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James R. Park
Executive Director
The Appraisal Subcommittee of the Federal Financial Institutions Examination Council
1325 G Street N.W.
Suite 500
Washington, D.C. 20005
(Transmitted via email to jim@asc.gov)

RE: Real Property Appraiser Qualification Criteria and the Public Trust

Mr. Park,

As an industry veteran,¹ I want to draw your attention to deep concerns I have with the Real Property Appraiser Qualification Criteria established by the Appraiser Qualifications Board (AQB) of the Appraisal Foundation. I believe the experience criteria as developed are jeopardizing the housing finance industry and supporting implicit bias by perpetuating the lack of diversity in real estate appraiser ranks. The vision statement of the Foundation is, "To ensure public trust in the valuation profession." While they have successfully followed this mission statement in many areas, the current qualification criteria are unintentionally counterproductive to this vision statement.

The Appraiser Qualifications Board establishes the minimum education, experience, and examination requirements for real property appraisers. The original criteria, adopted in 1991, has been modified numerous times since with most changes applied to education and examination requirements. Changes to experience requirements were adopted in 1994 with an increase in the required hours for certified appraisers. Experience requirements were again modified in 2015, this time reducing them to levels below the original criteria in 1991. Current experience requirements are the major barrier to entry for most new appraisers. As of now, to be a certified residential appraiser, you must find a supervisor who is willing to work beside you for 1500 hours. Potential supervisory appraisers do not find this economically viable, and many have openly stated they, "don't want to train their competition." A majority of appraisal trainees fail to find supervisors. Absent their unattainable experience requirements, they are

¹ I am the Chief Valuation Officer of Voxtur, a nationwide appraisal management and appraisal technology company. In addition to my national position, I also have a limited private appraisal practice in the Greater Cincinnati area. I have been in the appraisal profession since I graduated college in 1982 and joined my parents in their appraisal practice. I hold designations with the Appraisal Institute and with the Counselors of Real Estate. I have served the Appraisal Foundation in various roles. My full Curriculum Vitae is available at www.durbin.com.

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not permitted to take the qualifying exam and demonstrate their knowledge of valuation theory and techniques.

The roadblock that the experience requirements have created is exacerbating a major problem in the housing finance industry; the already dwindling number of residential appraisers. The combined number of licensed and certified appraisers has been steadily declining since a high watermark in the early 2000s. To make matters much worse, most licensed and certified appraisers are presently very near retirement. According to a demographics study² recently completed by the Appraisal Foundation, 66.5% of respondents are over 55 years old with 31% being over 65 years old. Currently, there is a shortage of residential appraisers that is inconveniencing consumers and increasing their loan application costs.³ This shortage that is a costly inconvenience now, will become an unmanageable crisis that obstructs commerce very shortly. Soon, the housing finance industry will be negatively disrupted, and consumers will suffer; the public trust in valuation profession will be broken.

The demographics on the age of practicing appraisers is disturbing, but even more alarming are statistics on racial and ethnic diversity of appraisers. According to the US Bureau of Labor Statistics, the category “Property appraisers and assessors” is composed of 96.5% white people.⁴ Of the approximately 400 other occupations listed by the Bureau, NONE are more heavily composed of the white demographic than the appraiser category. **NONE**. Appraisers are the least diverse category. The AQB experience requirements contribute to and inadvertently encourage this lack of diversity.

Because of the difficulty finding supervisory appraisers, many appraisers enter the industry as family members of practicing appraisers. Family members are more willing to put up with the economic hardship of supervising a trainee and less concerned with “training their competitors.” The family pathway into the business perpetuates the lack of diversity among appraisers.

Articles and studies have indicated that people can have an unconscious bias favoring others who are of the same race, education level economic status etc.⁵ Subconsciously, we may favor those like us with similarities that make us feel safer. As already noted, most wanting to enter the industry are having a hard time finding a supervisory appraiser. People of color have an

² <https://appraisalfoundation.sharefile.com/share/view/s3070f5ad18bb41e4beaf26999bc1b4a7>

³ <https://www.aei.org/wp-content/uploads/2021/05/GSE-Appraisal-Waiver-Infographic-March-2021-v3.pdf?x91208>. In March 2021 approximately 49% of loans moving through Fannie Mae and Freddie Mac were processed with appraisal waivers. Without these waivers, appraisers would be completely inundated. During the same time period appraisals were taking 3 to 4 times longer and frequently higher priced despite the heavy use of waivers.

⁴ <https://www.bls.gov/cps/cpsaat11.htm>

⁵ <https://www.forbes.com/sites/forbescoachescouncil/2018/05/01/why-you-mistakenly-hire-people-just-like-you/?sh=76795c9a3827>

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exceptionally difficult time when 96.5% of the potential supervisors are white. Because of experience requirements, supervisory appraisers become the “gatekeepers” for new entrants wanting to be an appraiser. It is logical to conclude that people of color are disadvantaged when such a high percentage of those who decide to take them on as a trainee (or not) are white.

For the last several years discrimination in the appraisal process has gained much attention. To many people of color this is not news. This uncomfortable attention has been fruitful for the appraisal profession. Many national appraisal organizations have committed to education, awareness, and new efforts at inclusive membership. To its credit, the Appraisal Foundation is one of the organizations proactively working on diversity, equality and education. While these efforts are noble and productive, the experience portion of the Real Property Appraiser Qualification Criteria does not promote diversity and inclusion. As discussed, the practice of requiring supervised experience has maintained the poorest rating of diversity that the U.S. Labor Bureau has recently recorded. Continuing this practice is not in the best interest of the public or the appraisal profession. Appraisers cannot maintain the public trust when they have the worst measurement of inclusion and do not reflect the diversity of the public they serve.

The Appraisal Foundation was formed in 1987 as a non-profit organization. It has been 34 years since the Foundation started and experience requirements as they exist no longer serve the public trust. We do not live in the pre-Internet era that birthed the Appraisal Foundation. Today’s technology can now evaluate and assist appraisers while at the same time monitoring their influence on the public trust. It is time to completely reimagine the experience requirements of the Real Property Appraiser Qualification Criteria.

Experience should be evaluated after an individual completes their education and passes a stringent examination. As it stands right now, the "trainee" classification does not require experience, however the trainee may not advance to a licensed status until they have completed 1000 hours of experience, AQB required education, and passing the AQB-approved Licensed Residential Real Property Appraiser Examination. The trainee may not even sit for the exam until they have completed the experience hours. This means that new entrants are attempting to gain experience without demonstrating a command of the knowledge needed to complete the tasks that qualify for experience. This is completely backwards. New appraisers should pass the exam to establish they comprehend their education before applying it through experience on the job.

Because of these backwards experience requirements, the trainee categorization does not serve the public trust. Extensive education requirements and a comprehensive examination prior to gaining experience will support public trust in the valuation profession. The Trainee categorization needs to be eliminated entirely. The first categorization should be the license level and achievable by completing education requirements and passing a rigorous

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examination. Experience should be completed in order to meet the next categorization, certified appraiser. Under this scenario, licensed appraisers would be an economic asset to certified appraisers and their organizations. These licensed appraisers would be able to practice at the license level on their own and at the certified level only under the co-signature of a certified appraiser until minimum experience hours are met.

Eliminating the trainee categorization and the experience requirements necessary to become a licensed appraiser will provide a broader entrance ramp for new people into the valuation industry. Those completing the education and passing the examination will immediately be able to apply their skills at a licensed level. These individuals will find work easily and be economically viable partners for certified appraisers as they move from licensed to certified status. Larger valuation companies will immediately engage these newly minted licensed appraisers, widening the formerly restricted entrance to the profession.

Appraisers may continue to bring in family members as part of the process however a broader entrance way will assist at diversifying the appraiser population. More people of color will become appraisers and public trust in the valuation profession will be served by these changes.

I am personally committed to appraisers and their role in housing finance industry. I want to see a more diverse and larger population of appraisers in the future. I welcome an opportunity to speak before the Appraisal Subcommittee on these issues and provide my expertise to the betterment of the valuation profession and the public trust it serves.

Sincerely,



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CC: The Interagency Task Force on Property Appraisal and Valuation Equity (PAVE)
Council on Licensure, Enforcement and Regulation (CLEAR)
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Jeremy Gray, Chair of Board of Directors of The Appraisal Foundation
Mark A. Lewis, Chair of the Appraiser Qualifications Board of The Appraisal Foundation