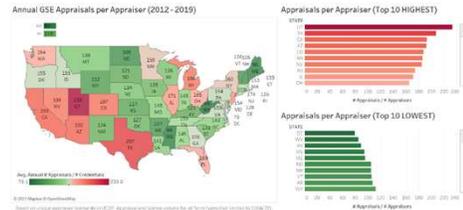


Chart from Freddie Mac



Appraisal Credentials by State

State or Territory	# Certified General	# Certified Residential	# Licensed	# Total
Alabama	645	598	57	1300
Alaska	101	122	0	223
Arizona	826	1255	180	2261
Arkansas	426	392	54	872
California	2759	4560	975	8294
Colorado	1068	1360	304	2732
Connecticut	533	620	0	1153
Delaware	247	245	28	520
District Of Columbia	384	333	50	747
Florida	2711	3856	12	6579
Georgia	1499	1339	286	3124
Washington	980	1491	140	2611

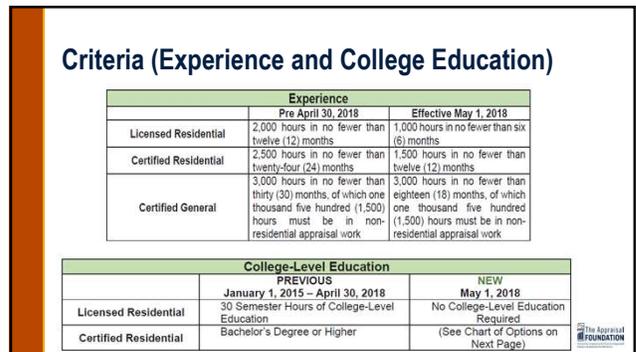
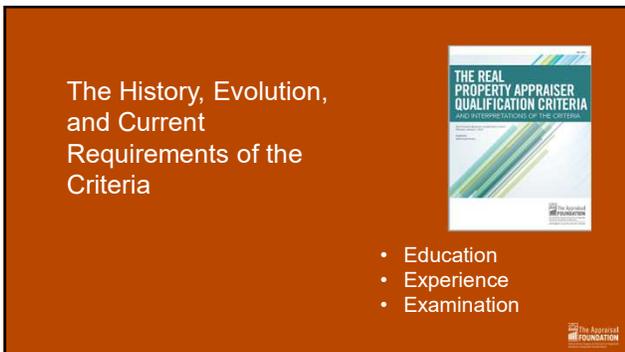
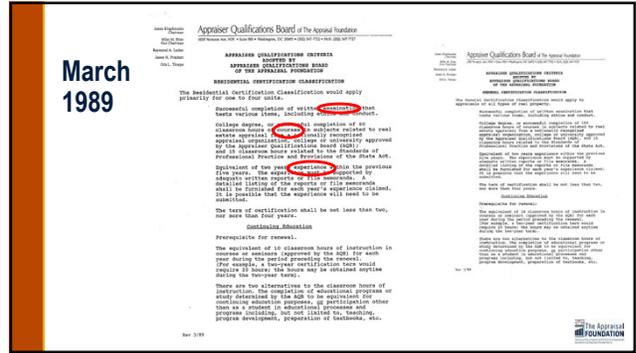


GSE's: Appraisals vs Waivers

September 2020: Counts	Freddie Mac				Fannie Mae			
	Cash Out	NCO	Purchase	Total	Cash Out	NCO	Purchase	Total
Appraisal	39,963	59,677	98,034	197,674	58,519	77,466	131,899	267,884
Waiver	23,506	138,640	13,623	175,769	20,908	158,155	16,488	195,551
Total	63,469	198,317	111,657	373,443	79,427	235,621	148,387	463,435

September 2020: %	Freddie Mac				Fannie Mae			
	Cash Out	NCO	Purchase	Total	Cash Out	NCO	Purchase	Total
Appraisal	63.0%	30.1%	87.8%	52.9%	73.7%	32.9%	88.9%	57.8%
Waiver	37.0%	69.9%	12.2%	47.1%	26.3%	67.1%	11.1%	42.2%
Total	100.0%							





BIAS, DISCRIMINATION AND DIVERSITY IN THE PROFESSION

Campaign



- 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.

Current Environment

- 2017 *"The Color of Law"* – contemporary (and bestselling) book discussing housing and racism
- 2018 "Devaluation of Assets in Black Neighborhoods"
- 2018 "Neighborhoods, Race and the Twenty-first-century Housing Appraisal Industry"



Studies



2020: The Year of Change

Black Homeowners Face Discrimination in Appraisals

Black homeowners routinely discriminated against by appraisers

For Black Homeowners, Unfair Appraisals Are All Too Common

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

Studies



Bias and Discrimination

- Perhaps the biggest challenge the profession has faced in decades
- 2020: Press reports & Public Trust
- 2022: ASC and its NHFA Report
- 2022: **PAVE**: Property Appraisal and Valuation Equity – Task Force by the Biden Administration Report



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PAVE



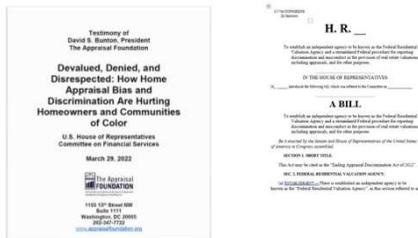
The Appraisal Foundation

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.
- **QUICK ACTION in 2021**: The 7-hour USPAP Update contains 90 minutes on bias and discrimination related topics, as they relate to USPAP.

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U.S. House of Representatives Committee on Financial Services



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Action: Forward Steps Bias and Discrimination

- Strengthening guardrails against unlawful discrimination
 - Comprehensive review of Ethics Rule (more on this in a bit!)
 - Retaining Relman-Coffax
 - Council to Advocate for Residential Equity "CARE"
- Building a well-trained, accessible, and diverse appraiser workforce
 - PAREA modules in development (more on this in a bit!)
 - 32 states now accept PAREA for experience requirement

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Action Detail: New Process for Appointing Board Members

- In 2021, the Foundation engaged a consultant, who is an expert in diversity and inclusion, to review Foundation's process for soliciting and appointing Board members.
- The consultant provided their findings and recommendations which were voted into effect at the October 2021 Board of Trustees (BOT) meeting.
- The Trustee Nominating Committee implemented these changes into their process this spring, resulting in two new BOT members announced at the spring BOT meeting.

Appraiser Qualification Board Update

Action Detail: Diversity Training

- As part of the Foundation's ongoing efforts to promote diversity, equity, and inclusion (DE&I), the Foundation has scheduled diversity training for all staff members and trustees during the Fall BOT meetings.
- In alignment with its goals, the Appraisal Foundation is prioritizing evidence-based assessment, education, and strategy facilitation in DE&I with its Board of Trustees and staff.
- This education is consistent with the recommendations from an external DE&I consultant and their engagement with the Board Diversity Task Force.

Effective January 1, 2022

- Revision to Distance Education Requirements
 - Synchronous education offerings to be treated as equivalent to traditional in-person classroom offerings
 - Separating synchronous courses from asynchronous courses (they used to be treated the same, which meant a much more onerous approval process for the synchronous courses)
- Remove a 50% Limitation on Appraisal Experience Gained with a non-traditional client and allow up to 100% of experience credit to be gained this way
 - Resulted in the First Practicum being designed and approved.

AVMs

PAREA

Practical Applications of Real Estate Appraisal

PAREA: A new pathway for aspiring appraisers

- PAREA directly addresses the difficulty aspiring appraisers face in finding a supervisor.
- We want the appraisal profession to reflect the population of the United States.
- Our hope is that PAREA opens up the profession to a diverse new generation of appraisers.

PAREA is NOT:



Not intended to provide "competency", but it provides "minimum qualifications"



Not intended to be "partially" adopted, but states may choose to do so

PAREA: Creation and Evolution

- History of the apprentice model



- PAREA Becomes Effective January 1, 2021

PAREA: How much experience can be gained?

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

PAREA is



An alternative to the traditional Supervisor-Trainee model



Available for Licensed Residential and Certified Residential



Can provide up to 100% of experience credit

Counts toward Residential portion of the 3000 hrs. for CG



Approved by the AQB

Preliminary review & Final review

PAREA: Participants must:

- 1 Complete all QE prior to entering a program
=150 hours of QE for Licensed
=300 hours of QE for Certified
- 2 Be periodically mentored
- 3 Produce USPAP-compliant appraisals
- 4 Complete the PAREA program in its entirety before earning the completion certificate. No partial credit.
- 5 Still pass the national licensing exam

PAREA Providers must:

Offer	Ensure	Provide	Provide	Determine	Ensure
Offer training on all topics	Ensure participants produce USPAP compliant appraisal reports	Provide an adequate number of Mentors-qualified appraisers	Provide participants access to data, research, MLS, environmental info, etc.	Determine type of acceptable training methods - Computer based learning, video, gaming, video tutorial, Virtual Assistant, Virtual Reality Training	Ensure their program is accepted in the state

PAREA: Details

Participants are required to **demonstrate mastery of each topic** area before moving forward in the program. Thus, the emphasis is proficiency, not hours.

PAREA will provide the participant **opportunities** to apply the complete appraisal process in the development of an appraisal report.

Just as it is now, all credentialed appraisers **can gain competency before completing assignments**, but they do not have to demonstrate competency before they are issued a credential.

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PAREA consists of "Modules"

- PAREA has two modules: Licensed Residential, Certified Residential
- Modules contain lists of required content
- Modules are the content which must be included in the providers' development of exercises, examples, simulations, case studies, and applications.

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Updates on PAREA

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PAREA: Details

Having participants go through a structured, AQB-approved program **assures consistent and accurate training**.

With a state's full acceptance of PAREA experience, the need to review **appraisal logs** and appraisal work samples could be **eliminated**.

Ensures the participant has **experience writing** USPAP compliant appraisal reports.

Ensures the reports the participants demonstrate their **own work product skills**, rather than their supervisors'.

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PAREA: State Adoption

- By our informal count, **32 states** that have, one way or another, indicated that completion of PAREA will be acceptable.
- In just the last five months, numerous providers have submitted their individual preliminary PAREA programs AQB for review. Several different programs are currently in development. Received **seven** preliminary concepts from potential providers.
- Internal tracking list: Over 1,600 interested in PAREA

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PAREA- Pathway to Success

- The Foundation Board of Trustees approved a program, known as the Pathway to Success, to provide a conditional grant of \$500,000 for start-up assistance to bring PAREA to market.
- The conditional grant was awarded to the Appraisal Institute, who is working collaboratively with the National Society of Real Estate Appraisers. They intend to have their module available to the public in 2023.



How do I know that a PAREA Program will be high-quality without seeing it?

- Providers **must follow the Criteria**, PAREA Implementation Policies, and be sure they meet the PAREA Minimum Content Requirements for Licensed Residential and/or Certified Residential Classifications.
- The AQB will personally be reviewing each program to ensure that minimum standards are met.



PAREA: Pathway to Success Possible Second Phase

- To overcome some of the issues the appraisal profession is facing
 - e.g., claims of insufficient numbers of appraisers, unnecessary barriers of entry to the profession, and users of appraisal services seeking alternative valuation solutions.
- Partnering with corporate America to provide financial assistance for:
 - Appraisal education, the PAREA experience module, and the first year of membership with an appraisal sponsoring organization.
- Focus on assisting veterans, minorities, and individuals seeking to work in underserved rural areas.



Do states need to approve PAREA programs themselves?

- The AQB **will approve** PAREA programs, but it is up to each **individual state** to adopt PAREA as an alternative pathway, and to accept the AQB's approval of PAREA programs.



Questions about PAREA




Do Mentors need to be licensed in individual states?

- No. There is not a geographical competency requirement within PAREA, so Mentors do not need to be licensed in the states where they are mentoring participants.
- Mentors need to be qualified appraisers



PAREA: Keep up to date!

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

aida@appraisalfoundation.org




Federal Agencies Letter

1. CFPB (Consumer Financial Protection Bureau)
2. HUD (U.S. Department of Housing and Urban Development)
3. FRB (Federal Reserve Board)
4. OCC (Office of the Comptroller of the Currency)
5. FDIC (Federal Deposit Insurance Corporation)
6. NCUA (National Credit Union Administration)
7. FHFA (Federal Housing Finance Agency)
8. DOJ (U.S. Department of Justice)



The Appraisal Standards Board Update



ETHICS RULE

- This proposed change is currently undergoing review by Relman Colfax
- Have had various pre-exposure drafts to stakeholders to ensure this rule is clear and enforceable
- Will be main consideration in Third Exposure Draft and will be entirely different than what was proposed in the Second Exposure Draft



Third Exposure Draft

- Main focus: ETHICS RULE
- Plan to release in the coming weeks.



Resources!



Website



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USPAP Reference Manual

- Find where certain content is located in the various sections of the USPAP publication
- Interconnected with USPAP



The Appraisal Foundation

Monthly Newsletter

- The Foundation 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.



The Appraisal Foundation

THANK YOU

Communicating with the Foundation and its Boards is easy

www.appraisalfoundation.org
 1155 15th Street NW, Suite 1111 Washington, DC 20005
 202.347.7722

info@appraisalfoundation.org
AQB@appraisalfoundation.org
ASB@appraisalfoundation.org
 Q&A Forum: www.appraisalanswerbase.com



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.
- 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



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